

A Better Approach to the State Budget

Analyzing four budget proposals

May 2017

Introduction

Connecticut's budget provides the clearest statement of its overarching values and priorities. We analyzed the four budget proposals for Fiscal Years 2018 and 2019 offered by the Governor, Democrats, House Republicans, and Senate Republicans to determine whether and how well each would advance long-term inclusive economic prosperity, improve equity, and assure support for our most vulnerable residents.^a

All budget proposals were crafted based on a deficit forecast of approximately \$5 billion over the next two fiscal years, adopting a cuts-heavy austerity approach to the two-year \$41 billion budget. As policymakers continue their budget negotiations, we urge them to ground their work in an understanding of the economic, demographic, and political changes that have created today's ever-growing challenge, and to reject a crisis-driven, short-sighted approach. Connecticut faces a structural deficit that requires a structural response. By providing an analysis of the flaws in the budget proposals to date, we hope to lay the groundwork for a better approach: one that can support new investments to keep Connecticut an attractive place to find a job, start a business, and raise a family.

- All four budgets would reduce the share of the budget devoted to children and families to an all-time low, a 13 percent drop since 2008.
- All four budget proposals include very little new revenue, increasing taxes primarily on low-income working families while providing tax cuts to the most well-connected.
- Potential budget cuts at the federal level threaten to compound Connecticut's fiscal challenges and further jeopardize the security of children and families.
- Connecticut needs a new approach that builds a strong foundation for growth by targeting resources where they are most effective and modernizing our outdated tax system.

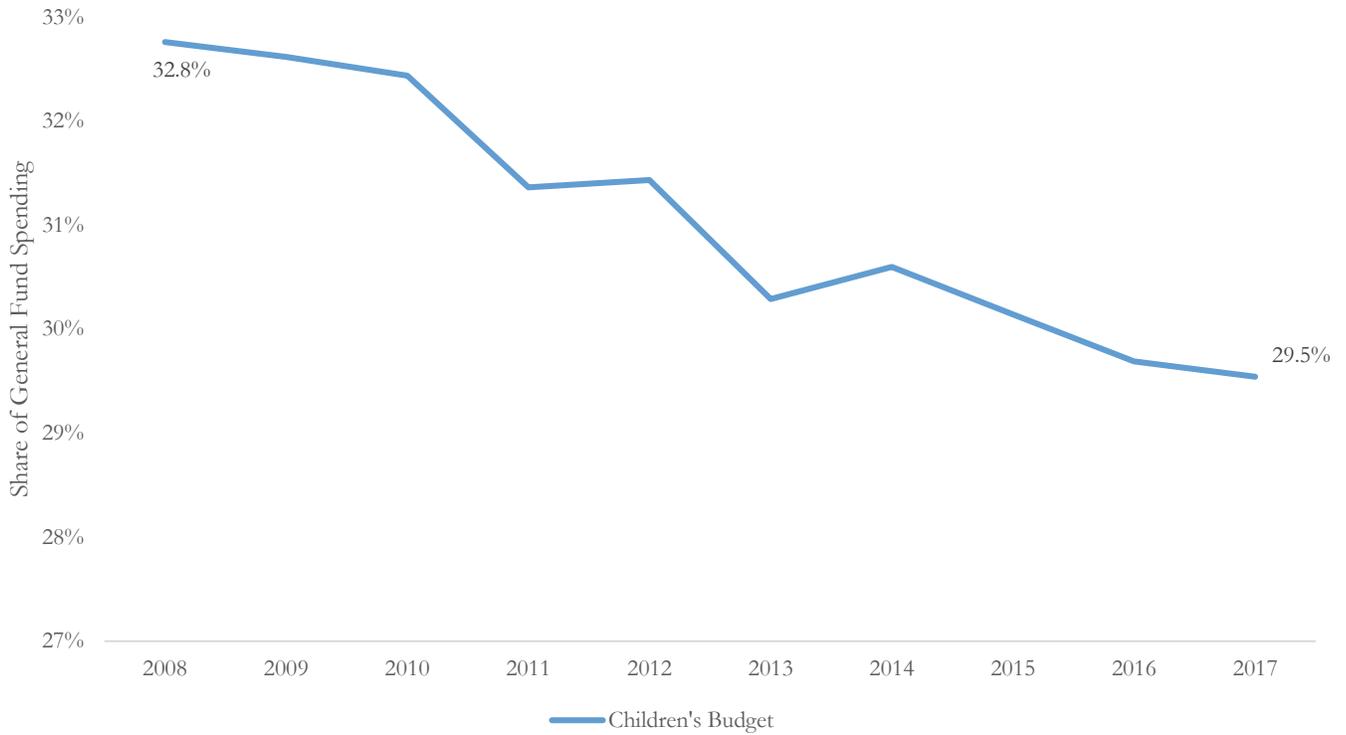
Children's Budget Expenses – Declining Share, Increased Spending

To assess changes in state support over time, our Children's Budget tracks state investments in programs and services that directly impact children.^b Following a cuts-only approach to the FY 2016 budget deficit, the Children's Budget fell to a record-low 29.5 percent of General Fund spending in FY 2017. Each proposal for the next biennium would shrink the Children's Budget even further, ranging from 28.6 percent in the Governor's proposal to 29.3 percent in the Senate Republicans' proposal.

^a This afternoon (on May 31), Senate Republicans offered revisions to their budget proposal that include a different approach to labor savings. This analysis uses the Senate Republicans' budget released on May 16. We will release an analysis of their May 31 proposal as soon as possible. View the Republicans' press release here: <http://ctsenaterepublicans.com/2017/05/51178/#.WS9AD5IrJhE>.

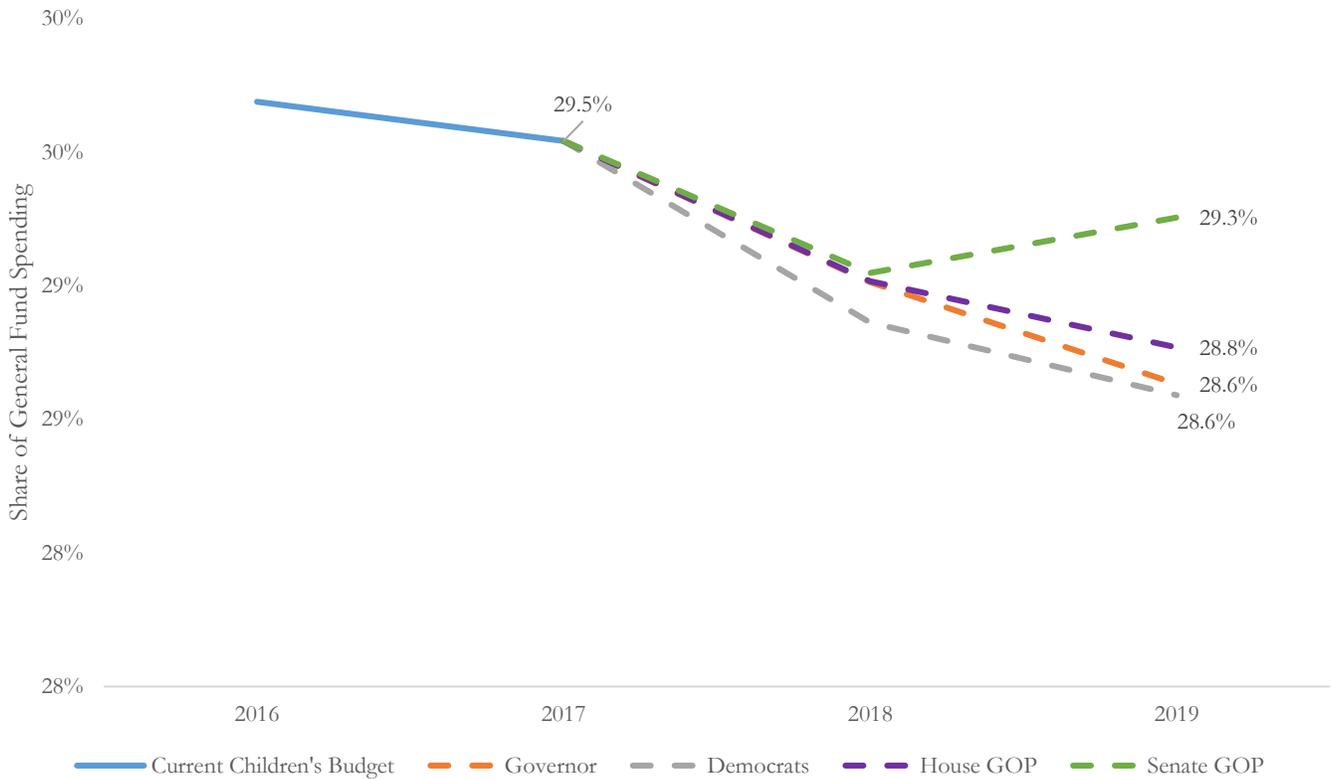
^b Visit our online visualization to assess appropriations over time, and to compare spending on children to other parts of the budget: <https://public.tableau.com/profile/connecticut.voices.for.children#!/>.

Share of General Fund Spent on Children Is Dwindling



CT Voices analysis of state budget books

Proposed Budgets Would Reduce Children's Budget to Record Low



CT Voices analysis of budget proposals

The following table illustrates the proposed changes to the 15 largest Children’s Budget line items from FY 2017 to FY 2019. We provide a more detailed analysis of each Children’s Budget component and discuss the impacts of line item cuts in the Appendix.

