

**Testimony Regarding**  
**S.B. 876: An Act Authorizing and Adjusting Bonds of the State for Capital Improvements,  
Transportation and Other Purposes**  
**S.B. 877: An Act Concerning Revenue Items to Implement the Governor's Budget**

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Finance, Revenue, and Bonding Committee  
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Senator Fonfara, Representative Rojas, Senator Witkos, Representative Davis, and esteemed members of the Finance, Revenue, and Bonding Committee:

We are submitting testimony today on behalf of Connecticut Voices for Children, a research-based child advocacy organization working to ensure that all Connecticut children have an equitable opportunity to achieve their full potential. Thank you for this opportunity to testify about bills in this Committee that we believe will have a significant impact on the health and welfare of our State's children and families, as well as the economic future of Connecticut.

**S.B. 876** seeks to implement the Governor's bonding recommendations regarding projects including updating information technology, facilitating data sharing between agencies, updating public university laboratory space and research equipment, asbestos abatement, economic development programs, updating highways, and other projects that make Connecticut a state where children and families can thrive.

In particular, **Connecticut Voices for Children would like to voice our support for Section 50** that expands available funding for the Office of Early Childhood (OEC) to improve the facilities of state-funded early care and education programs beyond Smart Start. With this funding, programs that may make capital improvements include school readiness programs, state-funded day care centers, Even Start programs, and programs administered by local and regional boards of education. Many early care and education providers do not have enough funds to make even minor repairs to their classrooms as revenues through tuition barely cover program expenses. These additional funds are desperately needed to ensure that children who attend state-funded programs, often those with the greatest economic needs, have the facilities that they need to learn and grow.

In 2018, the OEC identified access to care for infants and toddlers as an action item in their Early Care and Education Action Plan.<sup>1</sup> Care for infants and toddlers is expensive to provide and consequently, expensive for families to pay if they can find it. On average, full-time infant and toddler care can cost \$15,600,<sup>2</sup> which is almost 150 percent of the cost of in-state tuition at Central Connecticut State University (\$10,616).<sup>3</sup> The amendment described in Section 50 will allow the OEC to expand the delivery of childcare services to infants and toddlers where a demonstrated need exists.

**S.B. 877** seeks to implement the Governor's recommendations regarding revenue sources and changes to support the systems and services our General Fund provides to ensure children and families can grow, thrive, and contribute to their communities. These proposals include modernizing the sales tax structure to

include the taxation of services, which Connecticut Voices for Children appreciates as being necessary to fit with Connecticut's 21<sup>st</sup>-century economy. However, the Governor's revenue proposals fall most heavily on our lowest income taxpayers and ask little of our highest income taxpayers who received a substantial tax cut in the 2017 federal tax bill.

Connecticut Voices for Children believes that Connecticut needs a revenue system that will provide adequate revenue to invest in the State's children and grow the State's economy. Therefore, we ask you an overarching question as you consider S.B. 876 and S.B. 877: **Will the new and revised budget rules enacted during the 2017 and 2018 legislative sessions serve the best short-term and long-term interests of our State, or will they hamper our ability to invest in our children and grow the economy?**

These budget rules, enacted in budget implementer bills include:

- A Constitutional spending cap;
- A volatility cap;
- An appropriations cap;
- A bonding cap; and
- The "Bond Lock."

While we understand that the intent of these fiscal rules was to stabilize our State budget and address recurring deficits, the actual impact of enacting inflexible and untested rules will be to undermine Connecticut's social and economic well-being by forcing under-investments in the physical and human capital that is crucial to our State's growth and prosperity.

As the Governor's budget already demonstrates, the result of building a budget under these new constraints is:

