

Finance, Revenue and Bonding Committee

April 23, 2015

Senate Bill 1135: An Act Establishing a Sustainable Path for Maintaining the Budget Reserve Fund and Reducing the Effect of Revenue Volatility on the State Budget

Senator Fonfara, Representative Berger and members of the Finance Committee:

My name is David Glidden and I am the Executive Director of CSEA SEIU Local 2001, a labor union representing public and private sector workers across the state. I'm here today to speak in support of Senate Bill 1135: An Act Establishing a Sustainable Path for Maintaining the Budget Reserve Fund and Reducing the Effect of Revenue Volatility on the State Budget.

Connecticut's high concentrations of individual wealth and significant number of corporate headquarters result in large fluctuations in revenue as economic conditions change. Revenue fluctuations result in significant revenue shortfalls when the economy is under-performing, requiring cuts in programs, reductions in aid to cities and towns, tax increases or all of the above. The Budget Reserve Fund (also known as the Rainy Day Fund) can be used as an important tool for stabilizing the state's revenue stream to protect against large fluctuations in revenue. Currently, the state only makes deposits into the Budget Reserve Fund when there is a surplus not set aside for another purpose. The fund could better manage revenue fluctuations if excess revenue from the state's most volatile revenue sources were automatically deposited into the fund during periods of strong economic growth and used to offset revenue shortfalls during economic downturns. CSEA supports Senate Bill 1135 as it will lead to greater stability, budgetary and otherwise for all of Connecticut's residents, but I also urge the Finance Committee to enact several revenue proposals offered by members of the Better Choices Coalition, of which CSEA is a member.

While our state's economy is growing, those gains have not been felt evenly across Connecticut. Rising income inequality has contributed to our current budget shortfall and left us more exposed to the volatility of some revenue sources. If Connecticut utilized a more progressive tax structure so that the wealthiest 5% of Connecticut's residents paid the same percentage of their income in taxes as the bottom 95%, there would be no budget deficit. For this reason, the Better Choices Coalition has proposed new 7 and 7.5% tax rates on the top 2%.

Secondly, over the past several decades state corporate income taxes have declined markedly. Here in Connecticut, corporate business taxes funded 24% of general fund revenue in 1991, but today that number is closer to just 4% despite record profits. One of the factors contributing to this decline has been aggressive tax avoidance on the part of large, multi-state corporations costing states billions of dollars nationwide. The most effective approach to combating corporate tax avoidance is

the use of combined reporting, a method of taxation currently employed in more than half of the states with a corporate income tax. The District of Columbia, Massachusetts, Michigan, Texas, New York, Vermont, West Virginia, and Wisconsin all enacted legislation to institute combined reporting within the past five years; Connecticut should join them.

Finally, the finance committee should make every effort to pass either SB 1044 or HB 6791. The corporations addressed in these bills are taking advantage of our social safety net in order to pad their profit margins; that's fundamentally wrong and an abuse of the system. To put this problem in perspective, in 2013 Walmart had a net income of \$17 billion yet the company has continued to pay wages so low that their employees qualify for public assistance. A 2014 study by Americans for Tax Fairness found that a single Walmart Supercenter cost taxpayers between \$900,000 and \$1.75 million per year, or between \$3,000 and \$5,800 per worker. This legislation would be an important step towards addressing the abuses of our social safety net that have been institutionalized by many large corporations.

David Glidden
Executive Director, CSEA SEIU Local 2001