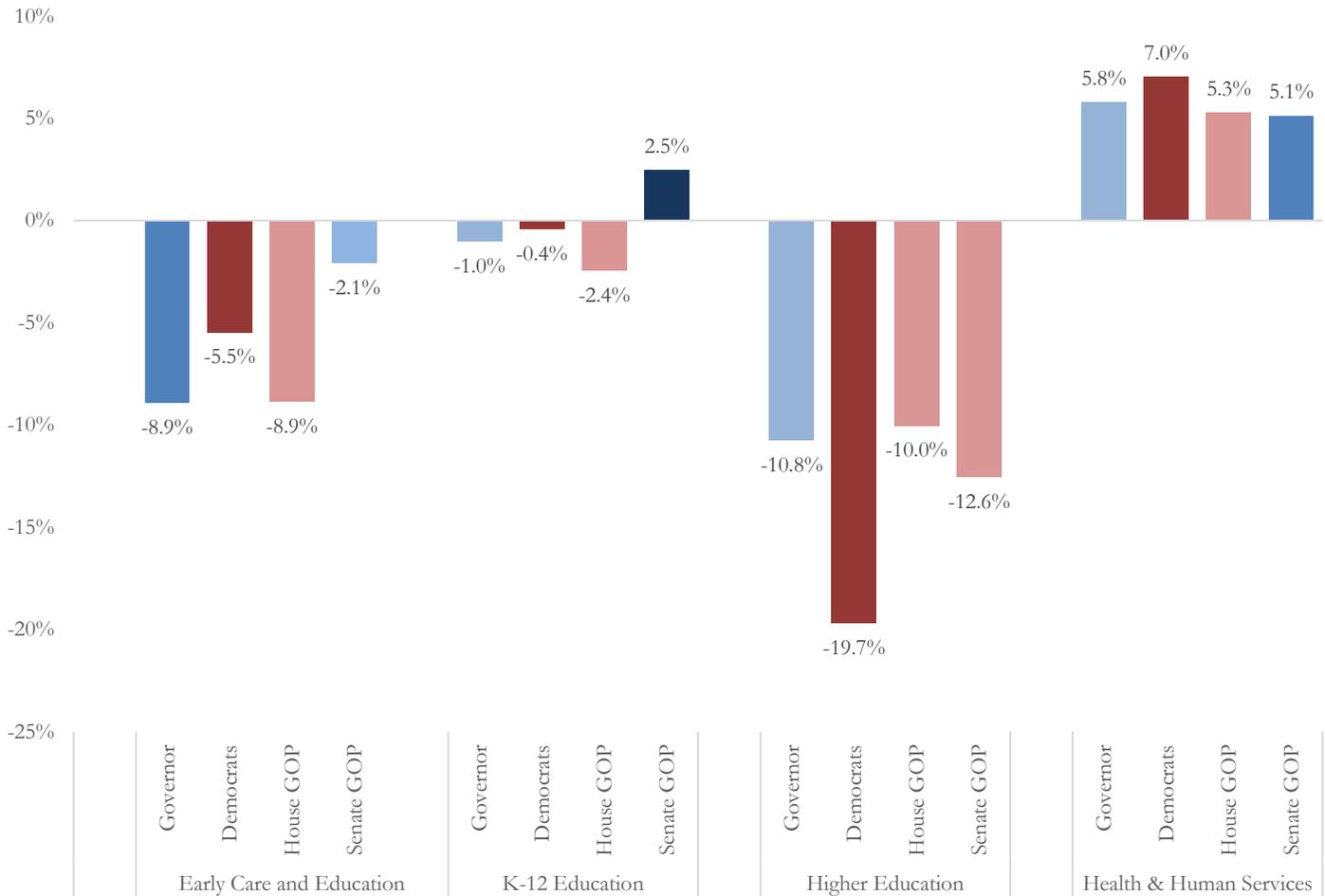
Changes to 15 Largest Children’s Budget Items Under Each Proposal (FY 2017 to FY 2019)

Line Item	Agency	Governor % Change	Democrats % Change	House GOP % Change	Senate GOP % Change
Education Formula Aid	SDE	0.2%	0.2%	0.5%	7.0%
Connecticut State Colleges and Universities	CSCU	-10.4%	-21.8%	-8.4%	-8.1%
Magnet Schools	SDE	0.0%	7.5%	-0.5%	-0.5%
Personal Services	DCF	-5.0%	-5.0%	-5.0%	-5.0%
Operating Expenses	UCONN	-9.0%	-19.2%	-12.7%	-20.6%
Regional Vocational-Technical School System	SDE	-6.5%	-3.4%	0.0%	0.0%
Board and Care for Children - Foster	DCF	8.2%	8.2%	8.2%	5.1%
Care4Kids TANF/CCDF	OEC	-11.7%	-11.7%	-11.7%	4.8%
Early Care and Education	OEC	-9.2%	-9.2%	-9.2%	-9.2%
Charter Schools	SDE	7.9%	3.4%	3.0%	-3.1%
Board and Care for Children - Short-Term and Residential	DCF	0.1%	0.1%	-8.7%	-8.7%
Board and Care for Children - Adoption	DCF	2.5%	2.5%	2.5%	2.5%
Temporary Family Assistance - TANF	DSS	-16.6%	-11.5%	-11.5%	-11.5%
Young Adult Services	DMHAS	-9.9%	-7.4%	-48.9%	-48.9%
Priority School Districts	SDE	-10.0%	-10.0%	-55.0%	-55.0%

CT Voices analysis of proposed budgets. Education Formula Aid refers to Education Equalization Grants plus special education funding, through either Excess Cost Grants or the new proposed Special Education line item.

The chart below reflects each proposal’s impact on the four Children’s Budget components — K-12 education, early care and education, higher education, and health and human services — from FY 2017 to FY 2019. All four budget proposals would cut the most from early care and from higher education, keep K-12 education funding relatively constant, and greatly increase health and human services funding. This increase in health and human services would be largely the result of increasing supplemental Medicaid payments to hospitals, which we discuss further in the Appendix.

Changes in Children’s Budget Components (FY 2017-2019)



CT Voices analysis of budget proposals.

Non-Children’s Budget Expenses

Our analysis focuses on programs that directly support children while acknowledging that other areas of the budget also impact child well-being. These other areas can affect children either positively through indirect benefits — such as employment programs for adults and investments in job-creating infrastructure — or negatively by crowding out spending that directly benefits children. The sections below briefly examine two other components of the each budget proposal: nonfunctional spending and adult health and human services.

Nonfunctional Spending

Nonfunctional spending includes fringe benefits, such as health and retirement benefits for government employees, and payments for debt service, such as interest on loans secured to pay for infrastructure. Because the state did not save for public sector workers’ fringe benefits beginning more than a half-century ago, it faces enormous bills for these benefits today.

In an effort to tackle these rising costs, the Governor proposes to shift one-third of teachers’ pension costs (more than \$400 million per year) to localities. The proposed shift is distributed progressively among towns; that is, a town’s increased liability would depend on the richness of the benefits it provides its teachers. On the other hand, this proposal would likely cause local officials to pay for the new costs by raising property taxes, which overload low-income families. The three legislative budgets would keep pension costs at the state level.

Absent the Governor’s change, teachers’ retirement costs for the state would grow by 32 percent from FY 2017 to FY 2019, compared to a growth of 17 to 18 percent for state employee benefits and 5 to 9 percent for debt service during the same period. As a result, the three legislative budgets dedicate between 38 and 39 percent (about \$6.9 billion) of the General Fund to nonfunctional spending in FY 2019, up from 33 percent (\$5.9 billion) in the current fiscal year (FY 2017).

Each of the four proposals assumes \$1.57 billion in labor concessions over the next two fiscal years. News accounts suggest that these concessions are possible, as Governor Malloy and the state employees union have reportedly reached a tentative agreement with that much in savings.¹ However, the Governor has indicated that if these talks break down and the parties find no savings, then his office will lay off 4,200 state employees (10 percent of the state government’s full-time workforce).^c The long-term cost of losing more middle-class jobs must be considered: the state has already shed approximately 17,000 public sector jobs since the recession began, including nearly 10,000 since 2010.^d

Adult Health and Human Services

The various proposals all increase spending on adult health and human services by 8 to 10 percent from FY 2017 to FY 2019. As we discuss in our appendix, this growth is primarily the result of increased Medicaid spending due to supplemental Medicaid payments to hospitals. Increases in Medicaid spending may mask significant proposed cuts to other agencies, shown in the chart below.

Many Adult Health and Human Services Would Experience Cuts

Agency	Governor % Change FY 17-19	Democrats % Change FY 17-19	House GOP % Change FY 17-19	Senate GOP % Change FY 17-19
Department of Aging	-6.9%	3.1%	19.6%	19.6%
Department of Developmental Services	-16.6%	-11.5%	-11.5%	-11.5%
Department of Housing	6.4%	5.7%	5.7%	6.1%
Department of Labor	-10.4%	-7.2%	-13.1%	-10.5%
Department of Mental Health and Addiction Services	-4.2%	-2.3%	-9.8%	-9.7%
Department of Public Health	0.3%	3.7%	3.8%	3.3%
Department of Social Services	7.4%	11.1%	8.3%	7.7%
Department of Rehabilitation	-18.7%	-4.2%	-0.7%	-0.7%
Commission on Equity and Opportunity	-14%	-100%	-100%	-100%

CT Voices analysis of budget proposals.

^c The Governor and state employees recently reached a deal to spread out future payments to avoid ballooning payments. De Avila, Joseph. Wall Street Journal. *Connecticut Governor, Unions Reach Deal to Restructure Pension Payments*. December 2016:

<https://www.wsj.com/articles/connecticut-governor-unions-reach-agreement-to-restructure-pension-payments-1481310008>.

^d According to the Economic Policy Institute, Connecticut’s public-sector workers’ wages are 14 to 16 percent lower on average than that of their private sector counterparts. After factoring in benefits such as health and retirement, Morrissey finds that total compensation packages between the public and private sector are nearly identical: <http://www.epi.org/publication/ib324-public-school-teacher-benefits/>.

