Impact of the Final FY 2019 Budget Adjustments on Children and Families

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Introduction

In order for Connecticut to spur economic growth, address growing disparities in income, wealth, and opportunity, and leverage the untapped potential of many of its children, families, and communities, it must solve its growing structural deficit and free itself to make strategic investments in health, education, and infrastructure. While the FY 2019 budget adjustments largely protected essential investments in children and families for next year with one-time revenue, the legislature failed to address the structural issues threatening those same services and investments in the next biennium. The new fiscal restrictions, most notably the Bond Lock, will make it even more likely that critical services will be cut in the future. As legislators begin to consider their work for the upcoming legislative session, we urge them to prioritize long-term and sustainable strategies to balance the budget, improve equity, advance inclusive economic growth, and ensure opportunity for all children and families across our state.

Children’s Budget

To track trends in public spending, Connecticut Voices for Children created the Children’s Budget, a compilation of major state investments in children and families, including K-12 education, child welfare, early care and education, and health and human services. Analyzing changes in the Children’s Budget allows us to assess the state’s relative spending on children and families over time.

In FY 1992, Connecticut spent nearly 40 percent of its General Fund on the Children’s Budget. Since that time, the portion of the General Fund dedicated to children has decreased year after year to its current value of 27.3 percent, an all-time low.

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Compared to the biennial FY 2018-19 budget passed last fall, the revisions this session include small but meaningful cuts, with the overall investment in the Children’s Budget declining from $6.3 billion (27.7 percent of the total budget) to $6.2 billion (27.3 percent).

Cuts in the following areas contributed to this decline in the Children’s Budget:

- **Early childhood education**: The Office of Early Childhood budget was cut by $8.2 million, including cuts to Head Start.
- **K-12 education**: The Department of Education budget was cut by $7.2 million, including $3.7 million worth of cuts to the Regional Vocational-Technical School System.
- **Higher education**: The University of Connecticut budget was cut by $5.5 million.
- **Behavioral health**: The Personal Services line item in the Department of Children and Families was cut by $7 million, some of which would have been used to hire social workers. The budget for school-based health centers was cut by $295,780. Mental health services for young adults with severe mental health needs (the young adult services line item in the Department of Mental Health and Addiction Services) was cut by $1.7 million.

Together, these cuts will have real, negative effects on the lives of vulnerable children and young adults, as well as on Connecticut’s economy, as education institutions are increasingly underfunded, families continue to struggle to find low-cost and high-quality childcare, and abused and neglected children are left with insufficient support.
Long-Term Challenges, Short-Term Fixes

Key Takeaways

- Slow economic growth and increasing nonfunctional costs have contributed to the growing budget crunch.
- Structural reform, including modernizing our revenue system, is needed to address racial disparities and support other critical investments in children and families vital to economic growth and shared prosperity.
- The FY 19 budget relies on unsustainable quick fixes, without making any structural reform.

Connecticut’s budgetary challenges did not develop overnight: they reflect long-term trends, political decisions, and slow economic growth, especially when compared to neighboring states. If Connecticut grew jobs as quickly as Massachusetts did from the end of the Great Recession to April 2018, then the state would have an additional 161,600 jobs.³

**Figure 2.** Job Growth in Connecticut is Slower than in Neighboring States.

Other measures of economic vitality tell a similar story. Connecticut’s Gross Domestic Product (GDP), a measure of economic output, is lower today than it was at the end of the Great Recession, in contrast to the growth enjoyed during the same period in Massachusetts, New York, Rhode Island, and New Jersey.
Slow economic growth contributes to lagging revenue receipts, undermining the state’s ability to invest in its children, families, and communities.

**Increasing nonfunctional costs**

Due in large part to a decades-long failure to make adequate annual contributions to either the state employees or teacher retirement funds, nonfunctional costs have increased dramatically. Whereas nonfunctional costs constituted just over 21 percent of the General Fund’s budget ten years ago, these costs have risen to $6.3 billion in the current budget consuming over one-third (34 percent) of General Fund spending. A breakdown of the current $6.3 billion in nonfunctional costs follows:

- $2.2 billion in **Debt service** (Debt Service – State Treasurer agency total)
- $2.8 billion in **State employee fringe benefits** (State Comptroller – Fringe Benefits agency total), including $1.2 billion to State Employees Retirement Contributions.
- $1.3 billion in **Teacher pensions** (Teachers’ Retirement Board agency total).