- **Underfunding Juvenile Justice Initiatives** by locking in a juvenile justice budget that has divested an estimated \$42 million dollars since 2015;<sup>4</sup> not providing the Judicial Branch with enough funding to create small, secure facilities to replace the Connecticut Juvenile Training School and expand their continuum of services to meet the needs of youth transferred from the Department of Children and Families as mandated within Public Act 17-1;<sup>5</sup> and not including funding for statewide services to divert youth from entering the justice system including Juvenile Review Boards and Local Interagency Service Teams.<sup>6</sup>
- **Underfunding Medicaid** by locking in cuts to the HUSKY health insurance for low-income parents that eliminated coverage for roughly 20,000 parents of children on HUSKY A with incomes above 155 percent of the federal poverty line.<sup>7</sup>
- **Underfunding Connecticut's behavioral health system** by chipping away at funding for school-based health centers,<sup>8,9</sup> supports for individuals with developmental disabilities and behavioral health needs,<sup>10</sup> and supports for youth with complex needs aging out of foster care.<sup>11</sup> Nationally and in Connecticut, there is an increase in children experiencing behavioral health crises.<sup>12</sup> Underfunding preventative behavioral health services often leads to children experiencing costly and extended visits to emergency rooms and involvement in expensive, traumatic systems including the foster care system, homelessness, and the juvenile justice system. Connecticut's pattern of underfunding critical behavioral health services will lead to more costly deep-end services later.
- **Cuts to a number of community-based education programs** that support vulnerable youth including young parents, children who are behind grade-level in reading, and children who need additional college and career readiness support.<sup>13</sup>

- **Underfunding Connecticut’s public colleges and universities** following years of devastating budget cuts<sup>14</sup> despite extensive concern expressed by Connecticut’s business community about a skills gap that hampers the ability to fill STEM positions with Connecticut graduates.<sup>15</sup>

Revisiting these budget rules is essential in order for the next biennial budget to provide adequate spending for necessary and smart investments. **Connecticut Voices for Children respectfully asks this Committee to:**

- **Repeal the Bond Lock;**
- **Utilize one of several available legal strategies to release the State from any existing bonds issued under the Bond Lock; and**
- **Amend the volatility cap to reflect best practices as set forth in the volatility policy enacted by the legislature in 2015.**<sup>16</sup>

For further details and analysis on the new budget rules, please read Connecticut Voices for Children’s recent report entitled, “Connecticut’s Radical New Budget Rules: Locking in Decreased Investment in our State for the Next Decade.” This report can be found at:  
<http://www.ctvoices.org/sites/default/files/b19CTBudgetRules.pdf>.

Connecticut Voices for Children agrees that the Governor’s proposal in S.B. 877 to eliminate the biennial business entity tax, while increasing the annual filing fee, can reduce paperwork and costs in a meaningful way for the small “mom and pop” shops that are organized as pass-through entities. At the same time, we urge this Committee to focus also on the giant businesses, like Purdue Pharma, LP, that organize in this way and pay only the business entity tax, but are not subject to the corporate tax.

The General Assembly and the Governor should be calling on all segments of our community to contribute fairly to the State’s economy and economic recovery. **We believe a business entity tax whose rate is graduated and based on the income of the business entity, would be a fair and long overdue revision to the way we tax businesses in the State.** We propose that such a tax be applied to all businesses regardless of their legal structure (e.g. corporation, LLC, LLP, S corporation) that are operating in Connecticut. This method of applying graduated taxation based upon business income is consistent with Alabama, Washington DC, and Kentucky.<sup>17</sup> In this way, Connecticut businesses would join Connecticut families in contributing fairly and in accordance with their means to the costs of preparing Connecticut’s future workforce and maintaining the infrastructure our State needs.

Thank you for this opportunity to submit testimony. We ask that as you consider these bills, you consider their impact on the children and families in Connecticut, and we urge the Committee to consider whether the new budget rules support fair and adequate revenues and bonding and allow the State to maximize opportunity and provide positive outcomes for children and families. I can be reached with any questions at [jmills@ctvoices.org](mailto:jmills@ctvoices.org) or (203)498-4240 x 104.

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<sup>1</sup> Connecticut Office of Early Childhood. (2018, April). Early Care and Education Action Plan. Presentation. Retrieved from: [https://www.ct.gov/oec/lib/oec/action\\_session\\_deck\\_-\\_pdf](https://www.ct.gov/oec/lib/oec/action_session_deck_-_pdf)

<sup>2</sup> Center on the Developing Child at Harvard University. (2009). Five numbers to remember about early childhood development. Brief. Retrieved from: <https://developingchild.harvard.edu/resources/five-numbers-to-remember-about-early-childhood-development/>

<sup>3</sup> Central Connecticut State University. (2018). Fees for full-time students, Connecticut resident (undergraduate). Retrieved from: <http://www.ccsu.edu/bursar/fullTimeFees.html>