Revenue – Proposals Do Not Feature a Balanced Approach^e

All four budgets adopt an austerity approach that focuses on reducing expenses without a hard look at reforming revenue streams. Connecticut Voices for Children has advocated for a more balanced approach: one that considers options on both sides of the ledger and that chooses among those options based upon five principles: equity, neutrality, adequacy, transparency, and simplicity.

- **Equity** means that those with a greater ability to pay, pay more (vertical equity) and those in similar situations with the same ability to pay, pay equally (horizontal equity).
- **Neutrality** means that our revenue system avoids unintentionally influencing private decisions.
- **Adequacy** means that our tax system raises sufficient revenue to continue to provide the level of public services that society desires in the near- and long-term. Stability and elasticity both contribute to an adequate system; stability means that revenues grow predictably, while elasticity means that a particular tax grows in tandem with the economy.
- **Transparency** means that the impact of particular tax policies, as well as processes for administering and complying with the tax system, can be easily assessed.
- **Simplicity** means that taxpayers can easily understand how the government raises revenue and spends their tax dollars.

Policymakers' imbalanced approach not only undermines shared prosperity, but also threatens to hamstring the future by failing to enact bold tax reforms that, in addition to raising critically needed revenue, would strengthen outdated revenue systems.

Asking for More from Those with Less

All proposals would generate additional revenue by raising taxes on low- to middle-income households by weakening the Earned Income Tax Credit (EITC)^f, which currently reaches about 200,000 low- and moderate-income households. When layered on top of the federal credit, the Connecticut EITC boosts about 6,600 people over the poverty line (about \$23,990 for a family of three) and eases poverty for another 99,000.² Weakening the EITC violates the principle of equity because it makes those with *lesser* ability to pay, pay more.

Likewise, three of the four proposals would eliminate or reduce the property tax credit, which was fashioned to offset the upside-down nature of the property tax for some 800,000 low- to moderate-income residents.³ As it stands now, those with less pay a greater share of their income in local property taxes, and thus, the credit helps make our tax system more vertically equitable. As with the EITC, the proposed cuts to the property tax credit compound prior reductions.

- The Governor proposes lowering the EITC from 27.5 percent to 25 percent and eliminating the property tax credit.
- Senate Republicans also would reduce the EITC to 25 percent. In addition, they propose to reduce the property tax credit.
- House Republicans also would reduce the EITC to 25 percent but go one step further: under their proposal, if the credit amount exceeds the income tax owed, then the state would no longer issue a check for the remaining balance to help make work pay and enable low income working families pay for necessities.⁴ This

^e See our latest revenue options brief for a dozen options to modernize the sales tax, strengthen the corporate income tax, and reform wealth and income taxes: http://www.ctvoices.org/sites/default/files/Revenue%20Options%202017_0.pdf.

^f See our EITC brief and data on the average credit, number of credits, and sum of credits in all 169 towns here: <http://www.ctvoices.org/EITC2017> and <http://www.ctvoices.org/publications/restoring-connecticuts-earned-income-tax-credit-makes-sense>.

would effectively do away with the program.⁵ They preserve the property tax credit.

- Democrats propose reducing the credit to 26.25 percent and eliminating the property tax credit.⁶

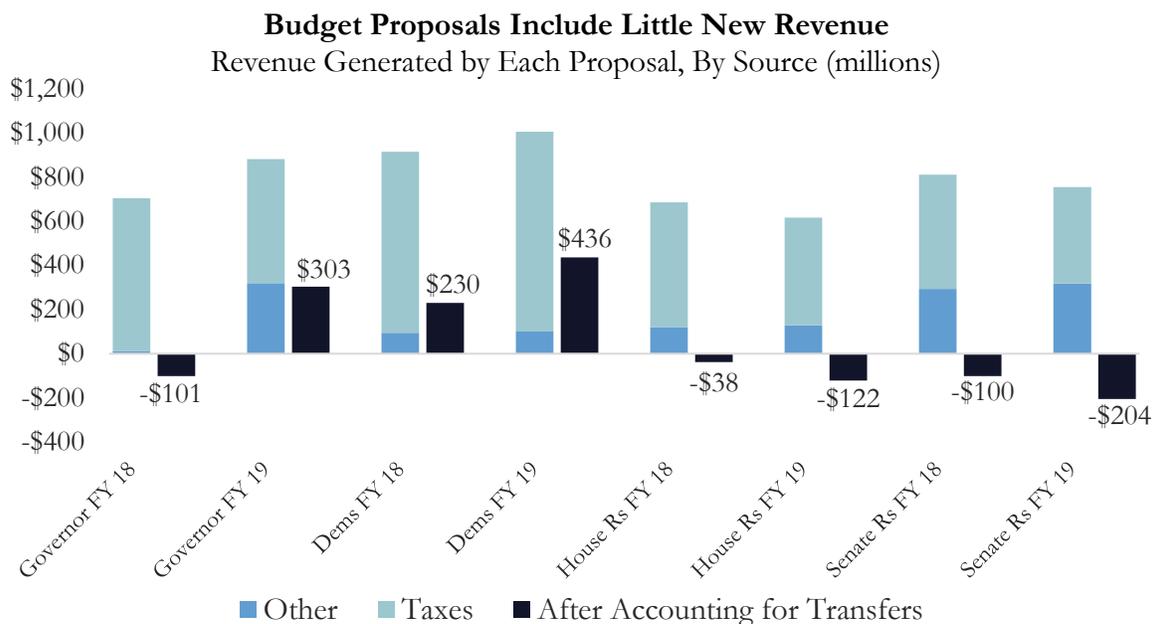
At the same time that lawmakers are asking more from those with less, all proposals would provide an average tax cut of \$100,000 for some 600 residents with estates between \$2 million and \$5.25 million by increasing the estate tax exemption to the federal threshold.⁷ When combined with proposals to lower the lifetime cap on gift and estate taxes, this proposal to reduce taxes for the wealthiest residents would come at a cost of \$20 million in FY 2019.⁸ Among taxes in Connecticut, the gift and estate taxes are most closely associated with ability to pay, a particularly important feature at a time when wealth inequality has soared to historic levels.⁸

One-Time Budget Gimmicks

As shown in the figure below, none of the proposals addresses the need for reliable, sustainable new revenue, instead relying largely on transferring monies between accounts. This violates the principles of adequacy: one-time budget transfers do not solve Connecticut’s structural budget deficit, instead leaving our revenue structure unstable and thus inadequate.

While the proposals would generate anywhere from more than \$610 million (House Republicans) to slightly over \$1 billion (Democrats) in FY 2019, little of the funds represent truly new revenue. Instead, most of the money comes from raiding the Municipal Revenue Sharing Account and Special Transportation Fund. Diverting these dollars will likely result in increased property taxes, cuts in municipal services, and/or delayed improvements to critical infrastructure.

After excluding these transfers, only two of the four proposals would generate new revenue. The Governor’s proposal would generate more than \$300 million in FY 2019 (11 percent of the \$2.8 billion deficit) and the Democrats would generate \$230 million in FY 2018 and more than \$430 million in FY 2019 (15 percent of the \$2.8 billion deficit).



CT Voice analysis of budget proposals

⁸ The Democrats’ proposal “push[es] the gift and estate change to FY 2020.”

A Hodgepodge of Other Ideas

Other revenue proposals in each budget include \$63 to \$85 million over the next two fiscal years from a tax amnesty program; \$35 to nearly \$65 million over the next two fiscal years from an assortment of fees, such as for marriage licenses, land recording, handgun permits, or criminal records; and an additional \$75 to \$120 million over the next two fiscal years in federal grants.⁹ Each proposal contains distinct tax proposals, such as:

*Governor’s Budget*¹⁰

- Would generate \$80 million over the next two fiscal years by increasing cigarette taxes.
- Would eliminate \$116 million in transfers to the Mashantucket Pequot and Mohegan Fund.

*Democrats’ Budget*¹¹

- Would generate \$80 million over the next two fiscal years by increasing cigarette taxes.
- Would legalize recreational marijuana to raise an additional \$240 million over the next two fiscal years.

*House Republican Budget*¹²

- Would exempt Social Security from the state income tax for individuals earning less than \$75,000 per year (or \$100,000 for married couples) at a cost of \$24 million over the next two fiscal years.

*Senate Republican Budget*¹³

- Would exempt Social Security *and* pension income for individuals earning less than \$75,000 per year (or \$100,000 per year for married couples) at a cost of \$51 million over the next two fiscal years.
- Would divert \$320 million dedicated to CT Energy Efficiency Fund revenue to the General Fund. The Energy Efficiency Fund supports Energize Connecticut, which provides financing and services for energy efficiency for homes and businesses.¹⁴

Recommendations

The solution to Connecticut’s budget woes lies not with a pure austerity approach, tax hikes for working families, or short-term revenue tweaks. Connecticut needs a new approach, one that includes longer-term economic planning grounded in a vision of shared prosperity and equitable opportunity for every child in our state. This includes addressing an outdated revenue system. Revenue options that present an opportunity to build foundations for thriving communities include the following:¹⁵

Revenue Options

Modernize Outdated Sales Tax	Apply sales tax to services*	\$730 million to \$1.5 billion
	Collect a larger share of taxes due on internet sales*	\$65 to \$75 million
	Apply the sales tax to digital downloads*	\$7 to \$11 million
Reform Wealth and Income Taxes	Increase income tax by a half percentage point for top earners	\$217.3 million
	Higher rates on dividends and capital gains	\$141.8 million
	Repatriation of deferred management fees	To be determined
	Join regional compact to close carried interest loophole	\$535 million
	Improve enforcement of existing tax laws	\$40 million
Strengthen Corporate Income Tax	Adopt throwback rule to eliminate “nowhere income”*	\$12 to \$25 million
	Eliminate the corporate income tax capital base system and replace with a value-added tax as an alternative minimum tax*	To be determined
	Renew efforts to regularly review business tax breaks*	To be determined
Support Critical Programs	Enact sweetened beverage tax	\$85 to \$141 million
	Institute a low-wage employer fee	\$305 million

CT Voices analysis. For a full discussion of revenue options, see our brief at <http://www.ctvoices.org/revenue2017>. Asterisk denotes policies discussed and/or recommended by State Tax Panel.

