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 assure support for our most vulnerable residents.

State budget deliberations over the past few months have reflected a disturbing inability to honor core values and protect foundations for thriving communities. This inability and the uncertainty it creates is undermining Connecticut’s long-term health and prosperity, fueling increased inequity in income and opportunity, and placing its most vulnerable citizens at heightened risk.

To solve the short-term budget crisis and lay the foundation for future prosperity, the legislature and the Governor must use all tools available, seeking both new revenue and expense-side savings. The House Democrats’ most recent budget proposal takes steps in that direction, acknowledging the need for new revenue to balance our budget gap. The proposal’s attempts to adapt our tax system to the 21st century demonstrate a willingness to reject an austerity-only approach and seek a more balanced path forward.

Despite this important step, the budget still falls short in the severity of the cuts endorsed and the impact of the new revenue approach chosen. On the expense side, enacting this budget would mean that fewer low-income students would attend college, working families would keep less of their hard-earned money, and thousands of parents would struggle to attend work with cuts to child care subsidies placing quality care out of reach. On the revenue side, enacting this budget would deepen the upside-down demands of our tax system, increasing taxes on low-income families while cutting taxes for those with the most resources. As we have seen in other recent budget proposals, low-income families would endure the worst of both program cuts and tax increases.

These policies run counter to the values that have traditionally defined Connecticut while doing little to set a strategy for the future. Our state needs a balanced budget approach, one that raises necessary revenue and targets resources where they are most effective: a budget that includes both shared sacrifice and shared opportunity, addresses the structural causes of our persistent deficits and municipal funding imbalances, and prioritizes equitable growth. None of the budgets put forth to date meet this challenge.

Below are the most significant changes in the House Democrats’ new budget proposal:

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Revenue:

Many of the House Democrats’ new revenue proposals would disproportionately impact low-and-middle-income families. The new proposal:

- **Increases** the sales tax rate to 6.85 percent, which would raise about $330 million in each of the next two years. This would make our tax system even more upside-down, with low-and-middle-class families paying a higher share of their income in taxes than wealthy households.

- **Cuts** the Earned Income Tax Credit even more than earlier proposals did, from 27.5 percent of the federal credit to 25 percent. **This equates to a $25 million per-year tax increase on low-income families.**

- **Limits** the property tax credit on the income tax to households with dependents, costing middle-class residents $55 million per year.

- **Provides** an average tax cut of $100,000 for some 600 of the state’s wealthiest residents through changes to the estate tax. The changes would occur after fiscal year (FY) 2019.

- **Exempts** Social Security income from the income tax after FY 2019, threatening the adequacy of Connecticut’s revenue system as our population ages.

- **Assumes** $100 million per year in payments from a lawsuit settlement between the Connecticut Hospital Association and the state. The litigation is still ongoing, making the assumption premature at best.

- **Institutes** a 25-cent fee to raise $800,000 annually from ridesharing services such as Uber and Lyft.

Municipal Grants:

As the House Democrats’ budget makes it more difficult for low-income families to get by, it also **frays supports for the cities in which low-income families are concentrated.**

Thanks to the concentration of state and nonprofit properties in our major cities, these cities already suffer from a reduced tax base. Although the PILOT (Payments in Lieu of Taxes) program is supposed to offset municipal tax losses, the legislature has never fully funded it. The House Democrats’ budget makes the situation worse, reducing Hartford’s state grants by $7.1 million, with Bridgeport and New Haven losing $3.6 million and $8.7 million, respectively. Instead of growing vibrant urban areas by addressing the inequities of our municipal revenue system, **lawmakers will further stress the finances of Connecticut’s cities already struggling under high property tax rates.**
Education:

The House Democrats’ budget does make efforts to roll back proposed cuts to early childhood education, K-12 education, and higher education. Their budget:

- **Rescinds** a previous Democratic proposal to dissolve early childhood provisions into the State Department of Education; in this budget, they renew their commitment to maintaining the integrity of Connecticut’s early childhood infrastructure (including Birth to Three) within the Office of Early Childhood.

- **Continues** to include $10.25 million more in FY 2018 than the Governor does for Care 4 Kids, the state’s child care subsidy for low-income families.

- **Lessens the blow** for low-income college-going students by restoring $4.9 million to the Roberta B. Willis Scholarship program compared to their previous proposal. The program still receives a $2 million cut in FY 2018 compared to FY 2017.

However, the House Democrats’ budget also:

- **Declines to fund** Care 4 Kids at a level that would open the program to all waiting families.

- **Reduces** magnet school funding in FY 2018 by $15 million compared to their last proposal.

- **Maintains** its previously proposed reduction to Education Cost Sharing grants by $13.8 million in FY 2018 and $11.9 million in FY 2019.

- **Maintains** cuts of $5.6 million to Vocational-Technical system funding.

Child Welfare and Juvenile Justice

Compared to proposed cuts to health care and human services, this budget’s reductions to child welfare and juvenile justice programs are relatively small. This is in part for two reasons: first, because legislators have cut child welfare and juvenile justice programs drastically over the last few years; and second, because the Federal District Court Settlement of Juan F. v. Malloy determined that in order to maintain compliance with the settlement, the legislature should not further cut services provided by the Department of Children and Families (DCF). Compared to the last House Democrats’ proposal, this budget:

- **Cuts** an additional $323,000 from DCF personnel in FY 2018 but restores nearly $11 million to the line item in FY 2019.

- **Maintains** previous cuts to the Juvenile Alternative Incarceration and Youthful Offender Services line items that provide services for juvenile justice-involved youth in their communities.

- **Moves** DCF’s juvenile justice initiatives to the Judicial Department’s Court Support Services Division and closes the Connecticut Juvenile Training School (CJTS). Budget adjustments suggest that the legislature will reinvest money saved from closing CJTS in services and alternative settings for these youth.
The House Democrats’ budget further jeopardizes the health of children and families:

- **Cuts** medically necessary orthodontic services for children in HUSKY by $1.1 million in FY 2019.

- **Cuts** $15 million per year to “reflect SCHIP fix in CMS claims submissions.” It is unclear if this reflects overpayment by the federal government or a plan to reduce services to children enrolled in the HUSKY program. The federal government currently reimburses the state for almost 90 percent of the costs of HUSKY B (CHIP).

- **Cuts** $10 million in FY 2018 and $18 million in FY 2019 from Medicaid (HUSKY A, C, and/or D) through “Medicaid Efficiencies,” which could reflect a decision to require the Department of Social Services to drastically reduce Medicaid services and/or increase the co-payments and other costs contributed by Medicaid participants. Services deemed “optional” under federal Medicaid law include physical and occupational therapy, prosthetics, and prescription drug coverage.

- **Halves** funding for the State Administered General Assistance (SAGA) program, which primarily serves very poor single men and women, many of whom are waiting for federal disability benefits. Under this proposal, individuals would receive only a little more than $100 per month in financial assistance.

We will continue to seek information about the impact of these proposed new cuts and how they will impact children and families.

These changes would compound the threats to children’s health found in the previous House Democrats’ proposal. The budget:

- **Reduces** eligibility for HUSKY A parents to 138 percent of the federal poverty level, which would cause approximately 9,500 parents to lose their coverage.

- **Cuts** funding to community health centers and school-based health centers. These cuts will disproportionately harm children and families of color, making it more difficult for them to bridge the already immense opportunity gap.