Connecticut Conference
United Church of Christ

125 Sherman Street
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Testimony 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
Submitted by: Michele Mudrick, Legislative Advocate
Connecticut Conference, United Church of Christ
April 23, 2015

Senator Fonfara, Representative Berger, and distinguished members of the Finance, Revenue and Bonding Committee,

I am Michele Mudrick, Legislative Advocate for the Connecticut Conference, United Church of Christ, and I am writing today 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.

I am writing on behalf of the 240 congregations and more than 73,000 people in our state's churches. In fact, the United Church of Christ (UCC) is the largest Protestant denomination in Connecticut. Nationally, the UCC has more than 5,700 congregations with nearly 1 million members. In 1972, 1982, 1983, and again in 1989, the assembled delegates and ministers of the Connecticut Conference of the United Church of Christ met and voted on Resolutions that call upon us to share the costs of government fairly, to study tax reform in Connecticut, and to call for fair and equitable taxation.

The Governor's budget cuts nearly $600 million from programs critical to families across the state, including:

- $158.0 million from the State Department of Education;
- $49.3 million from the HUSKY health insurance program for children, families, and pregnant women;
- $65.9 million from higher education; and
- $11.3 million from the Office of Early Childhood.[1]

The cuts are unfair and shortsighted. Spending on children and families makes up only a *third* of the budget, but over *half* of cuts. Failure to invest now in our best resource, our children, means we will pay much more later.[2]

In order to avoid the harmful effect of these cuts, we ask the committee to raise revenue. We need to make better choices. For example:

- If we choose to end a 1997 tax break for Internet services ($62.2 million), we can maintain health insurance coverage for low-income parents and pregnant women ($49.3 million) *and* restore the Earned Income Tax Credit (EITC) ($11.0 million);[3]

[1] Connecticut Voices for Children
[2] Connecticut Voices for Children

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- If we choose to make our personal income tax more progressive ($300 million), we can prevent significant cuts to K-12 and higher education ($223.9 million), restore cuts to the Office of Early Childhood ($11.3 million), and much more. Our income tax increases as you earn more, but is flat above $500,000. Making the income tax progressive above $500,000 would generate an estimated $300 million. Connecticut's top marginal rates are well below New York and New Jersey; a modest increase (to 7% for incomes $500,000-1,000,000 and 7.5% for incomes above $1,000,000) would affect 2% of households and potentially raise $300 million in new revenue.[4]
- If we choose to eliminate a 1993 tax break for amusement and recreation services ($70.0 million), we can maintain state support for developmentally disabled children ($20.0 million), the Department of Children and Families ($15.7 million), youth mental health and addiction services ($2.7 million), and more. Every year Connecticut gives away over $6 billion in tax credits and exemptions. [5]

In Connecticut, corporations can dodge taxes by reporting profits from our state in another. Requiring combined corporate reporting of profits would increase state revenue by an estimated $125 million. By closing a corporate tax loophole, we can help bring more money into Connecticut to help people that need it the most.[6]

Broadening the base on the sales tax is another way to gain more revenue. The sales tax currently does not cover many services, including accountants and 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.[7]

The cuts included in the Governor's Budget proposal will hurt many vulnerable people in our state. The Connecticut Conference of the United Church of Christ supports asking those who can afford to pay a little more to do so; we oppose more cuts to services for families already living in poverty.

Thank you for your work and for the opportunity to supply written testimony in support to Senate Bill 1135.

Blessings,
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[3] Connecticut Voices for Children
[4] Connecticut Association for Human Services
[5] Connecticut Voices for Children
[6] Connecticut Voices for Children
[7] Connecticut Association for Human Services