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Appropriations Committee Public Hearing
April 23, 2015

SB 1135 An Act Establishing A Sustainable Path for Maintaining The Budget Reserve Fund and Reducing the Effect of Revenue Volatility on the State Budget

Good afternoon Senator Fonfara, Representative Berger and members of the Finance Committee. My name is Steve McKeever, First Vice President of AFT Connecticut, a diverse state federation of local unions representing nearly 30,000 public and private sector workers including teachers, paraprofessionals and other board of education employees, nurses and ancillary healthcare workers, and state employees. Our President, Melodie Peters, had planned to be here to testify today, but she unfortunately is ill. We support the intent of SB 1135 to provide stability in the Budget Reserve Fund, but we urge you to do more to protect our state's most vulnerable populations by expanding revenue enhancements.

The governor's proposed budget includes hundreds of millions of dollars in cuts, slashing or eliminating essential programs for PreK-12 education, higher education healthcare, youth, housing, environment, and aid for our cities and towns. This proposal comes after years of cutbacks and freezes and three rounds of rescissions in this fiscal year alone. Without increased revenue, state income will be $1 billion short of what is needed just to maintain current services. If enacted as it was presented, the governor's budget will inflict widespread pain across the state, but it will not be experienced equally among all taxpayers. The most devastating impacts will be felt by children and working families. For example:

- Education Cost Sharing (ECS) grants have been flat funded at 2009 levels for six years, forcing public schools to rely more on property taxes and creating gross inequities across the state. Poor urban, rural and inner-ring suburban districts are under-resourced with large class sizes, fewer enrichment programs and rapidly declining numbers of classroom support staff. Student learning suffers. Governor Malloy's budget proposes flat funding ECS again in FY 2016 and FY 2017.

- When state disinvestment increases in higher education, as it has for the last several years, college students pay higher tuition rates, even though they already saddled with staggering loan debts. Further budget cuts mean less faculty, fewer course offerings and lower four-year graduation rates. A college education was once a great economic equalizer, but it is slipping out of reach for far too many people. Governor Malloy's proposed budget cuts more than $61 million in higher education dollars.

- Healthcare providers often provide lifelines to our neediest citizens, but even they are hanging by a thread after years of poor Medicaid reimbursement rates. Governor Malloy's budget proposes slashing Medicaid provider rates by $91 million and gutting $45 million from HUSKY, leaving 30,000 people without health insurance.

The governor has only presented tough choices that further exacerbate the burdens carried by children and working families. Now, the General Assembly has the opportunity to make another set of tough choices, but these options can protect our most vulnerable residents by preserving our most vital programs.

The Department of Revenue Services found that state and local tax burdens consume 6.5% of the income of the very wealthy, but the bottom half of Connecticut households pay more than 3 times as much – 23.6% of their income. Households with incomes over $300,000 – roughly the richest 3%-4% – could pay an extra $2 billion per year in taxes and still have a far lower tax burden than lower income households.

We urge you to adopt a revenue package that puts the common good ahead of personal interest:

- Increase progressivity at the top end of the personal income tax. A surtax of 2% on the portion of incomes above $500,000/year (currently 6.7%) would be equivalent to New York's (8.82%) or New Jersey's (8.97%) top marginal rate and would generate $300 million in new revenue.

- End unnecessary corporate tax loopholes and expenditures by establishing expiration dates for tax breaks in the form of exemptions, deductions and credits.

- Re-establish the capital gains tax that was eliminated in 1989.

- Enact SB 1044, An Act Concerning the Recoupment of State Costs Attributable to Low Wage Employers. It establishes a quarterly fee on large employers at the rate of $1.00 per work hour for each employee paid $15 per hour or less and results in a potential revenue gain of up to $152.6 million in FY 16 and up to $305.1 million annually thereafter.

We urge the General Assembly to protect the vital public structures and services upon which our economy and our communities depend by asking everyone to sacrifice equally. Thank you for the opportunity to testify today. I'd be happy to answer any questions you may have.