Reform the sales and use tax: Failure to keep our laws up to date with the 21st-century economy has weakened the sales tax as a stable source of revenue. Households spend more on services and online sales — purchases often outside of the current tax structure — today than in the past. Services are often tax-exempt, in part because they have been deemed difficult to collect. And while taxes are legally due on online purchases, retailers are not required to collect them. As a result, sales tax revenue decreased from nearly a third (31.9 percent) of total General Fund revenue in 2001 to a quarter (25.2 percent) in 2015. By broadening the sales tax base to include services, the state could begin to reduce revenue volatility, create a fairer tax system, and generate up to \$1.5 billion in new revenue. By enacting legislation to shift the burden of reporting sales to online merchants, the state could make it harder for them to undercut local brick-and-mortar stores while increasing revenue by approximately \$75 million.

Ensure Transparency of Business Tax Breaks: Bipartisan legislation in 2016 that ultimately failed to become law called for stronger review of the hundreds of millions of dollars spent on business tax breaks. Without regular review to ensure that these tax breaks are achieving their desired goals, they may become a permanent cost to the state even when changing economic conditions would suggest that they should be modified or repealed. Just like spending on education, infrastructure, and social services, business tax breaks should be subject to public debate.¹⁶ A bill strengthening oversight of these incentives has unanimously passed the House and is scheduled for a vote in the Senate.¹⁷ We urge policymakers to make this bill law.

Consider Structural Changes to Connecticut's Property Tax System: Today, the vast disparity in property tax rates across our towns and cities contributes to our upside-down tax system, stifles economic development, exacerbates racial disparities, and contributes to educational inequalities. Consideration of a state-level property tax would offer the opportunity to leverage the property wealth of the state for the benefit of all of its residents. A statewide adjusted property tax could decrease upside-down nature of our overall tax structure, strengthen the tax base of our largest cities, and establish a uniform non-residential property tax rate to assure predictability and uniformity to the business community.¹⁸

Appendix – Children’s Budget Spending by Type

This appendix describes proposed changes to each component of the Children’s Budget — early care and education, K-12, higher education, health and human services, child welfare and juvenile justice — in greater detail.

A Note on our Methodology

To ensure comparability with prior years, this analysis includes federal Medicaid dollars in total General Fund spending. Beginning in 2014, the state adopted a practice known as “net funding,” removing the federal Medicaid share from total General Fund spending and retaining only the state portion under the spending cap. Also beginning in 2014, the federal government significantly increased its share of Medicaid spending by providing 100 percent reimbursement for low-income adults on Medicaid (HUSKY D).

For example, in the current fiscal year (FY 2017), total Medicaid spending is \$5.964 billion, \$2.447 billion of which represents state investments, while \$3.517 billion comes from the federal government. This means that, in FY 2017, while the state defines total General Fund spending as \$17.864 billion, our baseline for comparison is \$21.381 billion (\$17.864 + \$3.517 billion). We add back in the federal share because we estimate what share of *total* Medicaid spending is devoted to children to calculate the health and human services component of our Children’s Budget.¹⁹ In FY 2017, we estimate that of the \$5.964 billion in total Medicaid spending, \$1.260 billion is spent on children.

Significantly, the Governor’s proposal includes an increase of \$896 million in total Medicaid spending from FY 2017 to FY 2019. (We assume that other proposals include the same increases in federal Medicaid dollars.) The result is that while other components of the Children’s Budget decline, the amount we calculate that is spent on children’s health and human services increases by \$190 million, ultimately translating to an increase in the total amount spent on children from FY 2017 to FY 2019. Absent this substantial increase, the Children’s Budget would see a decrease of approximately \$100 million.

Some of the increase in Medicaid spending is the result of increased “supplemental Medicaid payments to hospitals.”²⁰ In Connecticut, the state taxes hospitals and then redistributes this funding to hospitals across the state. The redistributed funds are referred to supplemental Medicaid payments to hospitals. This arrangement allows the state to draw down additional federal Medicaid funding.²¹ Policymakers have reduced supplemental payments in recent years to help close the budget deficit. It should also be noted that these are estimates and are subject to revisions—for example, the previous biennial budget estimated \$6.2 billion in total Medicaid spending in FY 2017, which was later revised downward by approximately \$300 million to the current \$5.964 billion.

Shares of nonfunctional spending do not include federal Medicaid dollars in their baseline, and therefore cannot be compared to the share of the budget dedicated to the Children’s Budget.

Early Care and Education

Connecticut has an obligation to ensure that all young children have access to high-quality early care and education: quality programming in the earliest years strengthens the foundations of skills and associated brain development that enables children to succeed in school and beyond. Affordable child care also serves as a critical work support, ensuring that families with young children can remain in the workforce and remain or move toward self-sufficiency.

The work our state must do in early childhood can be summarized within two main initiatives:

- (1) Building integrated statewide systems to improve the quality of pre-existing programs;
- (2) Expanding access to care, especially for children who need it most: English language learners, children with special needs, and low-income children (especially children growing up in communities of concentrated poverty).

Rather than further building these systems, all four budget proposals threaten to reverse Connecticut's progress to strengthen the early childhood system, whether by maintaining the closure of subsidies that make care more affordable, eliminating smaller support programs, or dismantling the Office of Early Childhood entirely. If enacted, these proposals would increase the obstacles young families face in trying to access the child care, early education, and developmental supports they need. We reach three conclusions about the policymakers' proposals:

Denying Access and Quality for All

Care 4 Kids, Connecticut's child care subsidy for low-income families, is a critical program that serves dual functions: enabling low-income parents to work and facilitating children's access to otherwise unaffordable early care programs. Last year, the program closed to almost all new families due to underfunding, leaving over 3,000 families without the care they need.

- The Governor and House Republicans would keep Care 4 Kids closed to new families through 2019 by cutting the program even further (by \$9.3 million in FY 2018 and an additional \$5.2 million in FY 2019). Thousands more families would be placed on a waitlist rather than being provided subsidies.
- In FY 2018, both Democrats and Senate Republicans would spend \$10.3 million more than the Governor, asserting that the additional funds will allow some waitlisted families to enter the program. In FY 2019, however, the Democrats do not allocate any additional funding compared to the Governor's proposal,^h whereas Senate Republicans add only about \$21 million. These sums would be insufficient to reopen the program to all new familiesⁱ (and, notably, funding will be barely higher than FY 2017 allocations).

While Democrats' and Senate Republicans' modest funding increases will allow a few more families to access this critical support, we urge the legislature to fully fund Care 4 Kids so that all eligible families can receive the subsidies they need.

^h During an April 25th press conference about the Democrats' biennium budget, Rep. Toni Walker said, "We ... put in Care 4 Kids. We only put in one year [of Care 4 Kids additional funding] because we know that we didn't have the money for the second year but we know that those [Care 4 Kids and other programs] were important." The budget document calls for the OEC to report on FY 2019 funding needs in January of 2018.

ⁱ In May 2016, the OEC reported that it needed an additional \$33 million over initial appropriations for Care 4 Kids in Fiscal Year 2017 (\$122 million) in order to meet projected family need, for a total of \$155 million. The Democrats and Senate Republicans provide \$125 million in FY 2018, with funding of \$110 million and \$130 million, respectively, in FY 2019.

Jeopardizing an Integrated System

Connecticut created the Office of Early Childhood (OEC) with the aim of consolidating under one roof the dizzying variety of programs and funding streams related to early childhood in the state. Integrated early childhood delivery systems are now recognized as best practice^j for supporting young children and their families. The needs of young children birth to five cannot be met through an extension of social service agencies or the State Department of Education, as young children and their families have distinct needs requiring different networks of care.

- The Governor and House Republicans would maintain OEC's current structure, ensuring the continuance of an agency dedicated to meeting the unique needs of young children.
- Democrats and Senate Republicans would dissolve the OEC and integrate its programming into the State Department of Education (SDE) for less than a million dollars in savings, undermining the many more millions of dollars our state has invested over the last decade in creating a high-quality early childhood system. Integration of early childhood programs into SDE may contribute to further prioritization of public school preschool to the detriment of other programs, including civic-, home-, and center-based care, especially for infants and toddlers.
- The Governor, Senate Republicans, and House Republicans would move Birth to Three²² out of early childhood into the Department of Social Services, thereby jeopardizing the early childhood expertise of those managing the program.

Small Savings over System Integrity

Connecticut's early childhood system relies on a network of assessments, referrals, child development support, family support programs, and caregiving settings to deliver nurturing environments. To see how the efficacy of the system depends upon the connections between these programs, consider the following hypothetical of a low-income child:

Parents use a Care 4 Kids subsidy to make sending their child to a School Readiness preschool program affordable. At age three, the child begins displaying behavioral concerns. The preschool teacher makes note and recommends that the parents consult the Help Me Grow info-line for a developmental screening; based on screening results, Help Me Grow connects the family with providers who can help support both the child and family, including Birth to Three or the Nurturing Families Network. Birth to Three increases the likelihood that the child will enter mainstream K-12 education without needing special education services; the Nurturing Families Network helps the family support the child's needs.