The chart below reflects the growth in nonfunctional costs over time, as compared with the declining percentage of the state budget supporting the health, education, and well-being of children and families.
Looking ahead, without policy changes, the rate of growth in these costs will increase dramatically. In July of 2017, legislators approved a deal between the state government and state employee union that will save an estimated $24 billion over the next twenty years. However, similarly reforming TRS is more complicated: in 2008, then-Governor Rell issued $2 billion in pension obligation bonds to fund TRS, promising as part of the bond covenant that the state would pay its required contribution until 2032 or until the debt was paid off. That bond covenant has been interpreted to preclude restructuring the TRS debt similar to the state employee union deal. With teacher’s retirement fund contributions predicted to increase by $5 billion (500%) by 2032, and with all pension debt coming under the new fiscal restrictions, including most notably the Bond Lock (see below), we can expect increasing pressure on the budget in upcoming years.

Short-term fixes

Rather than confronting the revenue-impact of slow economic growth and the expense-side impact of rising nonfunctional costs, the legislature turned instead to unsustainable revenue sources to fill budget holes. For example:

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2 Note: The projected decline of nonfunctional costs may be due to a couple of factors. First, in 2017 the State of Connecticut and the State Employees Bargaining Agent Coalition (SEBAC) came to an agreement that lowered costs, though this change is unlikely to have been felt so soon. See the agreement (https://web2.uconn.edu/hrnew/docs/20170626-SEBAC.pdf) for more info. Alternatively, the slowing increase in fixed costs may result from an accounting change, rather than a substantive change. Before the SEBAC agreement, changes in spending were all in one line-item in the budget, but this year they are in multiple line-items. Until the Office of Fiscal Analysis comes out with their explanatory document in the fall, we cannot know whether it was this accounting change that caused the seeming decrease in fixed costs spending.
• The legislature diverted $155 million from the Conservation & Load Management, Regional Greenhouse Gas Initiative, and Clean Energy Finance and Investment Authority funds to the General Fund (resulting in a suit by environmental advocates and consumer advocates alleging illegal fund diversion).9

• Legislators tapped a one-time surge in income tax revenue, from the estimates and finals portion of the income tax, allowing the budget to restore critical services in the short run, but leaving the state to face a $4.46 billion deficit in the next biennium.

The legislature also introduced new tax breaks for special interests, decreasing revenue sources still.10 The final budget subsidized sales of boats, boat motors, and boat trailers by more than halving the sales tax paid for these transactions, costing Connecticut nearly $5 million per year in General Fund revenue.11

At the same time as it narrowed its sales tax base, the legislature also missed an opportunity for future-oriented structural reform relative to the federal estate-tax-threshold increase. Although the legislature postponed the phase-in of the new higher federal threshold by three years, it left unchallenged a quadrupling of the state’s estate tax threshold, eroding our tax base together with our ability to address growing wealth inequality.

**Equitable Long-Term Solutions Needed**

Because these short-term fixes and missteps fail to address underlying structural challenges, the FY 2019 budget is projected to leave Connecticut with a large and steadily-growing deficit over the next four years: $2.0 billion in FY 2020, $2.5 billion in FY 2021, $3.1 billion in FY 2022, and $3.6 billion in FY 2023.12

As Governor Malloy wrote to the legislature:

> Simply put, the state cannot spend more than it can afford. … We all strive to make Connecticut a fairer, healthier and more just place to work and live, but in this worthy pursuit, we cannot risk our fiscal stability. In other words, if Connecticut believes it should provide a high level of services to its residents, it is incumbent upon lawmakers to pay for those services either through offsetting cuts elsewhere in the budget or through new revenue.15

To ensure Connecticut’s fiscal stability and equitable economic growth, we must fund the programs that provide children and families the support they need to reach their full potential. To do this in a fiscally responsible manner, we must modernize our revenue system. Expanding our sales tax base, updating corporate income tax laws, and eliminating ineffective business tax breaks are all potential strategies for doing so.14
Fiscal Restrictions

Key Takeaways

- Changes to the Bond Lock have limited the threat posed by the original legislation passed within the FY 2018 and 2019 bipartisan budget. Now expiring in 2023 as opposed to 2028, the Bond Lock will apply to neither transportation bonds nor to refinance bonds.
- The volatility cap, locked in by the Bond Lock, now has an indexed threshold and can be modified via supermajority vote.

