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CT Group Welcomes Governor's Support of Progressive Income Tax

Challenges Governor's Statement on State Spending

Connecticut Voices for Children, a research-based policy think tank, welcomed Governor Jodi Rell's support for increasing income taxes on the wealthiest Connecticut residents in an effort to close the state's revenue gap. The group also cited the shift as a move toward greater tax fairness, noting that Connecticut's middle-income and lower-income families pay much more of their income in state and local taxes than do the wealthiest families. After federal tax deductions, the wealthiest 1% of Connecticut's families pay 4.5% of their income in state and local taxes. This is less than half the share of income paid in these taxes by the state's middle-income families (9.3%) or low-income families (12.1%).

"Connecticut's public services, including educational, public health, environmental, and transportation systems, benefit residents of all income levels," said Jamey Bell, Executive Director of Connecticut Voices for Children. "Our state's wealthiest residents should contribute to closing our state revenue gap through income taxes."

The group challenged the Governor's statement in her news release about her budget proposal that "[o]ver the past 20 years, state spending has far outstripped the ability of Connecticut taxpayers to pay for it." It also challenged the usefulness of the data she used to support her argument.

- A table accompanying the Governor's news release cited annual state spending figures from 1987 to 2009. However, these figures were not adjusted for many factors, including inflation (particularly the rapid increase in health care costs, a large portion of the state budget), thus exaggerating the extent of state spending growth. The Governor's table also failed to account for other important factors that affect state spending, such as growth in the state's population (6.5% between 1990 and 2007, including a growing number of seniors) and the economy (40% growth in Gross State Product, in inflation-adjusted dollars; or 167% GSP growth, not adjusting for inflation).
- In 2006, the Federal Reserve Bank of Boston ranked Connecticut highest among all states in "fiscal capacity," its ability to fund needed public investments from its own state and local revenues.

- Connecticut lags behind other states' public investments as a percentage of our state's personal income, according to U.S. Census data:
 - On investing in Connecticut's infrastructure through state and local capital spending, and spending on highways and natural resources, Connecticut ranks lowest (50th);
 - On state and local total direct spending, Connecticut ranks 2nd lowest (49th);
 - On state and local spending on all education and on higher education, Connecticut ranks 4th lowest (47th);
 - On assistance to Connecticut's most vulnerable populations, Connecticut's state and local spending on public welfare ranks 5th lowest (46th).
- Connecticut enjoys the nation's third highest median household income (\$65,967 in 2007, 30% higher than the national average), according to U.S. Census data.
- Over the last two decades, the gap in average, inflation-adjusted income between wealthy and poor Connecticut families and the income gap between wealthy and middle-income families have grown more in Connecticut than in any other state in the country, according to an analysis by Connecticut Voices for Children.

“As we look for creative ways to restart our economy, the severe budget cuts called for by the Governor would act as an anti-stimulus plan and would further weaken our state,” said Jamey Bell. “The Governor’s income tax proposal is a welcome start, but Connecticut still needs a better balance between revenue increases and program cuts.”

Connecticut Voices for Children is a statewide, research and policy organization that works at the state and federal levels to advance strategic public investment and wise public policies to benefit our state’s children, youth and families. For more information on Connecticut Voices, see www.ctkidslink.org.

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