Without Care 4 Kids, the child may have fallen further behind developmentally due to lack of access to preschool. Without Help Me Grow, the problem may never have been identified, let alone addressed early. Furthermore, weakening of the OEC and the bridges it forms between early childhood providers, developmental supports, referral agencies and others, increase the likelihood that children in need fall through the cracks.

Many of the smaller early care and education programs at risk of elimination serve to integrate and provide supports to children and families. Proposed cuts to these smaller programs save the state less than \$2 million per year at the cost of seriously compromising the safety net that helps support families and meet children's developmental needs.

^j Fragmented early care and education (ECE) delivery systems "limit effectiveness in delivering a seamless continuum of services to children and families, who may frequently utilize services across these siloed systems, experiencing cumbersome and duplicative processes, varied eligibility and enrollment requirements, and undue inconvenience." Julia Coffman, Kathy Glazer, Susan Hibbard, and Kristin Wiggins. "Early Childhood System Governance: Lessons from State Experiences." BUILD. November 2010.

The final budget must prioritize system integrity over small savings.

All four budgets jeopardize this network by cutting or eliminating essential child and family support programs:

- The Governor, Democrats, Senate Republicans, and House Republicans all would eliminate Help Me Grow²³, Improving Early Literacy²⁴, Healthy Start²⁵, and Community Plans for Early Childhood.²⁶ They also annualize last year's holdbacks – in other words, they take last-minute cuts performed by the Governor last year and continue them for future years - for Head Start²⁷, Early Head Start²⁸, and child care quality enhancements.²⁹
- The Governor, Democrats, and House Republicans would eliminate Even Start³⁰; Senate Republicans maintain Even Start with last year's funding levels (after holdbacks).
- The Governor and Democrats would provide further cuts to Head Start over and above last year's holdbacks. The House and Senate Republicans would maintain last year's funding levels (after holdbacks).
- The House and Senate Republicans would reduce funding for Smart Start classrooms from the Tobacco Settlement Fund.

Federal Risks

Cuts in state funding for early childhood carry particular risks given uncertainty at the federal level. President Trump's budget reduces Temporary Assistance for Needy Families (TANF) by about 10 percent and eliminates entirely the Social Services Block Grant.³¹ Both grants had helped provide child care for families in need, particularly through state-funded child development centers.^k Although President Trump has proposed a child care tax proposal, the tax deductions and rebates therein offer little help for low-earning families.³²

See the chart below to compare how each budget proposal affects each line item of the Office of Early Childhood.

^k See discussion in our 2015 State of Early Childhood Report at www.ctvoices.org/ctvoices.org/state-early-childhood-2015.

	Governor	Democrats	Senate GOP	House GOP
Agency Integrity				
Eliminates OEC; transfers programs to SDE		X	X	
State-Funded Early Care				
<i>Care 4 Kids childcare subsidy:</i>				
Program remains generally closed	X	X	X	X
No additional funding to Care 4 Kids (2018)	X			X
No additional funding to Care 4 Kids (2019)	X	X		X
Funds enough to fully reopen program				
<i>Reduces other programs:</i>				
School Readiness				
Child Development Centers				
Early Head Start	*	*	*	*
State Head Start	X	X	*	*
<i>Smart Start - Eliminates Program's Tobacco Settlement Funding</i>			X	X
Child Care & School Readiness Quality Enhancements	*	*	*	*
Other Child and Family Support Programs				
Moves Birth to Three to DSS	X		X	X
<i>Eliminates small programs:</i>				
Even Start	X	X	*	X
Help Me Grow	X	X	X	X
Improving Early Literacy - Holdbacks	*	*	*	*
Healthy Start	X	X	X	X
Community Plans for Early Childhood	X	X	X	X
Nurturing Families Network				

* Indicates that the budget proposal makes permanent funding reductions by annualizing holdbacks from FY 2017 but does *not* make additional cuts. In the case of Improving Early Literacy, this eliminates the program.

K-12 Education

Quality K-12 education not only prepares children for college, careers, and life; in doing so, it also prepares Connecticut for a 21st-century economy. All four budgets recognize the importance of K-12 education, with the Governor, Democrats, and House Republicans cutting K-12 education less than almost any other section of their budgets. The Governor's, Democrats', and House Republicans' budgets cut 1.0%, 0.4%, and 2.4% respectively. The Senate Republicans, in contrast, increase K-12 funding by \$74 million in 2019 compared to 2017, a 2.5% increase.

In 2017, the vast majority of the State Department of Education (SDE) budget was accounted for by the Education Equalization Grants of \$2 billion, followed by \$313 million for magnet schools, \$163 million for technical and agricultural schools, \$136 million for special education formula aid, and \$110 million for charter schools. In comparison, the major supports for low-performing schools are much lower: \$12 million for the Commissioner's Network (school-specific turn-around funding) and \$42 million for priority districts (district-level school improvement funds).

All four budgets differ dramatically in their support for early intervention and wrap-around services, the level of dedicated funds to low-income school districts, total Education Cost Sharing (ECS) support, and proposed changes to the ECS formula.

Uneven Support for Families Early in Life and Other Wrap-Around Services

Early intervention services, such as Family Resource Centers, provide birth-to-five programming to help students become kindergarten ready, early diagnostic programs to improve child health and development, parenting supports, and parent outreach to promote child wellbeing. These early intervention services, coupled with quality child care, provide a set of early care and education practices that approach best practice models nationwide. Research suggests that these policies together can provide some of the highest returns on investment of any birth-to-twelve education policy.³³

- The Governor cuts Family Resource Centers by 50 percent, or \$3.9 million.
- The Democrats' budget cuts Family Resource Centers by about half as much as the Governor (\$2.1 million).
- House and Senate Republicans nearly fully fund Family Resource Centers, cutting the program by just 3 percent (about \$240,000).

There are very different funding priorities with respect to other wrap-around services such as after school care, support for teen parents, and policies designed to decrease youth involvement with the criminal justice system. These services account for only a small portion of the budget — less than \$20 million in a nearly \$3 billion budget in 2017 — yet are critical to ensuring equal opportunity for children and families.

- The Governor cuts after school programs by 50 percent, eliminates programs that provide support for teen parents, and eliminates the school diversion initiative (a program designed to keep youth out of the criminal justice system).
- The Democrats' budget cuts after school programs by 36 percent, maintains programs that provide support for teen parents, and fully funds the school diversion initiative.
- House Republican maintain full funding for after school programs, eliminate programs that provide support for teen parents, and eliminate the school diversion initiative.
- Senate Republicans maintain full funding for after school programs, eliminate programs that provide support for teen parents, and eliminate the school diversion initiative

Increases in Education Cost Sharing Aid for all Schools Versus More Aid for Low Performing Schools

During a budget crisis, it is necessary to make hard choices about the best allocation of limited resources. The four budgets differ dramatically in the prioritization of increasing cost sharing aid for all schools versus providing targeted aid to underperforming schools.

For schools to succeed, they need enough money to afford safe buildings, enriching books, and talented teachers. The state's grants to districts comprise a critical part of local education budgets, accounting for nearly 30 percent of Connecticut school funding in 2015.³⁴ A major source of funds to districts from the state is the Education Cost Sharing (ECS) grant. ECS was first established in Connecticut in 1988 as a way to equalize spending across high and low poverty school districts.³⁵ It has been revised multiple times by the legislature and was last fully calculated as a coherent formula in 2013. The ECS formula has not been fully followed since 2013: the ECS has been amended based on town-by-town legislative amendments. This has resulted in town grants that diverge from the original ECS distributions, which were based on student poverty and town wealth.³⁶

In addition to ECS funds, the state allocates other funds to low-performing districts and schools. The \$42 million for the Priority Schools Network allocates funds to low-performing schools based on plans proposed by the district and state. In addition, the Commissioner's Network funds (\$12 million) are allocated to the lowest performing schools with stricter controls, oversight, and hands on support than priority district money.

- House and Senate Republicans increase ECS grant aid the most, by 0.5 percent and 7 percent, respectively. However, both decrease funds dedicated to low-performing districts by eliminating the Commissioner's Network and dramatically reducing funds for Priority School Districts.
- The Governor and Democrats increase formula aid by 0.2 percent but preserve funding for low-performing districts, cutting the Commissioner's Network and Priority School Districts by 10 percent.

Furthermore, the budgets have divergent priorities for magnet, vocational, and charter schools.

- House and Senate Republicans decrease funding for magnet schools by 0.5 percent and maintain technical school funding. House Republicans increase funding for charter schools by 3 percent while Senate Republicans decrease funding for charter schools by 3.1 percent.
- The Governor maintains magnet school funding, cuts funding for vocational schools by 6.5 percent, and increases funding for charter schools by 7.9 percent.
- The Democrats increase funding for magnet schools by 7.5 percent, cut funding for technical schools by 3.4 percent, and increase funding for charter schools by 3.4 percent.

Formulas Disconnected from Evidence

The way Connecticut distributes its education aid helps determine how effectively these dollars alleviate educational disparities. Thus, a fair distribution formula based on rigorous studies of adequacy and accurate measures of poverty is essential to combating educational inequality. Current budget proposals, however, do not seem to follow a clear rationale when defining their spending levels or funding decisions. An adequate definition of need is important to ensure that the ECS formula adequately allocates funds to the neediest students. Some of the proposals use proxies for student need that underestimate the number of individuals in or near the federal poverty level.