Last fall, Connecticut enacted a novel, untested method of restraining state government spending: the Bond Lock. The new legislation mandated that whenever Connecticut issued a bond for a two-year period beginning in May 2018, it had to vow not to change four new spending and revenue restrictions -- the spending, volatility, bond, and appropriations caps -- for the life of the bond, typically 10 years, except in extraordinary circumstances. Any effort to break this covenant would invite litigation and risk significant penalties.15

Although the final budget retained the Bond Lock, it also softened it. The Bond Lock now lasts for 5 years (through 2023) rather than for 10 years (through 2028). This is particularly important because actuarial models anticipate that required contributions to Connecticut’s teacher’s pensions will spike around 2032.16 A spending cap that could not adapt to changing circumstances for 10 years could have crowded out vital government spending as time went on, harming vulnerable children and families, threatening workforce development, and putting the economy at risk. If the actuaries’ assumptions prove correct, a spending cap that is unchangeable for five years will be less damaging.

The budget also addressed flaws in last fall’s volatility cap, which required that all revenue from the estimates and finals portion of the personal income tax in excess of $3.15 billion be deposited into the Budget Reserve Fund (colloquially known as the Rainy Day Fund). Although the volatility cap had the admirable goal of encouraging savings during good times, its hard threshold did not adjust to allow for spending during downtimes or in response to unexpected circumstances. Furthermore, as long as the Bond Lock would be in effect, it would be almost impossible to amend: it could not be changed unless the Governor declared an emergency, three-fifths of each legislative chamber voted to support the change, and the voted-on change was only for the year in progress.17

This budget made the volatility cap more responsive to economic conditions through two changes:

- Indexed threshold. The budget indexed the volatility cap to growth in personal income, rather than imposing an unchanging threshold. This will allow Connecticut to increase investment in children and families as additional resources become available.18
- Amendable via three-fifths vote. The budget now allows a three-fifths vote of the legislature to change the volatility cap “due to changes in state or federal tax law or policy or significant adjustments to economic growth or tax collections,” even under the Bond Lock.19 This will help ensure that the volatility cap does not unduly restrict policymakers’ ability to support children and families.

Overall, although the budget retained the Bond Lock, its shortened duration reduces Connecticut’s exposure to financial risk. Furthermore, the changes to the volatility cap allow policymakers the flexibility necessary to support thriving communities.
Connecticut’s HUSKY programs (Medicaid and CHIP) provide both access to vital health care and a key source of financial security for children and their families. Health insurance coverage enables families to treat illnesses before they become crises. Budget adjustments restored income eligibility limits for parents enrolled in HUSKY A (Medicaid for children, pregnant women, and parents) to 155 percent of the Federal Poverty Level (155 percent FPL is $38,905 per year for a family of four), reversing a reduction to 138 percent FPL made in the FY 2018-2019 biennial budget. This means that about 13,500 parents, who received letters saying their insurance would end in January, will keep their coverage. The Department of Social Services is now reaching out to parents who lost coverage or who were unable to enroll in Medicaid because of this short-lived change. Budget revisions also made permanent a temporary restoration of income eligibility limits for the Medicare Savings Program—a Medicaid program that makes Medicare more affordable for enrollees with income of up to 246 percent FPL.

These changes will prevent a decrease in Connecticut’s rate of insurance coverage, which is the first step towards access to health services for our state’s children and families. To ensure that parents retain their HUSKY A coverage and that vital social services can be funded for the long-term, the Connecticut General Assembly will need to raise revenue and address the fiscal restrictions that limit their ability to fund these services.

Despite these gains in restoring insurance coverage, budget revisions reduced the overall Medicaid budget by nearly $8 million. This is likely the combined result of an assumption that lower expenditures in early 2018 will continue at the same rate for the duration of the budget in addition to carryforward and unspecified cuts in other areas of Medicaid. The total Department of Social Services (DSS) budget is over $31 million lower than the original appropriations budget due to a series of cuts and annualized rescissions across several line items.

