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TESTIMONY REGARDING S.B. 1044, AN ACT CONCERNING THE RECOUPMENT OF STATE COSTS ATTRIBUTABLE TO LOW WAGE EMPLOYERS

Good Afternoon Senator Moore, Representative Abercrombie and Members of the Human Services Committee. I am Elizabeth Fraser, Policy Analyst at the Connecticut Association for Human Services (CAHS). CAHS is a statewide, nonprofit agency that works to reduce poverty and promote economic success through both policy work at the Capitol and program work in low-income communities statewide.

I am here to comment on the provisions of S.B. 1044 an act concerning the recoupment of state costs attributable to low wage employers. This proposed legislation seeks to increase funding for early care and education in Connecticut, raising new revenue to increase the wages of teachers and educators.

In order to provide quality early care and education, the State of Connecticut established minimum required credentials for teachers and educators in publicly funded centers.ⁱ The legislation established that by 2015 all early care teachers should have at least a Bachelor's degree in early childhood education or its equivalent. However, because of the difficulty centers were having in meeting this deadline, the statute was amended to require that only 50% of all teachers have a Bachelor's degree by July of 2015. The remaining 50 % of early care teachers would need to have at least an Associate's Degree and meet the Bachelor degree requirement by 2020. The additional five years allows more early care professionals to complete their educational requirements and give centers the time to meet the statutory requirement that all teachers have a Bachelor's degree.

Although the extension was a good interim measure, the reality is that as teaching staff becomes better educated, the current funding is insufficient to effectively sustain the required workforce. Connecticut already is the 6th most expensive state in day care cost for infants (\$12,974 a year in 2013), and 3rd for 4-year oldsⁱⁱ (\$10,692 a year). Despite the high costs, the average early care and education professional in the state, earns \$11.14 an hour.ⁱⁱⁱ This is well below what the Connecticut United Way, *Alice Report* cites as a family "survival" budget^{iv}. The current reimbursement rates for Care 4 Kids and state funded programs are

too low to allow for higher wages. Centers are in danger of losing highly qualified staff to the public schools or other sectors where they will be paid commensurate to their education.

This is a problem; qualified, well trained teachers are crucial for the delivery of quality early care and education.^v Research shows that employing highly educated early care teachers has an immediate effect on learning. Better qualified teachers make early care and education much more effective. Quality early care programs provide the stable and developmentally appropriate learning environment that greatly contributes to the development of the child. Having an eager, well prepared workforce is crucial to provide these services.

In order to sustain an effective, well qualified workforce for the Connecticut early care and education system, the state needs to increase funding to a level that can allow providers to attract well-qualified workers. With current wages certified teachers and recent graduates are much more likely to pursue careers on public school systems than on subsidized private early care providers. Without additional resources, Connecticut can potentially end with early care and Pre-K slots available, kids ready to learn, and not enough teachers to educate them.

This will require additional resources. S.B. 1044 pairs the commitment to additional resources with a new revenue stream. CAHS has offered other possible funding sources in prior testimony to the Finance Committee; Connecticut Voices for Children, in a recent report, has shared several new revenue options:

- **Raising the top marginal income tax rates for households making more than \$500,000 a year:** the income tax is the most progressive form of taxation in the state's tax code. Currently Connecticut's top marginal rates are well below the states in our region; a modest increase (to 7%, 7.5% for incomes above one million) would only affect 2% of Connecticut households and potentially raise \$300 million in new revenue. This increase will not lead to wealthy residents leaving the state; studies have repeatedly showed that tax rates are not a factor in this regard^{vi}.
- **Eliminating outdated tax expenditures:** the Office of Fiscal Analysis produces an annual report on Connecticut tax expenditures^{vii}. These are tax breaks and incentives included in the tax code to support nascent industries or promote economic activity. Many of the exemptions and deductions, however, are outdated, and have a strong financial impact on the budget. We support eliminating many of these expenditures, as well as adding an automatic sunset clause to all provisions.
- **Broaden the base on the sales tax:** the sales tax currently does not cover many services like accountants or attorneys. Broadening the base to cover currently exempt services could potentially raise enough revenue to lower the overall rate, or preserve exemptions for low-income families.

- **Taxes on soda and sugar sweetened beverages:** a tax on sugary drinks would improve health; depending on how it is structured it could raise \$160 million.

We understand that any revenue increases would require revising Connecticut’s constitutional spending cap. We are open to work with the members of the committee to evaluate possible options, and we will support the changes.

CAHS believes that Connecticut needs a state government that is able to invest on its infrastructure and education. It is for this reason that we encourage this committee to seek new revenue streams to make these investments possible. Thanks for your time today.

ⁱ Public Statute (10-16 p)

ⁱⁱ <http://www.pewresearch.org/fact-tank/2014/04/08/rising-cost-of-child-care-may-help-explain-increase-in-stay-at-home-moms/>

ⁱⁱⁱ <http://www1.ctdol.state.ct.us/lmi/wages/statewide/39-9011.asp>

^{iv} http://alice.ctunitedway.org/files/2014/11/14UW-ALICE-Report_CT.pdf

^v <http://preschoolmatters.org/2013/06/03/highly-qualified-teachers-the-workforce-early-educations-needs-and-deserves/>

^{vi} See <http://www.cbpp.org/cms/?fa=view&id=3556> for a literature review. The main driver for migration outflows in Connecticut and the Northeast, incidentally, is housing prices – and middle class families are more likely to leave than the wealthy.

^{vii} See http://www.cga.ct.gov/ofa/Documents/year/TER/2014TER-20140102_Tax%20Expenditure%20Report%20FY%2014.pdf for 2014’s version.