CONNECTICUT VOICES FOR CHILDREN

State Budget Proposals: Failing to Meet the Challenges Ahead

Policy Brief
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Connecticut's budget is the clearest statement of its policy priorities. As such, it should prioritize revenue and expense options that improve equity, advance long-term inclusive economic prosperity, and ensure support for our most vulnerable residents. To solve the short-term budget crisis and lay a strong foundation for Connecticut's children and families, the legislature and the Governor must use all tools available, seeking both new revenue and expense-side savings.

The Connecticut General Assembly intends to vote on a budget today. Right now, there are two proposals on the table: a new budget agreement between the Governor and Democratic leaders in the House and Senate, and an updated Republican proposal. House Democrats have said that they plan to bring their proposal to a vote; Republican leaders are expecting that the House will also consider their budget and bring it to a floor vote.

This Budget Brief offers a summary analysis of the two proposals based on currently available information. It finds that neither offers a truly balanced approach: one that includes both shared sacrifice and shared opportunity, addresses the structural causes of our persistent deficits, and makes strategic investments in children as part of of equitable growth strategy.

Early Care and Education

Early Childhood Infrastructure

Differences in ECE funding focus on protection of the Office of Early Childhood and funding of Care 4 Kids, the state child care subsidy for low-income families.

- *Governor*: Would maintain the integrity of the Office of Early Childhood as a separate agency.
- *Republicans*: Would fold the Office of Early Childhood into the State Department of Education.

Care 4 Kids:

- *Governor*: Compared to his original proposal, would include $10.25M more for Care 4 Kids in FY 2018 but returns to original (reduced) funding in FY 2019
- *Republicans*: Compared to the Governor's original proposal, would include $10.25M more for Care 4 Kids in FY 2018 and $20.5M more in FY 2019.

Neither budget provides sufficient funding to provide Care 4 Kids subsidies to all eligible applicants.

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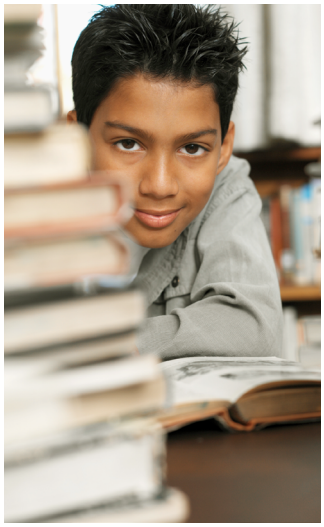
K-12 Education



Education Cost Sharing Formula and Special Education

- *Governor:* Cuts ECS and state special education funding by $122 million compared to FY 2017.
- *Republicans:* Increase ECS and state special education funding by $55 million compared to FY 2017.

College scholarships for low-income students:

- *Governor:* Cuts by $4 million, or 10.7%.
- *Republicans:* Cut by $16.1 million, or 46.1%.

Cuts to smaller essential programs:

- *Governor:* Maintains Talent Development, Commissioners Network, Minority Teacher Incentive, and other programs.
- *Republicans:* Eliminate or reduce funding for these programs.

Juvenile Justice

Connecticut Juvenile Training School:

- *Governor*: Shows evidence of closing CJTS.
- *Republicans*: Close CJTS in 2018. Assume $3.6 M over two years in savings due to closing CJTS.

Juvenile Justice Programs

- *Governor*: Keeps juvenile justice programs in the Department of Children and Families.
- *Republicans*: Transfer juvenile justice programs from the Department of Children and Families (DCF) to the Court Support Services Division. Invest almost half a million less than the Governor's budget in the youth services prevention line item that funds direct services for youth and young adults.

Health

HUSKY A

- *Governor*: Reduces income eligibility for HUSKY A parents to 138% of the Federal Poverty Line.
- *Republicans*: Reduce income eligibility for HUSKY A parents to 138% of the Federal Poverty Line. Institute a $27/month cost-sharing requirement for parents with income over 100% of the Federal Poverty Line.

School Based Health Centers

- *Governor*: Reduces funding for School Based Health Centers by $1.46M (13%) by FY 2019.
- *Republicans*: Maintain funding for school based health centers and community health centers.