The budget revisions also reduced school-based health centers (SBHCs) by $295,780 (about 2%). While this is smaller than previously proposed cuts, centers are underfunded and are vital sources of care. In addition to improving access to physical and oral health services, SBHCs offer a low-stigma source of behavioral health care for children and youth, especially youth of color. Only about 20 percent of youth who experience symptoms of a mental health disorder receive treatment. Black and Latino male youth are even less likely to utilize mental health services as compared to their white and female peers. The accessibility and cultural competence of SBHCs have resulted in higher rates of utilization of mental health services by Black and Latino male students at SBHCs than in community-based settings.

Key Takeaways

- The final budget restored Medicaid eligibility for over 13,500 parents who were slated to lose coverage in January.
- Nonetheless, behavioral health services and supports remain underfunded, jeopardizing the wellbeing of children and families.
Additional cuts to other agencies responsible for providing behavioral health services deepen our concern about the adequacy of the state’s programs for children and youth who require them. Budget revisions reduced the Department of Developmental Services budget by over $4 million. Yet, revisions did include $5 million in new funding for emergency placements, in part to address the needs of youth in emergency departments. Further, budget revisions reduced the Department of Mental Health and Addiction Services budget by nearly $13 million from FY 2019 appropriations. These changes maintained grants for Substance Abuse Services and Mental Health Services at appropriated levels. However, they reduced Young Adult Services by over $1.7 million, which will impact young adults with severe mental health needs leaving the care of the Department of Children and Families. The combined impact of maintaining some services at appropriated levels and reducing others is an overall reduction in the capacity of our state systems to meet the needs of youth who need access to behavioral health care.

Early Care and Education

Key Takeaways

- The final 2019 budget protects early childhood programs from substantial new cuts but annualizes $0.6 million in lapses to small programs that have faced repeated cuts over recent years.
- Care 4 Kids remains underfunded in the final 2019 budget. Without new funds, the state remains unable to comply fully with federal childcare subsidy rules, and Care 4 Kids is likely to return to operating with a waitlist this year.

Early care, preschool, and wrap-around programs that support young children and families are critical drivers of child well-being, kindergarten readiness, and family economic security. Although many of the benefits of early childhood are long-term, including increased earning potential and decreased need for social services, early childhood investments also have an immediate payoff in the form of increased workforce participation and support for local business.24

The final 2019 budget adjustments annualize small but meaningful lapses from FY 2018, including $0.14 million (32 percent of appropriated funding) from Even Start25 and $0.34 million (45 percent) from the 2 Generation-TANF program,26 both of which provide wrap-around supports that help families support child well-being and learning both at home and at school.27 The year-after-year erosion of program funding for wraparound services hurts our early childhood system.28

The final budget flat-funds Care 4 Kids, the state child care subsidy, omitting $5 million in new state funds proposed in the April Appropriations committee budget to bolster the program. Without new funds, Care 4 Kids will likely face the same challenges as it did in August 2016 when underfunding forced the program to close to new applicants, leaving new families waiting for child care subsidies for up to fifteen months. After the state closed Care 4 Kids to new applicants, enrollment in the subsidy program plummeted, leaving seats in child care centers and homes empty while thousands of families in need could not afford care. While the
smaller Care 4 Kids caseload lowered program costs in FY 2017 and 2018 as intended, costs will rise again now that the program has reopened to new enrollees.29

The additional $5 million for Care 4 Kids would have helped meet three critical needs:

1. Support early childhood classrooms in low-income areas,
2. Enable policy changes to meet federal requirements pertaining to reimbursement rates and to graduated phase-out for families experiencing moderate increases in income, and
3. Increase the number of families the program can serve, therefore postponing the need for a waitlist.

Although the final budget did fail to allocate new state funding for Care 4 Kids, recent action by the federal government has provided some relief. In 2018, Congress allocated more than $2.3 billion in new funds to the federal portion of child care subsidies, the Child Care Development Block Grant (CCDBG). It is critical for legislators to ensure that the Office of Early Childhood (OEC) use the entirety of the estimated $14 million in new CCDBG federal funds for Connecticut’s Care 4 Kids program.30

K-12 and Higher Education

Key Takeaways

- Education Cost Sharing (ECS) grants to school districts in property-wealthy towns, which the Governor had sought to reduce to reflect disparities in local resources, were restored. Despite the disparities in relative resource allocation between Connecticut’s school districts, there were no significant increases in grants to property-poor districts.
- The cuts to higher education are relatively more severe than those in K-12 education, with the University of Connecticut losing three percent of its funding.

