

# Austerity Versus Reinvestment

*A roadmap for a broad-based Connecticut economic recovery*

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## INTRODUCTION

For decades, people on opposite sides of the political divide have forcefully argued their competing ideas about what's needed to move Connecticut towards a better, more inclusive future for everyone in our state. Some pushed austerity, noting that Connecticut has raised taxes three times in the last decade and deeming that a failure. Others point out that Connecticut has relied far more frequently and much more heavily on service and public investment cuts than setting more progressive tax rates to balance its budget, and that the state continues to move in the wrong direction. Those advocates seek revenue through higher effective tax rates on the wealthy and increased investments in public services and public structures.

On top of this great divide, we have suffered a once-in-a-century pandemic that has already killed over 7,500 residents — disproportionately Black and brown — the greatest economic dislocation since the Great Depression, and a reckoning with the effects of systemic racism and wealth inequality. As we face the question of how to move out of these dark days towards a better future for all, this report examines the economic data, the history, and the facts to point a way towards a better Connecticut for everyone. It finds:

- ▶ Connecticut has continued to reduce its public investment in services people need and the structures such as education, healthcare, housing, and transportation upon which our communities depend;
- ▶ This reduction has held down economic growth, exacerbated income and wealth inequality by race and class, and produced a self-perpetuating cycle of movement further away from livable cities, safer communities and equal opportunity;
- ▶ This trend has been aggravated by Connecticut's revenue structure, in which the wealthiest pay far lower effective rates in state and local taxes than other Connecticut families;
- ▶ States that took the opposite approach, increasing investments in public services and structures, have done far better in addressing economic challenges than states like Connecticut that relied primarily on cuts;
- ▶ Connecticut is well situated to make genuine progress in addressing its core economic problems by investing in the programs that improve people's lives, the services that they need, and the public structures that provide for a community and an economy that works for everyone.

The report also profiles some of the frontline state workers who are struggling to make a difference with the resources and staffing currently available, and a first-person assessment about how much more we could achieve if our state truly invested in progress for everyone.

## DEPARTMENT OF CHILDREN AND FAMILIES

Darnell Ford | *Lead Children's Service Worker*



**DARNELL FORD** works at Solnit South Children's Psychiatric Center where he has served as the Lead Children's Services Worker for the last 22 years. He works with kids who need support and services for their mental health when they are at the most vulnerable point in their lives. DCF healthcare workers know what kids and our communities need — the State needs early interventions, training, mental health care, in schools and in communities. But this all takes resources. Resources Connecticut HAS, as the wealthiest state in the country. But we need the courage to direct these resources towards expanding the services that our communities, our kids, need.

In DCF Darnell sees firsthand what people call the "school to prison pipeline" that particularly impacts Black and brown kids. Which means when his nephew leaves elementary school, there is a higher chance he is going to go down that pipeline just because of the color of his skin, and because the state doesn't pay attention and doesn't clear resources within his community within his school system to be able to make sure that pipeline doesn't exist. Connecticut must break this pipeline. DCF needs consultants working with communities and schools on a regular basis. Our schools have resource officers, but we also need counselors — double the amount in fact.

Despite calling Darnell and his colleagues heroes, he feels helpless when time and time again services are cut because they are 'too expensive' — illustrating clearly where Connecticut holds our 'heroes' or the need for quality health and wellness for the people of our State.

"We talk a lot about what we should ask for, but these are demands. We shouldn't even have to demand these should be basic foundational standards of care. But today we must demand massive investment in DCF services that kids need for preventative care. Look at our nation. We are caught in multiple crises — from the pandemic to racial injustice to economic hardship. And the state is talking about cuts. Cuts to what? People trying to survive, people are trying to figure out their lives. People are trying to know what's going to happen to them next week. This is unacceptable."

**"WE TALK A LOT ABOUT WHAT WE SHOULD ASK FOR ... BUT TODAY WE MUST DEMAND MASSIVE INVESTMENT IN DCF SERVICES** *that kids need for*

*preventative care..."*



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## SECTION 1:

# THE PRE-COVID SITUATION OF STATE GOVERNMENT FAILED TO MEET THE NEEDS OF CONNECTICUT'S PEOPLE

In towns and cities across Connecticut, working people across all demographics are facing an unprecedented emergency. From the global pandemic to the economic crash to structural racism, a combination of multiple crises is devastating our communities, especially our communities of color. Hundreds of thousands of residents — Black, brown, and white — are struggling to support their families and survive.