- The Governor and Senate Republicans propose to move special education funding outside of the ECS formula into a separate grant. This proposed change would lower the foundation amount to \$9,000 compared to the current \$11,525. This cut is partially justified by the taking 22 percent out of the ECS grant and allocating it to a Special Education fund. It is important to note that the proposed foundation amount of \$9,000 is not based on a costing out study or adequacy study. There has been no State Department of

Education research justifying the \$9,000 as adequate.³⁷ According to the National Center for Education Statistics, the average total amount spent per student in Connecticut is \$16,000.³⁸

- The Governor uses HUSKY A enrollment as a proxy for students who are at 200% of the federal poverty line or below in a school district. This is a less representative measure than the current metric of Free and Reduced Price Lunch (FRPL) eligibility because it omits children who are eligible for HUSKY A but not enrolled.³⁹
- Senate Republicans maintain FRPL eligibility as the metric for student poverty.
- House Republicans and Democrats maintain the ECS grant structure from the 2017 budget with small increases in ECS spending.

Federal Threats to Teacher Training, After-School Programs

The proposed FY 2018 federal budget reduces education funding by more than 13.5 percent (\$9.2 billion)⁴⁰, including \$2.3 billion in cuts to programs supporting teacher training and class size reductions and \$1.2 billion in cuts to afterschool programs. In addition, the proposed federal budget reduces Title I funding (used to improve high-poverty schools), reallocating \$1 billion of the reduced Title I funds to promote school choice, charter schools, and voucher programs. This will decrease funds for low-income students in traditional public schools. The funds for voucher schools will likely decrease student achievement because students in public voucher programs perform worse than students in traditional public schools.^{41,42,43} Additional funds for charter schools might have no effect on student achievement because national research on charter schools show that, that on average, charter schools perform as well as traditional public schools.⁴⁴

See the table below for details of the multiple cuts and different priorities.

	Governor	Democrats	Senate GOP	House GOP
Agency Totals				
Overall change in funding (\$ amount in millions)	-\$31m	-\$13m	+\$74m	-\$73m
Overall change in funding (% change)	-1.0%	-0.4%	+2.5%	-2.4%
Cuts to staffing, professional development, and accountability	X	X	X	X
Distribution of Education Funding				
<i>Changes to ECS and Special Education Funding</i>				
Proposes a new ECS funding formula	X		X	
Decreases per-student foundation amount	X		X	
Reduces ECS + Special Education funding	X	X		
Increases ECS + Special Education funding			X	X
Eliminates funds for low-performing districts (i.e. Commissioners)			X	X
Creates new special education fund	X		X	
Reduces Magnet Schools funding	X	X	X	X
Reduces integration funds (Sheff and Open Choice)	X	X	X	X
Reduces Agricultural and Technical Schools funding	X	X	X	X
Reduces Charter Schools funding				
Increases funds for Charter Schools	X	X	X	X

Wrap Around Services, Early Intervention, and other Family Support Programs				
<i>Reduces support programs</i>				
Block grants Family Resource Centers, After School Programs	X			
Reduces Family Resource Centers (birth-to-five supports)	-50%	-26.5%	-3%	-3%
Reduces After School Programs	-50%	-26%	-0%	-0%
Reduces School Diversion Initiatives	-100%	+6%	-100%	-100%
Increases funds for child nutrition	X	X	X	X

Higher Education

Higher education provides opportunities for young adults to attain high-wage, high-skill jobs that let them climb the economic ladder. Thus, for Connecticut to grow, it must ensure that its universities remain enriching and accessible to all, regardless of income. All four budget proposals fall short of this goal.

Steep Cuts, Fewer Scholarships

All four budgets drastically reduce support for Connecticut's higher education system:

- The Governor cuts University of Connecticut (UConn) funds by 9 percent and funds for State and Community Colleges by 10 percent.
- The Democrats' Budget cut UConn funding by 18 percent and State and Community College funding by 22 percent.
- House Republicans cut UConn funding by 12 percent and State and Community College funding by 8 percent.
- Senate Republicans cut UConn funding by 19 percent and State and Community College funding by 8 percent.

These proposals would increase hardship for the 121,000 students enrolled in the UConn, State College, and Community College systems.^{45,46} Although the state has not yet arrived at a final budget, the Board of Regents operates on a different policymaking timeline and has had to render decisions with incomplete information. They have determined that the expected state funding cuts will result in both tuition increases and college consolidations.

The state Board of Regents has approved⁴⁷ the Connecticut State Colleges and University System president's proposal to address anticipated funding cuts: (1) tuition increases of 4 percent for universities and colleges and by 2.5 percent for community colleges in each of the next two years,⁴⁸ and (2) a controversial major restructuring and operational consolidation of community colleges. The restructuring would put all community colleges under one president and would decrease the autonomy of different campuses, with estimated savings of \$41 million.⁴⁹ However, these estimates might be optimistic given the problems with previous restructuring⁵⁰ and enrollment declines. Moreover, the estimated savings of consolidation might address the proposed cuts in the Governor's, the Republican House, and the Republican Senate budgets, but there would still be a shortfall under the Democrats' proposed budget of an estimated \$372 per student.⁵¹

As tuition rises and programs consolidate, legislators also propose to cut state scholarships for low-income students.

- The Governor and Senate Republicans cut scholarships for low-income students by 25 percent, leading to 1,783 fewer grants awarded next year.⁵²
- The Democrats' Budget cut scholarships for low-income students by 11 percent, leading to 757 fewer grants awarded next year.
- House Republicans cut scholarships for low-income students by 60 percent, leading to 4,274 fewer grants awarded next year.
- House and Senate Republicans propose to offset some cuts by funding some scholarships with increased bonding instead of General Fund dollars.

These scholarship cuts, combined with potential tuition increases and programming reductions, mean that it will become increasingly difficult for Connecticut's poorest students to complete higher education.

Compounding the Federal Threat

These cuts in state funding are particularly problematic given the dramatic proposed cuts in college assistance at the federal level. The federal proposals include ceasing to subsidize interest on student loans, which could increase student costs by thousands of dollars; cutting the funds to support student work-study; requiring that students pay interest on loans while they are still in school; and ending public service loan forgiveness policies that affect over 500,000 individuals nationally.⁵³ The proposed federal budget also cuts \$300 million in programs to help low-income students make it through college. In addition, the budget would cut federally funded research agencies and eliminate a program to support foreign language programs in strategic languages.^{54,55}

Currently, Connecticut has a competitive advantage as one of the states with the highest proportion of individuals with a bachelor’s degree or higher nationwide. These budget proposals’ cuts to higher education, compounded by dramatic cuts during the last two years, put Connecticut’s competitive advantage in higher education at risk.

	Governor	Democrats	Senate GOP	House GOP
Higher Education				
Overall change in funding (\$ amount in millions) ⁵⁶	-\$65.1	-\$123	-\$76	-\$77
Overall change funding (% change)	-11%	-20%	-13%	-13%
Specific Funding Reductions				
Reduces University of Connecticut funding	-9%	-18%	-19%	-12%
Reduces State Colleges, State Universities, and Community Colleges funding	-10%	-22%	-8%	-8%
Reduces scholarship program for low income students	-25%	-11%	-25%	-60%
Potential Impact on Students				
Operational consolidation of community colleges	X	X	X	X
Tuition increases				
Tuition increases at UConn, SCSU, and Charter Oak College (currently budgeted)	4%	4%	4%	4%
Tuition increases at community colleges (currently budgeted)	2.5%	2.5%	2.5%	2.5%
Gap in per-student funding after <i>proposed college consolidation</i> ⁵⁷	-	\$372	-	-

Health and Human Services

Reliable access to health care is one of the key foundations for economic security. Quality health coverage plays a key role in promoting positive long-term health outcomes for children, and stability and peace of mind for their parents. Medicaid, in particular, has been shown to help reduce disparities in coverage and access to care among families of color who are more likely to be poor and uninsured than white families. The current budget proposals would undermine reliable access to health care and thus undermine family economic security.

It should be noted that reductions in health services funded by Medicaid mean both a cut in state dollars and a sizeable loss of federal revenue. Currently, the state receives approximately 60 cents on the dollar for expenditures in the entire HUSKY program, which includes services and supports for individuals with disabilities and seniors (HUSKY C), low-income adults (HUSKY D), as well as children and parents in HUSKY A and HUSKY B. All together, HUSKY provides essential health care for over 750,000 individuals from cradle to grave. HUSKY members reside in every town and city in the state. All four proposed budgets seek to reduce coverage and/or benefits for individuals on Medicaid, including capping the yearly expenditure for routine dental services provided to parents and other adults.⁵⁸

Health Care Out of Reach for More Children and Families

Connecticut's HUSKY Program (Medicaid and the Children's Health Insurance Program) provides health insurance for about 300,000 children and over 150,000 low-income parents and pregnant women.⁵⁹ Until 2015, entire families – children and their parents or relative caregivers – were eligible for Medicaid in households with income under 201 percent of the federal poverty level (FPL), or \$40,750 annually for a family of three.⁶⁰ Research has demonstrated that when whole families are insured, children are more likely to maintain insurance coverage and access to health care, while children in low-income families are three times more likely to be uninsured if their parents are uninsured.⁶¹

As a way to reduce state spending, beginning in FY 2016 the Governor and the General Assembly cut eligibility for parents and relative caregivers to 155 percent FPL (\$31,248 for a family of three). Of those parents affected by the 2015 eligibility reduction, 42 percent (almost 8,000 parents) were no longer covered by HUSKY or a health plan offered by Access Health CT (the state's health insurance exchange), and are likely to have gone without health insurance coverage.⁶² This year, policymakers propose putting more obstacles in front of low-income families trying to access care:

- The Governor, Democrats, and Senate Republicans would further reduce income eligibility for parents of children on HUSKY A from 155 percent FPL to 138 percent FPL (\$27,821 for a family of three), affecting approximately 9,500 low-income parents.⁶³ This would save \$500,000 in FY 2018 and \$11.3 million in FY 2019. When federal Medicaid matching funds are added, the loss in funding is \$1 million and \$22.6 million, respectively, for each of the next two fiscal years.
- House Republicans would not reduce eligibility for low-income parents on HUSKY.
- Democrats, Senate Republicans, and House Republicans would impose monthly co-payments (or premiums) of \$27 on low-income parents on HUSKY. The proposal may well be illegal under federal law. Even if the policy were to comply with federal law, research shows that low-income families may forego coverage or treatment due to such “modest” premiums or co-pays.⁶⁴
- Senate Republicans would go further by reducing and/or eliminating Medicaid “optional services” for individuals on HUSKY A and HUSKY D (although the proposal does not specify which health services

would be reduced or jettisoned) for state savings of \$22.2 million in FY 2019.¹ The Republican proposal also does not explain whether the changes apply only to adults on HUSKY A or to children as well. Medicaid law guarantees children a more comprehensive array of services than adults on Medicaid. There would be a concomitant loss of federal revenue for a total cut at least \$44.4 million.