Ensuring that all of Connecticut’s children have access to comprehensive, high-quality educational opportunity requires that the state adequately and equitably fund the services children need to reach their full potential, including schools with resources that match the needs of their populations, evidence-based educational programs, and health and social supports that encourage healthy child development. While the final FY 2019 budget largely maintains the 2019 appropriations instituted last fall, and even protects a few programs and initiatives that had been under threat in several budget proposals (including the School-Based Diversion Initiative, Connecticut Writing Project, and Bridges to Success), the final 2019 budget does not address the large disparities in funding between school districts and does little to increase the investment in equitable opportunity in Connecticut schools.

K-12 Education

Compared to original FY 2019 appropriations, the budget largely maintains the State Department of Education’s (SDE) funding, cutting just $7.3 million (0.2 percent). Much of this decrease comes from small cuts or annualized lapses to programmatic line items such as the Parent Trust Fund Program and Regional Educational Services.
While the Governor proposed eliminating Education Equalization grants for property-wealthy towns, the final FY 2019 budget does not make this change. It instead maintains the past ECS formula, decreasing the funding for ECS grants by only $402,723 (0.02 percent).

The Legislature also passed HB 5171: An Act Prohibiting The Executive Branch From Making Recissions or Other Reductions To The Education Cost Sharing Grant During The Fiscal Year, which prohibits future governors from cutting ECS grants to towns through rescissions or other reductions of funding. However, Governor Malloy vetoed the bill, arguing that it was “designed to ensure that the gains made by our richest towns are secured forever, at the expense of our neediest communities and their residents,” and that ECS grants this year were enacted in a fiscally irresponsible manner, without revenue adjustments. Advancing equity in education will most certainly require addressing the dramatic need-capacity gap in the state. At the same time, both property poor and property wealthy towns have spoken out against mid-year rescissions that occur when they no longer have the ability to adjust their budgets. Schools need the stability to plan, and, therefore, budget rescissions should not go into effect until mid-summer, with enough time to plan for the next school year.

Despite the small overall change in education funding, two adjustments deserve note: increases in funding for the Talent Development Office and a provision concerning funding for school districts that have enrolled high numbers of students fleeing Puerto Rico after Hurricane Maria.

Last fall’s biennium budget cut $5 million (89 percent) of the Talent Development line item (a line item which supports many educational initiatives, including teacher training, teacher support and mentoring, and minority teacher recruitment). This budget restored $1.5 million. Funding for talent development matters in Connecticut, where youth of color make up 45 percent of the school population, but teachers of color only make up under 10 percent of the full time teaching staff. This disparity can have a significant impact on the educational experiences of students of color. While expanding funding for teacher training does not directly address the recruitment of teachers of color, research suggests that mentoring programs that support new teachers may aid in the retention of teachers of color.

Another positive step in the budget stipulates that any money left over after ECS grants are distributed to municipalities be distributed to school districts that have taken on high numbers of students fleeing Puerto Rico after Hurricane Maria. The Office of Fiscal Analysis estimates that this aid will total approximately $2.9 million, helping schools support students experiencing trauma regain their social, emotional and academic footing. We commend the General Assembly for their efforts to support school districts such as Hartford, Waterbury, and New Britain, which, by January 2018, had taken in 45 percent of the more than 1,500 students now living in Connecticut after being displaced by the hurricanes of 2017.

Higher Education

Although both the Governor and Republican leadership proposed to consolidate the Office of Higher Education (OHE) into SDE, the final FY 2019 budget leaves OHE as a standalone agency, cutting its budget by a relatively small (0.6 percent) amount. In contrast, the FY 2019 budget adjustments reduce funding for UConn by a much larger amount: 2.6 percent, including a $4.5 million reduction in the
Operating Expenses line item. It is not clear how UConn will make up this budget gap. These cuts come on the heels of a 13 percent cut in 2018.38

**Child Welfare and Juvenile Justice**

*Key Takeaways*

- The final FY 2019 budget adjustments do not provide the funding necessary to meet DCF’s federal mandate under the Juan F. consent decree.
- The budget adjustments also chip away at the Judicial Branch’s ability to implement a developmentally-informed, best-practice juvenile justice system and expand the continuum of care for justice-involved youth.