This perilous moment has exposed the devastating cuts that have been made to public services over the span of many years. Even before the current moment of intertwining crises, Connecticut's state employee workforce was critically understaffed, resulting in wide gaps in our social safety net and the erosion of critical public structures like education, environmental protection, and food inspection, which are necessary to keep our economy running and our communities safe. Over the last decade, the State of Connecticut has slashed staff and payroll costs by at least 21%.<sup>1</sup> Severe staff reductions have increased overtime shifts, including forced overtime, for state employees grappling with heightened workloads. Such dramatic disinvestment in public services means we now have far fewer staff to provide health care to our society's most vulnerable populations; process unemployment relief for the jobless; educate students in schools, colleges, and universities; protect the environment; maintain roads and bridges; and much more.

The massive shrinkage of staff across state agencies in Connecticut is consistent with a deeply troubling development nationwide. As numerous experts have observed, the decade between the crisis of the Great Recession and our current moment of crisis turned out to be a "lost decade" in terms of state investment in public goods and services.<sup>2</sup> Most state governments reduced funding for services such as health care, K-12 education, higher education, transportation, and infrastructure. As a result, public structures that play a crucial role in sustaining the local economy have been forced to languish, leading to stagnant—and highly uneven—economic growth for a great majority of the population.

At the same time, state governments like Connecticut dramatically slashed state employee workforces and thereby damaged public services. Meanwhile, the need for those state services continued to rise — and now it is higher than ever. While consistently ranking as one of the wealthiest states in the world's wealthiest country, Connecticut has become the most unequal state in terms of race and class.<sup>3</sup> Structural racism and class inequality have created unsustainable urban areas in particular, belying the promise of equal opportunity and equitable investments for all residents in Connecticut. More and more working people, disproportionately people of color, rely on public services to survive in a precarious economy. Meanwhile, modern versions of centuries old appeals to the "invisible hand" of the market are used to justify disinvestment in public resources, dismantling of community safety nets, and elimination of core public structures.

## DEPARTMENT OF LABOR

Mayra Cruz | *Reemployment Service Specialist*



**M**AYRA CRUZ works for the Connecticut Department of Labor in Reemployment Services. Her job is to help Connecticut's residents who have lost their jobs secure meaningful and stable employment—a task even more challenging due to the economic fallout from the pandemic crisis. Every week, Mayra works with clients to boost their resumes, shows them how to search for jobs and signs them up for job training workshops to help them find gainful employment. She also does one-on-one meetings to provide career guidance for those who wish to transition into new fields.

Mayra and her fellow workers are frustrated that their agency has not received proper funding from the state to support the residents of Connecticut.

"We have clients who lack access to a computer and an email account. This makes filing unemployment and finding a job an even bigger hurdle," she said. "We also have clients who speak languages other than English. We need resources to bridge these barriers, including workshops in multiple languages and ones that teach residents how to set up and use email for job searching."

In 2015, austerity budget cuts completely eliminated local Connecticut job centers and people were forced to travel further to access unemployment services. This made it almost impossible for those residents who rely on public transportation. The DOL call center was completely shut down, requiring clients to come into the office since there was no other way to contact staff.

Now there's COVID-19.

"When the pandemic struck last year, it was like a tsunami hit the DOL and due to the previous round of austerity cuts, no one was prepared to handle the amount of claims coming in," Mayra pointed out.

People were no longer allowed to come in person to receive services. In the bleakest of times, they had to navigate a system that was not straightforward or familiar. While the DOL call center has temporarily opened, the employees staffing the operation are all just that: temporary.

"Our call center must be a permanent fixture for the residents of Connecticut. They need to feel secure we are there for them in the worst of times. They need to know the State of Connecticut and the Department of Labor value their employees and the communities they serve by prioritizing these services for all of Connecticut," Mayra said.

**"OUR CALL CENTER** *must be a permanent fixture for the residents of Connecticut.*"

With greater investment in public programs, Mayra and her co-workers can improve access to unemployment and reemployment services. They can also close the digital, language, and transportation barriers faced by many DOL clients.



