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Testimony before the Finance, Revenue and Bonding Committee in support of RB 1135 and Increased Revenues

by Jane McNichol, Executive Director
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I am **Jane McNichol**, Executive Director of the **Legal Assistance Resource Center of Connecticut**, the policy advocacy branch of the Legal Services network in the state. We represent the interests of very low income residents of the state. I am also a member of **Better Choices for Connecticut**.

I am here to support Raised Bill 1135, which would make changes in our Rainy Day Fund mechanism to address volatility in the state revenue system. We need to be able to collect revenue when Connecticut residents and businesses are in a position to support needed services – without being afraid that we are setting ourselves up for budget problems when economic conditions worsen. This bill would help us smooth the bumps in state finances while allowing us to collect needed revenues when we are in a position to do that.

The situation we face this year is an example of why we need these mechanisms. We need more revenue this year. Without more revenue, we are facing significant cuts in state services. The Governor's proposed budget focuses those cuts on needed human service programs and the agencies which support needy residents of the state.

Proposed spending cuts would

- **move 34,000 parents out of HUSKY health care.** These parents will have to purchase more expensive coverage through the Exchange or go without coverage;
- **weaken the HUSKY provider network** by cutting Medicaid provider rates;
- **reduce the number of state employees.** State employees are needed to connect residents to available state services; and
- **reduce or eliminate funding for many non-governmental agencies** which provide services or assist residents in accessing state services.

The budget places significant burdens on low-income residents but asks little from the individuals and businesses with resources in the state. There are many better choices that you should consider as you build the budget.

Among the revenue sources that you should consider are:

- **Increasing the personal income tax rate** on incomes over $500,000 (for a couple) to 7% and over $1 million to 7.5%. This would bring in about $300 million while

maintaining our competitiveness with other states and making the tax system more equitable. This is a revenue source that is subject to volatility. RB 1135 would help protect us from that problem.

- **Eliminating certain tax expenditures** (i.e. exemptions from the sales tax and other taxes, tax credits). There are $6 billion in tax expenditures on the books. Connecticut Voices for Children has identified over $470 million in tax expenditures that could be eliminated.

- **Imposing the state sales tax on more services**. Connecticut taxes most goods but few services. The sales tax could be extended to more services. This could bring in significant revenue while making the tax system more equitable.

- **Adopting combined reporting** in our corporate tax system. This is a sensible reform to address the issue of tax avoidance by large corporations. Many states have adopted this reform in the recent years. It would bring in about $130 million.

- **Taxing sugar-sweetened beverages** (HB 5461). This would bring in more than $140 million.

Many of these ideas have come up before. **This year, we need to look seriously at these changes.** The Governor's proposed budget shows the damage we will do to the quality of life in Connecticut if we do not take a serious look at revenue alternatives.

I urge you to adopt RB 1135 and work with the Appropriations Committee to construct a fair budget with adequate reliance on revenues.

Thank you for your work on these issues in this difficult budget year.