The behavioral health, child welfare, and juvenile justice systems in Connecticut exist to ensure the safety and well-being of all children. The Department of Children and Families (DCF) and the Court Support Services Division (CSSD) of the Judicial Branch are mandated to provide care for children impacted by these systems.39 The legislature cut just over $8.5 million (1.1 percent) from DCF’s overall agency budget and $4.2 million (.8 percent) from the Judicial Branch’s budget. However, the legislature did not make cuts to all line items in each agency’s budget, and the cuts made disproportionately impact DCF and CSSD’s ability to provide attentive, appropriate care to children involved with the child welfare, behavioral health, and juvenile justice systems.

Changes to the FY 2019 budgets for DCF and the Judicial Branch are best understood in the context of four major policies: the closing of the Connecticut Juvenile Training School (CJTS), the related transfer of juvenile justice services from DCF to CSSD, the Juan F. consent decree, and statutory mandates to advance children’s behavioral health and the prevention of risks to children.

*Closing CJTS and transferring juvenile justice services from DCF to CSSD*

As part of the Connecticut General Assembly’s bipartisan FY 2018-2019 budget, the legislature closed CJTS and transferred responsibility for juvenile justice services from DCF to CSSD starting in July 2018. In implementing this policy change, the legislature moved $17.7 million in funding from DCF’s Juvenile Justice Outreach Services line item and DCF’s Board and Care for Children- Short-term and Residential line item to CSSD. This new funding had two goals—to enable CSSD (1) to establish new community based, small, secure facilities that differ in their level and form of security and (2) to establish a more robust continuum of services to serve youth more effectively in the least restrictive setting appropriate.40

Representatives from CSSD have made clear that due to the revised FY 2019 budget amounts, they will be unable both open new facilities and expand fully their continuum of care for justice-involved youth who do not live in secure placements with these funds.41 The revised FY 2019 budget cut the Juvenile Justice Outreach Services line item, now within the Judicial Branch budget, to $10.6 million (a 5.2 percent cut)
and the Board and Care for Children – Short-term and Residential line item within the Judicial Branch budget to $6.3 million (a 4.3 percent cut).

The revised FY 2019 budget also contained deeper cuts to Judicial Branch line items used to serve children and youth. The Youthful Offender Services line item was cut from $10.4 million to $9.7 million (7.6 percent), and the Juvenile Alternative Incarceration line item was cut from $20.7 million to $19.9 million (3.7 percent). Both line items are used to provide services and supports for justice-involved youth and young adults within their communities, such as substance abuse programs and programs to develop career skills and positive hobbies and relationships.

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, calling for reforms to Connecticut’s child welfare system to better protect abused and neglected children. The decree mandates that the state must provide the funding and other resources necessary to achieve the goals laid out in the consent decree exit plan. In 2017, Connecticut negotiated a revised exit plan that reduces the 22 outcome measures established in 2004 to six outcome measures that remain to be met and eight that must be sustained. To help ensure compliance, the revised exit plan reduces the number of children and families a social worker may serve at one time.

To implement the 2017 Juan F. Consent Decree Revised Exit Plan, the Governor proposed adjustments increasing DCF’s budget for services by almost $11.4 million in FY 2019 and providing $5 million to support hiring an additional 132 social workers beginning in early FY 2018. The final FY 2019 budget, however, decreased DCF’s Personal Services line item from $273.3 million to $266.2 million (a 2.6 percent cut). The General Assembly’s failure to provide funding to hire the number of social workers deemed necessary by the federal court monitor according to the revised exit plan could negatively impact DCF’s ability to meet exit plan goals.

Statutory Mandates to Support Children’s Behavioral Health and Prevent Risks to Children

DCF has statutory responsibility for implementing Connecticut’s behavioral health plan for children, but in moving all funding connected with juvenile justice in DCF’s budget to CSSD, the final FY 2019 budget impacts DCF’s ability provide mandated behavioral health services and to support community-based diversion systems intended to prevent children from becoming involved with juvenile justice system. DCF’s Juvenile Justice Outreach Services line item provided funding for a broad range of behavioral health and diversion services, including evidence-based cognitive behavioral therapy programs such as Multidimensional Family Therapy and Functional Family Therapy, Local Interagency Service Teams (LISTs) that facilitate coordination between state agencies and community-level agencies, and Juvenile Review Boards (JRBs) that connect children who have committed status offenses or a number of first-time offenses with community-based services.