In our contemporary era, the privatization and individuation of risk rested on the tenets that markets more effectively distribute resources, regulations impede flexible adaptation and innovation, individuals should see themselves as consumers whose needs can be met through private markets and the family. Individuals should work, save, compete, and embrace “personal responsibility” for one’s own education, housing, medical care, safety, disability, and long-term security. We now have a compendium of data that ever-rising numbers of Americans live a reality that hardly matches these claims. Medical debt and health insecurity, job insecurity, retirement insecurity, food insecurity, and housing insecurity had already spread prior to the COVID-19 pandemic and its attendant economic crisis.<sup>4</sup> During the same decades that governments have pursued privatization and risk shifting, private corporations and employers—those whom we were assured had the optimal solutions—have been doing the same thing. The decline of both employer-based health insurance and pensions has been continuous and accelerating. Companies have limited their own risk by freezing pension plans, converting them to annuity purchases, lump-sum payouts, or 401(k)s, in which workers themselves make the predominant or sole contribution, or defaulting on their deliberately unfunded plans. Today, only 14% of private sector employees have access to a traditional pension plan.<sup>5</sup> Let’s be clear. Cost-shifting and risk-shifting are a losing game: they produce a perpetual spiral of vulnerability, need, and insecurity. What is truly costly is inequality and an economic system of instability.

The crises today have starkly revealed the consequences of the failure to confront these enormous disparities. If the upheavals over the last year have taught us anything, it is that merely maintaining the status quo is no longer good enough. This approach has been grossly inadequate to address the core inequalities in our state—and in fact, has made them worse. Now is not the time to continue cutting state services to the bone, because that would mean continuing to accept the unacceptable. Rather, we must protect and expand state services in order to meet the extraordinary level of human need in Connecticut today.

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## SECTION 2:

## THE PANDEMIC HAS EXACERBATED CONNECTICUT’S INEQUALITY CRISIS

The COVID-19 pandemic has been the defining crisis of the past year. Not only has it propelled the country into a public health emergency, but it has also set off a national recession. Connecticut is no exception. As of early March, over 7,500 Connecticut residents have died of COVID-19<sup>6</sup> and thousands more have felt the devastating impacts of ensuing economic downturn. Connecticut residents need greater public support and services from the state during this emergency. However, as discussed in Section 1, Connecticut has cut public investments over the last decade by more than 20%, which means that state agencies have severely diminished capacity to deal with the real increase in demand for services by Connecticut residents as they try to navigate this historically difficult time.

Even before the pandemic, Connecticut was known to be the state with the highest level of income inequality in the nation.<sup>7</sup> Against this backdrop, the pandemic has significantly increased the needs of residents. Data from the Census Bureau’s Household Pulse Survey from November 24, 2020 through December 21, 2020 show that many Connecticut residents have struggled to meet basic needs.<sup>8</sup> For example, 35 percent of adults had trouble covering usual household expenses, and 16 percent of renters

were behind on rent payments. Some 13 percent of adults reported that children in their household were not eating enough because they couldn't afford sufficient food. Between October and December 2020, the average unemployment rate was 7.4 percent, with 182,000 new jobless benefit claims filed the week ending January 9, 2021. A survey of Connecticut residents released in September 2020 showed that 21 percent of the Connecticut workforce reported to be underemployed, while 29 percent of all adults have had their work hours reduced or were placed on a temporary furlough.<sup>9</sup> As many Connecticut residents struggle to make ends meet, high-income individuals in the state actually significantly increased their wealth. Between mid-March and January 29, 2021, Connecticut billionaires had increased their net worth by \$3.8 billion.<sup>10</sup>

This inequality is even more magnified as a result of the current recession. Recessions disproportionately impact low-income individuals and families who may need public support such as access to health care, income for food, heat, or housing assistance to meet basic needs. People with low incomes are also more likely than other workers to lose their jobs during an economic downturn.<sup>11</sup>

Inequality not only makes it increasingly difficult for ordinary residents to make ends meet, but it also negatively impacts the entire state economy. Research shows that inequality impedes economic growth. A 2017 study by the Economic Policy Institute found that because inequality transfers income from low- and middle-income households that spend rather than save money to higher-income households with higher savings rates, overall growth is impeded, as growth of consumer dollars is limited. Rising inequality in the U.S. has slowed growth in aggregate demand by an estimated two to four percentage points of GDP annually in recent years.<sup>12</sup>

