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for Community Action

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Public Hearing Testimony before the
Connecticut General Assembly's Finance, Revenue, and Bonding Committee

Deb Polun, Executive Director
Connecticut Association for Community Action, Inc. (CAFCA)

***Supporting and Commenting on
Senate Bill 981: An Act Concerning Revenue Items
to Implement the Governor's Budget***

April 3, 2023

Distinguished members of the Finance, Revenue, and Bonding Committee:

Thank you for holding this public hearing today. The Connecticut Association for Community Action (CAFCA) is the state association that works with Connecticut's nine Community Action Agencies (CAAs), the state and federally designated anti-poverty agencies providing a wide variety of services to nearly 200,000 low- and moderate-income people in all 169 cities and towns across the state. I have included more information about Community Action Agencies at the end of this testimony.

Senate Bill 981: An Act Concerning Revenue Items to Implement the Governor's Budget

Supporting Section 9

CAFCA supports Section 9 of this proposal, which would have direct positive impacts for low-income people across Connecticut, as well as on our state's economy.

As this Committee well knows, the Earned Income Tax Credit (EITC) is a refundable state income tax credit for low- to moderate-income working individuals and families. According to the IRS, about 270,000 people in Connecticut received the federal EITC for 2021, bringing in just under \$500 million to people in all 169 cities and towns. Every member of this Committee has constituents who receive the EITC.

The EITC bolsters the economic security of low-income working families and individuals. According to the Center on Budget & Policy Priorities, if the

EITC were treated like earnings, it would have been the *single most effective antipoverty program* for working-age people, lifting about 5.6 million people out of poverty in 2018, including 3 million children.

Study after study has shown the effectiveness of the EITC in helping families meet immediate and future needs. They use it on necessary expenses, such as food, rent, clothing, car repairs, and sometimes additional training to improve their job prospects. In addition to improving the “now,” long-term studies show that lifting low-income families’ income when a child is young is associated with better health, more schooling, more hours worked, and higher earnings in adulthood.

Increasing the EITC made sense a few months ago when Connecticut had extra funds – and it continues to make sense moving forward. Expanding the EITC from 30.5% to 40% will put money in the pockets of those who need it most. It will also help to strengthen Connecticut’s economic present and future, by allowing those families to spend money on needed products and services.

Additional Comments

Connecticut is one of the only states that does not adjust income tax for family size or child care expenses. Yet, we know the high costs of raising a family in our state. This session, we have an opportunity to make things a little bit easier for parents and caregivers by creating a permanent refundable state Child Tax Credit.

This credit would put more money in families’ pockets, allowing them to buy food, clothing, and other necessities; more easily pay their rent, mortgage, or child care costs; and pay down debt. Approximately 600,000 children in Connecticut would benefit from this credit, including virtually all of the 100,000 children statewide who live in poverty, as well as kids in moderate-income families who also could use help with rising costs.

Child tax credits are an incredibly effective tool to reduce poverty. This isn’t a guess or a prediction: we know this because the American Rescue Plan Act expanded the federal child tax credit last year, temporarily lifting Connecticut children out of poverty. Additionally, over 238,000 families applied for last year’s state child tax rebate, helping them pay utility bills, rent, for summer camp, and more.

In addition to improving the “now,” long-term studies show that lifting low-income families’ income when a child is young is associated with better health, more schooling, more hours worked, and higher earnings in adulthood.

Unfortunately, Congress let the enhanced credit expire, and Connecticut’s child tax rebate was for one year only. Now that the credit has ended, experts estimate that poverty rates have risen again. We ask you to reinstate and make permanent a Connecticut Child Tax Credit this year.

With a budget surplus this year, policymakers are considering both increases to programs/providers and tax cuts. Many of the tax cuts proposed this session focus on the middle class, popular proposals that certainly will help people across our state.

However, we ask you instead to commit to principles of equity, and to direct the tax relief and additional funds to those who need the most assistance. Specifically, we ask you to support our kids and families by expanding the Earned Income Tax Credit (EITC) and bringing Connecticut on-board with other states and establishing a state Child Tax Credit.

Thank you all for your consideration of these important proposals, which would help your neediest constituents – and as always, for your service to our state. Please feel free to get in touch with any questions: deb@cafca.org or 860-832-9438.

More about Community Action Agencies

As the largest statewide safety net service provider, Connecticut's network of Community Action Agencies connects neighbors in need with resources that stabilize and improve lives and communities. These services and resources include, but are not limited to:

- Nutrition (inc. SNAP outreach, Meals on Wheels, and Congregate meals)
- Housing and shelter
- Asset development and financial literacy
- Energy and heating assistance
- Job training
- Early childhood care and education

Through a holistic, comprehensive, multigenerational approach, CAAs work with those in need to plan, achieve, and maintain a realistic path to short and long-term economic self-sufficiency and success.