At the May Juvenile Justice Policy and Oversight Committee (JJPOC) meeting, Office of Policy and Management (OPM) Secretary Ben Barnes indicated that because some of the services listed above were utilized by children and families under the Juan F. Consent Decree, OPM will designate funding for DCF to continue these services. These services include youth employment programs, programs designed to
address problematic sexual behaviors, and evidence-based behavioral health services designed to support youth within their homes and communities such as Multidimensional Family Therapy and Functional Family Therapy.48

Barnes indicated that JRBs and LISTs are not designated as services necessary to carry forth the goals of the Juan F. Consent Decree. However, JRBs and LISTs are key components of the JJPOC’s plan for increasing the diversion of youth from the juvenile justice system and providing developmentally informed care for justice-involved youth within their communities.49

For 2019, OPM will use $1.2 million in carry-forward funds from a federal grant to fund the portion of JRBs that DCF previously funded.50 This funding was originally flagged to be used to expand services within CSSD and cannot be considered a stable source of funding for JRBs. Barnes mentioned that in coming years it may become necessary for JRBs to find alternate funding from philanthropy or municipalities. CSSD has also indicated that they are delaying contracting to create a juvenile facility with secure hardware such as bedroom doors locked from the outside, and they will use some of the funding saved by this delay to continue funding LISTs in 2019.51, 52

The patchwork funding used this legislative session—while appreciated in that it sustains important community-based justice services through 2019—does not provide communities with the long-term predictability necessary to support children and families with increasingly complex needs and to build upon existing diversion systems. To ensure continuity of funding, advocates must prioritize advocating for the creation of a separate line item designating at least $1.5 million53 for JRB and LIST funding in the FY 2020-2021 budget.

Municipal Aid

Key Takeaways

- Compared to FY 2018, the final budget restores $49.7 million in municipal aid. However, the largest increases in aid went to middle-class municipalities, while less-resourced communities received smaller increases.
- Compared to FY 2019 original expenditures, the budget adds $16 million in municipal aid, mostly to less-resourced communities.

Connecticut’s state government distributes more than $2 billion each year to cities and towns to help support education, repair roads and bridges, and compensate municipalities for lost property tax revenue, among other purposes.54 The final FY 2019 budget increased municipal aid to $2.5 billion, $16 million (0.6 percent) more than originally appropriated and $49.7 million (2 percent) more than FY 2018 estimated expenditures.55

Compared to FY 2018, the largest per-capita increase in aid accrued to middle-income communities. As the table below shows, the least-resourced communities received smaller increases in per-capita aid than middle-class ones but greater increases than the wealthiest. This is, in part, because policymakers shielded the least-resourced communities from cuts in FY 2018.56
### Equalized Net Grant List Per Capita

| Lowest 20 percent                  | $24
| Ex. Bridgeport, Hartford, New Haven |
| Second 20 percent                  | $35
| Ex. Coventry, Middletown, New London |
| Middle 20 percent                  | $39
| Ex. Cheshire, Southington, Wallingford |
| Fourth 20 percent                  | $15
| Ex. Litchfield, North Haven, Woodbridge |
| Highest 20 percent                  | $9
| Ex. Darien, Greenwich, Westport |

Source: Office of Fiscal Analysis, Office of Policy and Management, Department of Public Health. Equalized Net Grand List is the aggregate market value of a town’s property.

Compared to FY 2019 appropriations, all other municipal grants remain flat except for the Municipal Transition Grant and Education Cost Sharing grant. The budget increases the Municipal Transition Grant, which helps offset towns’ revenue loss due to a state cap on car property taxes, by $13.1 million (87.6 percent). Education Cost Sharing grants increase by $2.9 million (0.1 percent) to support school districts that have accommodated influxes of Puerto Rican students displaced by Hurricane Maria.

### Conclusion

Although the final FY 2019 budget adjustments protect supports for children and families from major cuts, they leave unaddressed the state’s looming structural deficits and deep inequities by race and place. We urge the legislature to address these long-term challenges through a multi-pronged approach:

1. **Adopt a balanced budget approach.** Any solution to Connecticut’s structural fiscal challenges will require structural changes to all aspects of its budget, including revenue. Modernizing Connecticut’s revenue system by expanding our sales tax base, updating corporate income tax laws, and eliminating ineffective business tax breaks, can help support services for children and families while aligning the state’s tax code with a 21st-century economy.