Chipping Away at Child Services

All four budgets would continue chipping away at funding for other health programs that primarily serve children, families, and youth. These programs include the following:

School Based Health Centers (SBHCs) provide primary care, including mental health (41 percent of all visits) and oral health services to tens of thousands of school-age children. According to the Connecticut Association of School Based Health Centers, recent funding reductions have resulted in the closure of centers and cutbacks in services.⁶⁵ It is likely that additional reductions will lead to fewer children receiving early intervention and cost-effective services. Although some services are reimbursed by HUSKY or private insurance, there are a multitude of barriers that prevent the centers from receiving third-party reimbursement, including high deductibles under private plans, non-coverage for prevention and care coordination, and denial of mental health visits.⁶⁶

- The Governor and House Republicans would cut SBHCs by 12.9 percent and 10 percent respectively from FY 2017 to FY 2019.
- Democrats would cut SBHCs by 3.3 percent during the same period.
- Senate Republicans would maintain SBHC funding at FY 2017 levels.

Grants for mental health, substance abuse services, and employment services—provided by the Department of Mental Health and Addiction Services (DMHAS)—help offset costs of local programs to serve uninsured and under-insured individuals, many of whom live with serious and persistent mental illness.⁶⁷

- House and Senate Republicans would privatize about two-thirds of the services provided by these grants for mental health while protecting funding for Substance Abuse Services.
- The Governor and Democrats would not privatize mental health services grants but would cut funding for Substance Abuse Services.

The Department of Social Services contracts with a variety of local and regional social and health services programs to provide pregnancy prevention education and services to children and youth.⁶⁸

- The Governor, House Republicans, and Senate Republicans would consolidate teen pregnancy prevention programs with a variety of other social services programs, including Safety Net, Family Programs – TANF, and Human Resource Development – Hispanic under the Human Services Infrastructure account. They would then cut the \$5.46 million in funding for this account by approximately \$1.6 million. It is therefore unclear to what extent the teen pregnancy prevention programs would continue receiving funding.
- Democrats would maintain the separate line item for teen pregnancy prevention and reduce its funding from \$1.45 million in FY 2017 to \$1.2 million in FY 2018 and FY 2019.

¹ Optional services include pharmacy, dental, vision, clinic services, and hospice care. A full list of optional services under Connecticut's Medicaid State Plan is available from the state Department of Social Services. The federal Centers for Medicare and Medicaid Services website lists all mandatory and optional Medicaid services. Available at: <https://www.medicaid.gov/medicaid/benefits/list-of-benefits/index.html>.

Compounding the Federal Threat

As is apparent from the recent passage of the American Health Care Act in the U.S. House of Representatives⁶⁹ and the President’s recently released budget,⁷⁰ the state may soon face a much greater challenge to maintain quality health coverage for low-income children and families. Connecticut will be hard-pressed to find resources if the federal government withdraws the subsidies that enable families to purchase coverage through Access Health CT, or drastically reduces federal funding for Medicaid and CHIP. Not only do such changes put at risk our state’s health coverage gains for children and families,⁷¹ but they are likely to negatively impact the bottom lines of hospitals and a multitude of health providers, including those serving individuals suffering from the ravages of opioid addiction.

	Governor	Democrats	Senate GOP	House GOP
HUSKY Health Coverage				
<i>Changes HUSKY Eligibility</i>				
Lowers eligibility for HUSKY A parents	X	X	X	
Imposes monthly co-pays		X **	X	X
Caps dental benefits for adults on Medicaid	X	X	X	X
Reduces or eliminates Optional Medicaid Services, such as dental or vision. Does not specify which optional services would be affected.			X	
Other Health Programs				
<i>Reduces Funding for Other Key Health Services for Children and Young Adults</i>				
Teen pregnancy prevention programs	X	X	X	X
DMHAS Young Adult Services	X	X	X	X
School-Based Health Centers	X	X		X
Reduces grant-funded mental health services	X	X	X	X

****** The Democrats’ Budget reduces eligibility for HUSKY A parents to 138% FPL but imposes cost-sharing on eligibility above 138% FPL. As a result, the intent of the combined proposals is unclear.

Child Welfare and Juvenile Justice

Every child deserves ample opportunities to develop their social, emotional, and intellectual selves to their greatest potential. The behavioral health, child welfare, and juvenile justice systems in Connecticut, whose services are provided largely through the Department of Children and Families (DCF) partnered with the Court Supported Services Division (CSSD) of the Judicial Department and the Department of Mental Health and Addiction Services (DMHAS), exist to ensure the safety and well-being of all children. Policymakers and state agencies should strive to offer children and families a full continuum of supports and services so all youth can experience a normal childhood and exit state care ready to succeed.

The Governor's budget, Democrats' budget, and both Republican budgets shield from harm portions of DCF's budget related to the Juan F. consent decree. This consent decree calls for a large number of reforms to the child welfare system to better protect abused and neglected children.⁷² It mandates that the state provide the funding and other resources necessary to achieve the goals laid out within the consent decree exit plan. However, all four budgets also reduce funds appropriated for staffing, youth involved in the juvenile justice system, and youth with severe mental health needs.

Striving Towards a Juan F. Exit

All four budgets protect certain DCF funds so that Connecticut can exit from federal monitoring under the Juan F. consent decree. The Juan F. consent decree is the result of a 1989 federal class action lawsuit filed against the state of Connecticut. The suit calls for reforms to Connecticut's child welfare system to better protect abused and neglected children. In 2002, the court approved a plan to allow DCF to exit from the consent decree by meeting and sustaining 22 performance and outcome measures pertaining to the wellbeing of children in state care and children at risk of being taken into state custody. The plan also mandates that the state must provide the funding and other resources necessary to achieve the goals laid out within the consent decree exit plan.⁷³

- The Governor's budget proposal for FY 2018 would include a \$10.2 million increase (1.3 percent) from what was appropriated for FY 2017 to DCF. The increase in funding is intended to restore previously reduced funds where cuts have negatively impacted DCF's ability to provide effective services. These are funds that the federal Court Monitor has deemed necessary to achieve the goals required to exit the Juan F. consent decree.⁷⁴
- Although the Democrats' budget would not increase funding for Juan F.-related DCF line items, their proposal maintains funding in the various line items that the DCF Court Monitor deemed important for achieving Juan F. goals.
- Both Republican budgets would increase funding in family violence counseling, family preservation services to help keep families together during crises, and community-based prevention programs for the purpose of achieving Juan F. goals. Unlike the Governor's budget, these budgets would not increase Juan F.-related funding in the family support services line item, child welfare support services line item, or supportive housing line item.

Fewer Personnel, Greater Caseloads

All four budgets would decrease DCF funding in FY 2018 by \$2,531,433 to account for smaller projected caseloads and by \$314,359 because of reduced delinquency caseloads. However, all four budgets also make additional cuts to personal services above and beyond these caseload-related adjustments. In essence, each of these budgets undermines its stated goal of exiting Juan F. and undermines the effectiveness of additional Juan F. funding by jeopardizing the quality of case management.

In 2013, the Department of Children and Families was able to keep the number of caseloads below the maximum recommended caseload sizes for close to 100 percent of their social workers and supervisors.⁷⁵ DCF Deputy Commissioner Fernando Muñiz has said that during 2013, “*Even though we were providing fewer services, DCF had their highest performance according to Juan F. monitoring. In 2013, the social workers had reasonable caseloads and reported higher levels of satisfaction with their work.*”⁷⁶ Given DCF’s current caseloads and number of social workers, the Court Monitor has determined that current funding levels do not support hiring the number of social workers DCF needs to sustain recommended caseload sizes.⁷⁷

- The Governor’s budget would make the smallest additional cuts to personal services (personnel costs). In FY 2018, he appropriates \$5.2 million less for personnel than in FY 2017 (1.9 percent), which is \$4.9 million less than can be accounted for by adjusting for new juvenile justice caseload needs. In FY 2019, the Governor’s budget appropriates \$13.7 million less than in FY 2017 (5.0 percent). His budget states that these cuts to personal services reflect the downsizing of the Connecticut Juvenile Training School (CJTS) in FY 2018, with the closing of this facility and transfer of youth to smaller, community-provider-based secure settings in FY 2019.
- The Democrats’ budget would make the same \$5.2 million cut to personal services as the Governor’s budget in FY 2018, but it appropriates \$3.2 million less than the Governor for personal services in FY 2019.
- Both Republican budgets would make deep cuts to DCF staffing. In FY 2018, the Republicans cut \$11.6 million from FY 2017 appropriations to personal services (4.2 percent), and in FY 2019 they cut \$13.8 million from FY 2017 appropriations to personal services (5.0 percent). They rationalize these changes by moving juvenile justice services from DCF to the Court Supported Services Division of the Judicial Department (CSSD) in FY 2018.

