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## **Testimony to Finance Revenue & Bonding Committee re S.B. 10, AAC Revenue Items to Implement the Governor's Budget**

Good afternoon Senator Fonfara, Senator Frantz, Representative Rojas and Members of the Committee. I am Jim Horan, CEO of the Connecticut Association for Human Services (CAHS). CAHS is a statewide nonprofit agency that works to reduce poverty and promote equity and economic success for children and families through policy and program initiatives.

I am testifying today on S.B. 10, An Act Concerning Revenue Items to Implement the Governor's Budget. The revenue package is critical to CAHS's policy goals of ensuring fiscal stability, generating economic growth, and reducing inequities. CAHS is concerned that recent state budgets have relied too heavily on cuts to critical programs and policies, rather than a more balanced approach that includes equitable tax increases and strategic spending cuts. This austerity approach is slowing down sorely-needed economic and job growth, and hurting lower-income residents.

We strongly advise this Committee to:

- **Partially restore the state EITC from 23% to 25% of the federal credit**
- **Increase revenue sufficient to core services**
- **Repeal the Bond Lock before it begins in May 2018**

The biennial budget passed in October reduced the state Earned Income Tax Credit (EITC) from 27.5% to 23% of the federal EITC. This is essentially a tax increase on the almost 200,000 low-income working households who receive the EITC. Their average income is less than \$20,000 per year. The EITC makes a huge difference in the lives of these households, the vast majority of which are families with dependent children under 18. We appreciate that other budget proposals last year would have cut the EITC even more severely than this 16% cut. However, given strong evidence that the EITC encourages workforce participation and reduces poverty, especially child poverty, we respectfully request **restoring the EITC to at least 25% of the federal credit, which would cost less than \$10 million.**

CAHS requests that this Committee includes in the revenue package sufficient revenue to fund core services, including services provided to low-income children and families that have been underfunded in recent years, such as Care4Kids child care subsidies. To do this, CAHS recommends:

- **Expanding the sales tax to more services**
- **Collecting Internet sales taxes, as Massachusetts and other states are doing**

- **Maximizing federal funds, as is now being done with the hospital tax**
- **Implementing a tax on sugary beverages**

Overall, CAHS supports tax changes to make the tax system more progressive, protecting low- and middle-income households that have not seen financial gains in recent years, while wealthier households have and will continue to do with recent federal tax reform. To that end, **CAHS opposes Governor Malloy's proposal to eliminate the property tax credit for middle-income seniors and households with dependents. We support the Governor's proposal to raise cigarette taxes, the hotel occupancy tax, and the option to increase the sales tax to 7 percent for restaurant transactions. We oppose raising the base rate for the sales tax from 6.35 percent to 6.9 percent, as this is regressive and hurts low-income consumers the most.**

Finally, while more fiscal discipline is needed to balance the budget and avoid recurring billion-dollar deficits, new restrictions on spending and raising revenue threaten building blocks for thriving communities. In particular, Section 706 of the implementer bill passed last fall requires state bonds to lock in bonding, spending, and volatility caps in bond covenants. The state will not be able to fix bond covenants except in limited circumstances, tying the legislature's hands for the 10 year life of the bonds.

The Bond Lock and Spending Cap will force the legislature to address billion of dollars in increased costs in coming years, including state employee and teacher pension obligations, primarily with cuts. This will reduce the state's ability to meet residents' needs and spur economic development. **Therefore, it is imperative that this Committee and the full General Assembly move to repeal the Bond Lock before it begins in May 2018.**

Thank you for the opportunity to testify. I am happy to answer any questions now, or to follow up with any questions you may have. I can be reached at [jhoran@cahs.org](mailto:jhoran@cahs.org).