

Better Choices For CT advocates for more responsible, long-term solutions to Connecticut's imbalanced revenue structure.

Cuts Alone Won't Cut It

by Liza Andrews, MSW, CT Nonprofits



In February, Governor Rell released her midterm budget adjustments for the second year of the state's biennial budget. The biennial budget, which covers fiscal years 2010-2011, was just passed by the Legislature last fall after a protracted, nine-month budget battle. The state is currently in fiscal year 2010 and less than 6 months after passage, the budget is already over half a billion dollars in the red. Fiscal year 2011 does not look much better and fiscal years 2012 and 2013 are down right frightening with estimated deficits of about \$3 billion each year.

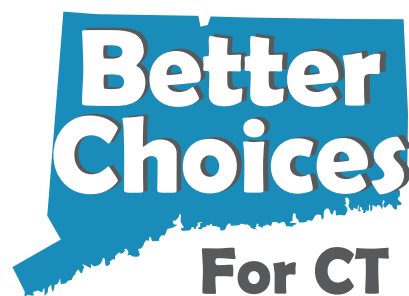
The solution to Connecticut's budget woes continuously put forth by the Governor and legislators focuses on cuts, most of which negatively impact nonprofits and the middle- and low-income families we serve. Spending for human services, health and hospitals, which includes many services provided by nonprofits, accounts for 38% of the state's general fund¹ — the largest chunk of spending and the easiest target for proposed cuts. If you listen to media coverage about Connecticut's budget deficit, the loudest message heard from taxpayers is that government is bloated and must be reined in with reduced spending.

Unfortunately, this message does not bode well for nonprofits that provide services on the state's behalf. The cost-of-living adjustment on nonprofit contracts with the state averages about 1% over the last twenty years; this is far below the pace of inflation and does not come close to covering the current cost of services. The nonprofit provider system is already underfunded. Further cuts will mean job loss, fewer services and a more unstable

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system. Nonprofits simply cannot sustain this and therefore must advocate for the alternative — raised revenues.

It is not enough for nonprofits to advocate against cuts as it is clear that the state does not have the money necessary to maintain current services. Nonprofits must also talk about revenues, the means by which we are paid for our services.



Last year, CT Association of Nonprofits joined the Better Choices for Connecticut coalition, a broad-based community coalition of nonprofits, advocates, public employees and religious organizations that advocate for revenues as part of the budget solution.

Recognizing that state revenues — taxes, fees, and other income — are the collective investments that support our communities and maintain basic health and human services, Better Choices advocates for more responsible, long-term solutions to Connecticut's imbalanced revenue structure.

Even after the legislature approved a slight income tax increase for very high-income households, Connecticut's wealthiest families still pay a much lower share of their income in state and local taxes (4.9%) than middle-income families (9.9%) and low-income families (12%). Adopting a slight increase on joint filers making \$200,000 or more would make our overall tax structure more balanced and preserve funding for crucial health and human services provided by nonprofits. The same goes for fixing costly tax loopholes that allow major corporations to shift profits to subsidiaries in other states, avoiding Connecticut's corporate income tax.

The state cannot rely only on spending cuts alone. Nonprofits have seen a dramatic increase in demand for services over the last eighteen months; meanwhile, the resources the state has to meet those needs continues to fall. We need a balanced approach that addresses the state's structural revenue problem with a revenue solution. We urge nonprofits to include revenues as part of the discussion. Nonprofits can either urge lawmakers to ask for more of a sacrifice from Connecticut's wealthiest corporations and individuals, or lawmakers will continue to ask for more of a sacrifice from nonprofits.

For more information about Better Choices for CT, go to www.betterchoicesforct.org.

¹ FY2010-2011 Governor's Midterm Budget Adjustments, p. 5