A Need for Transparent, Efficient, and Effective Juvenile Justice Services

Initiatives to reduce juvenile incarceration and involvement in the juvenile justice system are humane and, when properly carried out, have the potential for large, long-term savings.⁷⁸ All four budgets include reforms to Connecticut’s juvenile justice system to achieve savings; however, they use vastly different methods.

- The Governor’s budget reflects the downsizing of CJTS in FY 2018 and closing CJTS and moving the youth incarcerated there to smaller, community-provider-based secure settings in FY 2019. To account for these changes, the Governor’s budget decreases funds to DCF’s personal services (\$4.9 million reduction in FY 2018 and \$13.4 million reduction in FY 2019) and other expenses line items (half a million reduction in FY 2018 and \$1.7 million reduction in FY 2019) but increases funds to the juvenile justice outreach services line item (\$1.0 million increase in FY 2018 and \$3.0 million increase in FY 2019) and short-term and residential board and care line item (\$2.8 million increase in FY 2018 and \$9.0 million increase in 2019). The Governor also proposes moving juvenile justice services (a transfer of \$79.7 million) and adult services that are currently provided by CSSD to DCF and the Department of Corrections (a transfer of \$92.8 million). He believes that this move will help reduce redundancies in functions and service and save the state around \$20.3 million per year. Legislators are skeptical of this proposal⁷⁹ because CSSD is known for using research-based programming⁸⁰ and developmentally informed services.⁸¹
- The Democrats’ budget similarly downsizes CJTS in FY 2018 and closes CJTS in 2019 and provides additional funding to the juvenile justice outreach services and residential board and care line items to support this policy change. Unlike the Governor’s budget, the Appropriations budget transfers juvenile justice services currently housed in DCF to CSSD beginning in FY 2019. This transfer will shift \$21 million dollars and 35 positions from DCF to CSSD. This is a straight line-item transfer of \$21.0 million, however, it is accompanied by drastic cuts to current CSSD line items serving juvenile justice involved youth including

the juvenile alternative incarceration line item (a \$5.1 million reduction each year, 19.8 percent lower than the FY 2017 appropriation) and the youthful offender services line item (a \$2.9 million reduction each year, 21.5 percent lower than FY 2017 appropriation).

- Both Republicans' budgets also reflect savings from closing CJTS, although they move the timeline forward and close the facility in FY 2018. These budgets reflect a larger anticipated savings of up to \$15.5 million from the closing of the facility, indicating that the Republicans will re-invest less of the money saved from reduced incarceration into CSSD services to reduce juvenile justice involvement. The budgets, like the Appropriations budget, also shift juvenile services from DCF to CSSD, but they make this shift in FY 2018. Finally, they make the same cuts as the Appropriations budget to line items related to juvenile justice services housed within the Judiciary Department.

Although some efficiencies might be obtained through consolidating juvenile justice services into one agency, the proposed drastic cuts to juvenile justice services seen in all four budget proposals may roll back two decades of decreases in juvenile incarceration resulting from expanded mental health and diversion services.⁸² Tight economic times for our state do necessitate the right-sizing of services, but dollars saved on “deep end” youth should not be removed entirely from the Justice Department budget; rather, these dollars should be spent more wisely on less-involved children through diversionary programs to keep them from developing greater, more expensive needs.

Putting Obstacles in the Way of Transitions

Services that help vulnerable youth transition out of DCF care as young adults are vital to promote employment, avoid homelessness, and avoid human trafficking or incarceration. It is estimated that up to 80 percent of children involved in the child welfare system struggle with mental illness, as opposed to 18-22 percent of children in the general population.⁸³ For many of these children, mental illness may impact their ability to obtain and sustain employment or pursue higher education without supports. In 2016, almost 20 percent of DCF youth leaving care anticipated needing intensive services from DMHAS or DDS to support mental illness or developmental needs.⁸⁴ These services can be vital to help vulnerable young adults manage disability, establish stability, and avoid homelessness and incarceration. Unfortunately, all four proposed budgets drastically cut DMHAS young adult services targeted toward providing for these youth.

- The Governor and Democrats would cut this program by 9.9 percent and 7.4 percent, respectively, in FY 2018 and FY 2019.
- House Republicans and Senate Republicans would cut the program by nearly half (48.9 percent) from FY 2017 to FY 2019. Some of these cuts are the result of FY 2017 holdbacks, but much of these savings are the result of converting DMHAS operated services to the private sector.

Cuts to services for young adults aging out of the child welfare system will result in these young adults developing greater, more expensive needs within a few years. Involvement with the child welfare system leads to greater mental health needs,⁸⁵ and these traumas and needs may lead to interaction with the criminal justice system⁸⁶ and/or homelessness.⁸⁷ It is crucial that our state continues to make wise investments in the most vulnerable youth as early as possible to help prevent crisis situations for these youth later on.

A Federal Budget that Threatens Preventative Services for Vulnerable Families and Youth

Instead of investing in preventative services to promote healthy and secure families, the federal budget makes a clear statement that protecting vulnerable families and youth is not a priority for the federal government. The President's proposed budget⁸⁸ would drastically decrease funding that helps keep children from being taken into state care in the first place. These reductions include cuts to the following programs:

- Supplemental Nutrition Assistance Program (SNAP) grants that aid low-income individuals (including youth and young adults aging out of foster care) in securing healthy food,⁸⁹
- Substance Abuse Prevention and Treatment Block Grant (SABG), which supports services to parents with substance abuse disorders so that their children do not need to be taken into state care, as well as youth struggling with substance abuse disorders,⁹⁰
- Low Income Home Energy Assistance Program (LIHEAP) grants so that parents can afford adequate shelter for their children,^{m,91}
- Eliminating the Community Development Block Grant (CDBG) that helps states create safe, affordable housing for low-income families.⁹²

Further, the President's proposed budget also makes cuts to a number of grants that Connecticut uses directly to serve children in the care of the Department of Children and Families, including:

- The Child Care and Development Block Grant (CCDF), part of which is currently used to ensure that child abuse registries are accessible within the state and to other states,⁹³
- Drastic cuts to Medicaid and Children's Health Insurance Program (CHIP) funding that is used to provide adequate healthcare to all children in state care and young adults aging out of state care,
- Drastic cuts to Temporary Assistance for Needy Families (TANF) funding that constitutes the majority of Connecticut's federal funding for child welfare⁹⁴ and which is used for a great number of services including case management, abuse investigations, addiction services, and mental health services.

Finally, the President's proposed budget reduces funding for a number of initiatives that have helped Connecticut reduce the incarceration of at-risk youth and minority populations:

- Elimination of Job Corps centers that help provide job training to impoverished youth and youth at-risk of becoming involved in the juvenile justice system,⁹⁵
- Drastically reducing Workforce Innovation and Opportunity (WIOA) funding that provides job training to vulnerable and at-risk youth and young adults,⁹⁶
- Justice Assistance Formula Grants (JAG) that Connecticut uses to support crime prevention and education programs, create community-based diversion and corrections programs, provide substance abuse services, and evaluate program effectiveness,⁹⁷
- A \$700 million reduction to "unnecessary spending on outdated programs that have either met their goal or have exceeded their usefulness;"⁹⁸ which could include grants provided by the Office of Juvenile Justice and Delinquency Prevention, which members of the Republican party have previously sought to eliminate.⁹⁹

^m According to chapter 32-2-7 of the Connecticut Department of Children and Families' Policy Manual, inadequate housing or shelter may constitute as physical neglect.

	Governor	Democrats	Senate GOP	House GOP
Staffing				
Reduces personal services	-3.4%	-3.4%	-4.6%	-4.6%
Agency Integrity				
Eliminates much of CSSD; transfers JJ services to DCF	X			
Transfers JJ services from DCF to CSSD			X	X
Transfers JJ services from DCF to CSSD in 2019		X		
Adds Money to Line Items to Address Juan F. Compliance				
<i>Funding added to the following line items:</i>				
Child Abuse and Neglect Intervention	X		X	X
Family Preservation Services	X		X	X
Family Violence Outreach and Counseling	X		X	X
Community Based Prevention Programs	X		X	X
Grants for Psychiatric Clinics for Children	X		X	X
Day Treatment Centers for Children	X		X	X
Differential Response System	X		X	X
Regional Behavioral Health Consultation	X		X	X
Supportive Housing	X			
Family Support Services	X			
Child Welfare Support Services	X			
Funds Justice Reform Initiatives				
Closes CJTS in 2018			X	X
Closes CJTS in 2019	X	X		
Reinvests savings from reductions to incarceration				
<i>Reductions from juvenile justice line items:</i>				
Juvenile Alternative Incarceration		X	X	X
Youthful Offender Services		X	X	X
Supports Youth and Young Adults with Mental Health Challenges				
Reduces DMHAS Young Adult Services	8.7%	6.2%	32.3%	32.3%

Note: Percentages compare the average line item reduction over FY 2018 - 2019 compared to FY 2017

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- ²⁵ Healthy Start helps connect low-income pregnant women and their young children with health care referrals, Medicaid enrollment assistance, safety information, and other services. All four budgets eliminate the program.
- ²⁶ The “Community Plans for Early Childhood” line item matches funds provided by the Graustein Memorial Fund to Discovery communities for local early childhood councils or initiatives. All four budgets cut the program entirely.
- ²⁷ Head Start is a state and federal program to provide preschool programming to children below the poverty line. State Head Start funds supplement federal funds to increase the number of slots, enhance program quality, or extend program hours. All four budgets annualize FY 2017 holdbacks of \$172,324.
- ²⁸ The Early Head Start – Child Care Partnership expands access to high-quality programming for infants and toddlers below the poverty line, through partnerships with existing child care providers. All four budgets annualize FY 17 holdbacks of \$34,971.
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