



# News Release

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## **Status Quo State Budget Generally Maintains Funding for Children and Families But Misses Opportunities for Reform**

While the state budget approved by the General Assembly and the Governor does not cut funding for most programs that serve children and families, it does not improve Connecticut's regressive tax system or make the bold investments in children and families that the state needs, according to a new analysis by Connecticut Voices for Children.

The organization credited policymakers for avoiding the budget cuts to child and family programs that have been common in recent years and for taking steps to address issues that had long created uncertainty for Connecticut's budget. These steps included the use of Fiscal Year 2019 surplus dollars to help address the ongoing controversy over the hospital tax and the unfunded liability of the Teachers' Retirement System.

The report faulted the budget for failing to reform Connecticut's "upside down" revenue system, in which lower-income taxpayers pay a larger share of their income in state and local taxes than the state's wealthiest residents. Connecticut ranked third for most millionaires per capita in the country in 2018, with 7.75 percent of households holding millionaire status.

The report finds that the state's rigid budget rules are constraining important investments that the state can afford in schools, infrastructure, and health care. For example, because of the spending cap, spending over the next two fiscal years will fall below revenues by \$141 million and \$166 million, respectively – revenues that cannot be appropriated due to the spending cap. The state's volatility cap is projected to sweep \$541 million from the General Fund into the state's rainy day fund (the Budget Reserve Fund) over the next two fiscal years, even though policymakers had to close significant budget deficits. These transfers to the rainy day fund mean that the state must implement tax increases or spending cuts that would otherwise be unnecessary.

"While policymakers took important steps to preserve programs important to children and families, they missed the opportunity to make reforms to our revenue system and budget rules that could prevent more cuts in future years," said Sharon Langer, Interim Executive Director of Connecticut Voices for Children.

"As the state finds itself on a more stable financial footing, we urge the Governor and lawmakers to establish Connecticut as the leader it has the capacity to be in supporting the health, education and well-being of its children and families through a fair and adequate system of taxation," said Ellen Scalettar, Consulting Fellow for Fiscal and Economic Policy at Connecticut Voices for Children.

*Connecticut Voices for Children is a research-based child advocacy organization working to ensure that all Connecticut children have an equitable opportunity to achieve their full potential. In furtherance of its mission, Connecticut Voices for Children produces high-quality research and analysis, promotes citizen education, advocates for policy change at the state and local level, and works to develop the next generation of leaders.*

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