



A Budget that Represents Our Values

Policy Brief

September
2017

Ray Noonan
Associate Policy Fellow
Ellen Shemitz
Executive Director
Lauren Ruth
Advocacy Director
Karen Siegel
Health Policy Fellow
Nicole Updegrove
Associate Policy Fellow

Reaching agreement on the state budget will require our elected leaders to work together in new ways. As lawmakers and the Governor gather to rejoin negotiations, we urge them to agree at the outset on the core values that will guide their decision-making. We believe such core values are readily identified and shared across party lines, across town lines, and across the branches of government as follows:

- **Economic Growth:** Connecticut's budget should promote increased prosperity for all its residents.
- **Equity:** Connecticut's budget should help ensure that all residents have an equitable opportunity to thrive.
- **Structural Integrity:** Connecticut's budget should ensure a sustainable, accountable, and independent government.

As we have reviewed the two budget proposals under consideration, we have identified examples of provisions we find most consistent with these principles. We have also identified provisions that would undermine these principles. We urge legislators to create a consensus budget that follows the same course: pulling the best, discarding the rest, and moving us forward toward equitable economic growth, increased opportunity, and sustainable, efficient government.

Economic Growth

Economic growth is a critical part of the solution to Connecticut's fiscal crisis. Our state budget needs to support such growth by investing in essential infrastructure and by protecting our most important resource: our human capital.

Both budgets make some moves in the right direction. One such move is increasing funding for child care subsidies, allowing parents to work and children to grow in safe, nurturing environments. Both budgets add \$10.25 million

Continued on back



to Care 4 Kids in Fiscal Year 2018 (FY 2018), enabling new families to receive the care that they need. The budget that passed the General Assembly goes even further, adding an additional \$20.5 million over the Governor's proposal in FY 2019. Although these funds are not sufficient to open Care 4 Kids to all new applicants, they bring the state a step closer towards allowing parents to work and preparing children for the workforce of tomorrow. Moreover, the General Assembly-passed budget invests in other areas of early childhood development, maintaining higher levels of funding than the alternate budget for several early childhood programs, including Even Start (which promotes family literacy), Head Start (which provides preschool for very low-income families), and Family Resource Centers (which

Equity

Connecticut must ensure that all of its residents have a meaningful opportunity to realize their full potential. For that reason, we would urge our leaders to endorse two different provisions of the budget that did not pass. The first provision relates to the distribution of state education aid. While we disagree with the changes to the relative weighing of aggregate town income versus aggregate town wealth, we support prioritizing

provide a continuum of birth-to-five programming to promote child wellbeing). These investments will help ensure that all children enter school ready to learn.

Although both budgets make sound investments in early childhood, they scale back other critical education services, limiting the potential of our children and undermining our workforce development. Moving forward, we urge legislators to protect state education formula aid and special

education, rejecting the \$116.9 million cut from FY 2017 to FY 2018 called for in the budget that did not pass. Such cuts risk making Connecticut less prepared for a 21st-century economy and our children less prepared for college, careers, and life. We would also urge legislators to reconsider the proposed cuts to our public higher education system. The budget that did not pass would reduce the University of Connecticut's funding by \$108 million over the next two years, while the budget that did pass would go even further; the nonpartisan Office of Fiscal Analysis estimates that it cuts between \$244.3 and \$308 million from our flagship university, depending on what counts as a cut. Such cuts would jeopardize Connecticut's competitive advantage of a highly trained workforce.

state resources to communities with less property wealth. We would call for full funding of PILOT, together with formula-driven ECS allocation, to ensure that raising funding for local schools not require more effort in some cities than others. So too we would support the imposition of a statewide property tax on second homes to assure an adequate and equitable revenue system. While we think that the process for introducing this tax

Continued on back

should have been more transparent, and while we believe the proposal should be amended to prevent its application to rental properties, we applaud the intention to ensure that all residents pay for the services they benefit from. Currently, people who live in Connecticut for less than half of the year do not pay state income taxes, even though they benefit from state services, such as highways, parks, and state police. By taxing non-residential homes, this new policy would better align taxes paid with benefits received.

While looking at the revenue structure, we find that both budgets fall short in their treatment of the state Earned Income Tax Credit, an anti-poverty tool that rewards families for work. The budget that did not pass would decrease the EITC by 2.5 percentage points, increasing taxes on low-income working families by \$50 million over the biennium. The budget that passed would impose even heavier burdens on those working to help



themselves, raising taxes for low-income families by \$150 million over the biennium by reducing the EITC from its scheduled 27.5 percent amount to 5 percent for those with no dependents, 10 percent for those with one child, 15 percent for those with two children, and 25 percent for those with three or more children. Doing so leaves less money in working families' pockets and thus jeopardizes their ability to provide food, shelter, and financial security for their children.

Structural Integrity

All parties agree that structural reform is necessary to ensure efficient, transparent, and accountable government. To that end, we applaud the provision in both budgets creating a Teachers'



Retirement System Viability Commission to study the Teachers' Retirement System and propose reforms to maintain its fiscal viability. Given that this system's costs are expected to more than quadruple by 2032, we applaud this bipartisan initiative to ensure the sustainability of our financial obligations. Conversely, we would urge that the legislature not balance this year's budget using projections of possible savings from future changes to state employee pensions. Only by budgeting based on what is within their current control can our elected leaders advance true structural reform.

There are other provisions in both budgets that would move us away from good governance. For example, the budget that passed would eliminate public funding of elections. Politicians should be accountable to the people, not to special interests. This budget's proposal would undermine

Continued on back

this principle by making it more difficult for everyday citizens—especially low-income citizens and people of color—to engage in our electoral process.

A Call to Action

The solution to Connecticut's budget woes should not focus on looking backwards, relying on the old ways of doing business. Cutting spending with no new taxes or raising taxes without making strategic spending decisions might balance the budget this year, but it will not address the long-term challenges Connecticut faces. We need a new approach, grounded in a commitment to economic growth, equity, and good fiscal governance. Doing so will require bold action, fearing not taxes or structural reforms but rather the lost potential of our children, families, and communities.