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- <sup>4</sup> Connecticut Juvenile Justice Alliance. (2018). Examples of State Divestment from Juvenile Justice Related Initiatives: Direct Cuts & Withheld Funding. Memo. Retrieved from: [https://static1.squarespace.com/static/5b8413b445776e48dcfec417/t/5c65a438e2c483cc817f2fe3/1550165050765/CTJJA+Juvenile+Justice+Divestment+Memo\\_2019-compressed.pdf](https://static1.squarespace.com/static/5b8413b445776e48dcfec417/t/5c65a438e2c483cc817f2fe3/1550165050765/CTJJA+Juvenile+Justice+Divestment+Memo_2019-compressed.pdf)
- <sup>5</sup> An Act Concerning the State Budget for the Biennium Ending June 30, 2018, Appropriations and Implementing Provisions Therefor and Authorizing and Adjusting Bonds of the State for Various Purposes, Conn. P.A. 17-1 (2017, June Special Session). Retrieved from: [https://www.cga.ct.gov/asp/cgabillstatus/cgabillstatus.asp?selBillType=Bill&bill\\_num=HB07501&which\\_year=2017](https://www.cga.ct.gov/asp/cgabillstatus/cgabillstatus.asp?selBillType=Bill&bill_num=HB07501&which_year=2017)
- <sup>6</sup> Silbermann, R., Mills, J., Ruth, L., Siegel, K., Simmons, W. W., Hudson, C. S., Nelson, J., & Langer, S. (2019). Impact of the Governor's FY 2020-2021 Budget on Children and Families. Connecticut Voices for Children. Retrieved from: <http://www.ctvoices.org/sites/default/files/bud19BudgetChildFamilies.pdf>
- <sup>7</sup> Defiesta, N., Iverson, S., Oppenheimer, C., Langer, S., Leventhal-Weiner, R., & Shemitz, E. (2015). Impact of the Final FY 2016 Budget on Children and Families. Connecticut Voices for Children. Retrieved from: <http://www.ctvoices.org/sites/default/files/bud15fy16finalimpact.pdf>
- <sup>8</sup> Silbermann, R., Noonan, R., Mills, J., Shemitz, E., Hudson, C. S., Ruth, L., Siegel, K., & Updegrove, N. (2018). Impact of the Final FY 2019 Budget Adjustments on Children and Families. Connecticut Voices for Children. Retrieved from: [http://www.ctvoices.org/sites/default/files/2018\\_06\\_11\\_Final%20FY%2019%20Analysis%20FINAL.pdf](http://www.ctvoices.org/sites/default/files/2018_06_11_Final%20FY%2019%20Analysis%20FINAL.pdf)
- <sup>9</sup> Silbermann, R., Mills, J., Ruth, L., Siegel, K., Simmons, W. W., Hudson, C. S., Nelson, J., & Langer, S. (2019). Impact of the Governor's FY 2020-2021 Budget on Children and Families. Connecticut Voices for Children. Retrieved from: <http://www.ctvoices.org/sites/default/files/bud19BudgetChildFamilies.pdf>
- <sup>10</sup> Silbermann, R., Noonan, R., Mills, J., Shemitz, E., Hudson, C. S., Ruth, L., Siegel, K., & Updegrove, N. (2018). Impact of the Final FY 2019 Budget Adjustments on Children and Families. Connecticut Voices for Children. Retrieved from: [http://www.ctvoices.org/sites/default/files/2018\\_06\\_11\\_Final%20FY%2019%20Analysis%20FINAL.pdf](http://www.ctvoices.org/sites/default/files/2018_06_11_Final%20FY%2019%20Analysis%20FINAL.pdf)
- <sup>11</sup> *Ibid.*
- <sup>12</sup> Threnhauser, S. C. (2018). Child ER Utilization Rising. Why & What's to be Done? Open Minds Executive Briefing. Retrieved from: <https://www.openminds.com/market-intelligence/executive-briefings/child-er-utilization-rising-why-whats-to-be-done/>
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- <sup>14</sup> Silbermann, R., Noonan, R., Mills, J., Shemitz, E., Hudson, C. S., Ruth, L., Siegel, K., & Updegrove, N. (2018). Impact of the Final FY 2019 Budget Adjustments on Children and Families. Connecticut Voices for Children. Retrieved from: [http://www.ctvoices.org/sites/default/files/2018\\_06\\_11\\_Final%20FY%2019%20Analysis%20FINAL.pdf](http://www.ctvoices.org/sites/default/files/2018_06_11_Final%20FY%2019%20Analysis%20FINAL.pdf)
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