2. **Invest in Connecticut’s future through increased commitments to child care, health care, education, and child welfare.** Connecticut will achieve the robust economic growth necessary to create thriving communities only by promoting opportunities for all its citizens to succeed. By removing barriers to success—such as scarce or unaffordable child care, inequitable education, and inaccessible health care—Connecticut can help all residents realize their full potential.

3. **Reduce disparities by race and place.** Opportunities in Connecticut today are not equal, with people of color and those in less-resourced communities facing much greater barriers to success than others. These disparities result in part from structural obstacles, such as disparate zoning regulations and taxable wealth, that state policy can help ameliorate. Reducing these disparities can...
promote economic growth by allowing more of Connecticut's residents to reach their full potential: In 2015, Connecticut's economic output would have been $34.28 billion (13.4 percent) greater if the state had no racial gaps in income. On average, people of color in Connecticut would earn $22,646 more per year if these gaps did not exist. As Connecticut experiences lagging economic and revenue growth, promoting racial equity can help jump-start the state's economy by helping ensure that all residents have an opportunity to contribute their talents to the state workforce.


3 Using Federal Reserve Economic Data: https://fred.stlouisfed.org/series/CTNA#0. In April 2018, Massachusetts had 13.8 percent more jobs than it did in June 2009, at the end of the Great Recession. If Connecticut had the same percentage increase over the same period of time, then it would have had 1,848.7 thousand jobs (1,624.5 thousand jobs in CT in June 2009 * 1.138) in April of 2018, as compared with its actual 1,687.1 thousand jobs. Thus, Connecticut would have an additional 161.6 (1,848.7 - 1,687.1 ) thousand jobs if it had the same job growth as Massachusetts.


10 S.B. 543 Sec. 62, 63.


12 Ibid


17 Marks, J.

18 S.B. 543, Sec. 20.

19 Ibid.


23 Cummings, J.R. "Racial/Ethnic Differences in Mental Health Service Use Among Adolescents with Major Depression." J Am Acad Child Adolesc Psychiatry. DOI: 10.1016/j.jaac


25 Even Start programs operate in several towns across the state, serving families with a two-generation approach by providing child care for children under age 8 and literacy supports to parents.

26 The 2Gen-TANF program is another two-generation program operating in six towns across the state. The program focused on providing employment supports for the families of young children.

27 Silbermann et al.

28 Silbermann et al.

29 Silbermann et al.

30 While our state budget does not appropriate these federal funds, and therefore there is no public record for where they end up, legislators must ensure that this funding is indeed used to increase access to affordable child care.


40 Ibid.


46 In juvenile law, status offenses are actions prohibited only for legal minors. These include behaviors such as skipping school, running away from home, and behaving in ways that are beyond parents’ control.


49 According to an estimate completed by the Office of Fiscal Analysis for HB 7286 in 2017, full implementation of the JJPOC community-based diversion plan would require an estimated $9 million in startup costs plus ongoing increases in funding to expand Youth Service Bureaus, which would serve as hubs for connecting children, families, and community services. This is an important note because providing continuous funding for JRBs and LISTs are a necessary but not sufficient piece of implementing the JJPOC’s vision of a system that can divert more youth from ever becoming involved in the justice system and providing communities with the resources they need to support struggling children and families.

50 DCF provided full funding for JRBs in 3 major cities plus partial funding for JRBs in 32 other municipalities. There are 49 additional JRBs across the state that receive municipal funding and funding from other sources. If the state were to fully fund JRBs, CSSD would need to designate an excess of $2 million.
DCF provided $150,000 to fund LISTs, which constitutes half of the state funding LISTs receive.

Information on the breakdown of DCF programs serving JJ involved kids and the breakdown of the percent of children served by each program who are JJ-involved and non-JJ involved and the funding associated with it shared by DCF with the Alliance of Community Nonprofits and available upon request.


Ibid.

PolicyLink and the USC Program for Environmental and Regional Equity. (2018) National Equity Atlas: GDP gains with racial equity in Connecticut. Retrieved http://nationalequityatlas.org/indicators/GDP_gains_with_racial_equity/2015:undefined/Connecticut/false/Year(s):2015/. We do know that there is a gap between white people and people of color in property and investment wealth, so that may also impact the degree to which policy efforts to improve racial equity will impact the economy in the immediate sense. However, we believe that the methodology used produced a reasonable estimate.