State Administered General Assistance Program (SAGA)

- *Governor*: Reduces SAGA funding by $2M per year above changes due to trends in enrollment and other costs.
- *Republicans*: Maintain SAGA funding besides changes due to trends in enrollment and other costs.

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Child Welfare

Juan F. Compliance

- *Governor*: Provides DCF with an additional $8.8M in FY 2018 and $16.1M in FY 2019 to comply with the Juan F. consent decree.*Republicans*: provide additional money compared to FY 2017 but less money compared to the Governor's proposal.
- *Republicans:* Compared to the Governor, Republicans put less money into family support services, day treatment centers for youth who need therapeutic care, child abuse and neglect intervention, and other programs. This may impact DCF's ability to meet outstanding Juan F. goals and exit from under federal oversight.

Department of Mental Health and Addiction Services Funding

- *Governor:* Reduces the Department of Mental Health and Addiction Services (DMHAS) funding that supports young adults with mental health challenges as they age out of DCF care by $4 million in FY 2018 compared to FY 2017.
- *Republicans:* Provide $2M more to these services each year than proposed in the Governor's budget.

Revenue and Non-Functional

Property Tax Credit

The property tax credit seeks to offset the regressive nature of property taxes by offering a partial credit against income taxes for low to moderate income residents.

- *Governor*: Would limit the size of the credit to $100 "for certain taxpayers" (without further definition)
- *Republicans*: Would maintain current $200 credit.

Earned Income Tax Credit

The EITC seeks to make work pay by allowing low- to middle-income families retain more of their paycheck. Reducing the EITC rate amounts to a tax increase that could increase children's poverty rates.

- *Governor*: Would reduce the EITC down to 25% of federal credit permanently.
- *Republicans*: Would drastically reduce the EITC to 5% for those with no dependents, 10% for those with 1 child, 15% for those with 2 children, and 25% for those with 3 or more children. **This would equate to a $75M tax increase on low-income families starting in FY 18.**

Sales tax

The sales tax has a disproportionate impact on low- to middle-income families that spend a higher share of their income on goods. Increasing sales tax rates shifts the burden of closing the budget gap to those at the lower end of the income scale.

- *Governor*: Would increase the sales tax rate to 6.5% and the restaurant tax rate to 7.0%.
- *Republicans*: Would not increase the sales tax rate or introduce a restaurant surcharge.

Teacher Pensions

Connecticut has long borne the full cost of teacher pensions, effectively subsidizing the higher wages and benefits afforded to teachers in wealthier towns. Shifting a portion of these costs to the municipalities, and using the savings to increase overall ECS funding, could improve equity in overall aid distribution.

- *Governor*: Would shift ⅓ of present teacher pension costs onto municipalities but would not use savings to increase ECS funding.
- *Republicans*: Would not shift teacher pension costs onto municipalities.

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A Call to Action

The solution to Connecticut's budget woes lies not with a pure austerity approach, tax hikes for working families, or short-term revenue tweaks. Rather, **we need a new approach, a balanced approach, grounded in a commitment to economic growth, shared prosperity, and equitable opportunity for every child in our state**. Doing so will require bold reform on both the expense and revenue side of the ledger. We will need to modernize our tax system, from broadening the sales tax to revamping our property tax, to reforming education finance. We will need to take a closer look at corporate taxation, eschewing loopholes and costly tax breaks with questionable returns. And yes, we will need to address spiraling fixed costs, seeking answers grounded in equity, transparency, and sustainability.

Moving ahead, our priority should not be following some abstract set of constraints in fear of upsetting a few well-connected companies or well-off individuals. Cutting spending with no new taxes might balance the budget this year, but it will not address the long-term challenges Connecticut faces. What we really need now is bold action, fearing not taxes but rather the lost potential of our children, families, and communities.

As the General Assembly heads for what could be the final budget vote, **now it is the time to call your legislators** and voice your support for a balanced budget approach that builds a strong foundation for the future. Let's support strategic economic growth grounded in a firm commitment to equitable opportunity. It is the right thing to do. It is the smart thing to do.

Click here to find your legislator - contact them today.