The Organization for Economic Cooperation and Development (OECD) also examined inequality's impact on the economy and found that one of the main ways that inequality affects economic growth in some countries, including the U.S., is by undermining educational opportunities for low-income children, lowering social mobility, and hampering skills development.<sup>13</sup> A recent report examining social inequalities in Connecticut found that educational outcomes for low-income children were substantially worse than other students. For example, only 78 percent of students who qualified for free or reduced-price school meals graduated from high school compared to 95 percent of other students in 2017. As the report aptly notes, low graduation rates among low-income students reduce the potential for improving their socioeconomic outcomes later in life.<sup>14</sup> Despite these disparate outcomes, Connecticut has cut back on the share of resources devoted to crucial public investments, such as K-12 education. Additionally, Connecticut ranks 45th in state support for higher education, even though increased investments in higher education would help the state's fiscal situation over the long run.<sup>15</sup>

The inequality in Connecticut is not only socioeconomic, it is also racial. In 2018, the median white household in the U.S. had a pre-tax income of \$63,917, whereas the median Black household had a pre-tax income of \$40,155 (63 percent of the median white household) and the median Hispanic household had a pre-tax income of \$49,225 (77 percent of the median white household). While the national numbers show extreme inequality throughout the country, Connecticut's income inequality by race is even more pronounced. In 2018, the median white household in Connecticut had a pre-tax income of \$82,950, whereas the median Black household had a pre-tax income of \$47,856 and the median Hispanic household had a pre-tax income of \$45,730.<sup>16</sup>

## Pre-tax Income Gap in Connecticut, 2018

Group	Pre-Tax Income	Relative to Top Income
Median Household	\$76,950	92%
Median White Household	\$82,950	100%
Median Black Household	\$47,856	58%
Median Hispanic Household	\$45,730	55%

Chart and data from "The State of Working Connecticut" by Connecticut Voices for Children, September 2020.

The pandemic has spotlighted these economic and racial disparities. The September 2020 survey of Connecticut residents discussed above revealed that while 20 percent of all adults reported that at least one adult in their household had lost their job or been laid off since the beginning of the pandemic, these numbers were vastly different across racial lines: 18 percent of white, 22 percent of Black and 37 percent of Latino adults reported that at least one adult in their household had lost their job or been laid off since the beginning of the pandemic. These disparities also play out in health outcomes. Adjusted for age differences, Black residents in the state are 2.5 times more likely to die from a coronavirus infection than whites and for Hispanic residents, the rate is 67 percent higher than for white.<sup>17</sup> New Haven-based DataHaven concluded in a recent report that COVID-19 pandemic has magnified social inequities and disparities in Connecticut. The authors explain, "These disparities are concerning even outside of a pandemic. But as COVID-19 takes an especially sobering toll on already-disadvantaged communities, it becomes evident that systemic oppression based on race, language, poverty, and other socioeconomic factors has left some people more vulnerable than others."<sup>18</sup>

### SECTION 3:

## DOWNSIZING AND AUSTERITY DURING THE PANDEMIC WOULD PRODUCE DISASTER

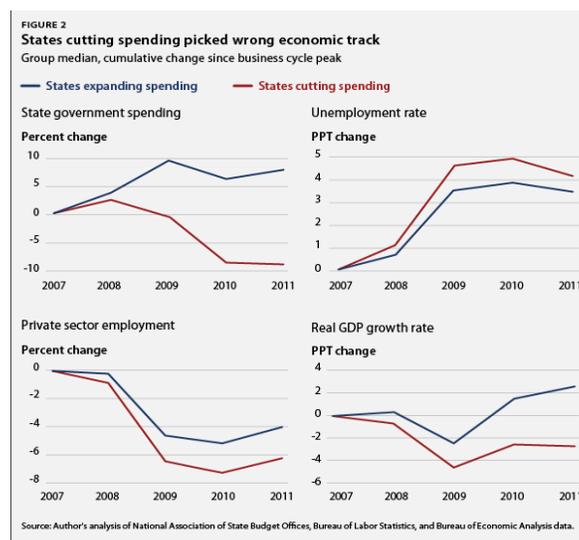
While Connecticut contends with a public health emergency, an economic recession, and widening of social inequities, some state leaders are proposing austerity measures to shore up the state's budget. But recent research and the experiences of the Great Recession shows that implementing austerity measures, through actions such as downsizing the public sector and failing to adequately invest in public services—and privatizing public services—will actually harm the state's economy and slow down recovery and growth. But simply avoiding budget cuts is not enough. Connecticut must increase investments in public goods, services, and assets to spur short-term economic recovery and long-term prosperity.

### *Austerity measures damage economic recovery*

In times of economic downturn and budgetary distress, governmental entities may consider it fiscally prudent to reduce or stagnate spending. However, research overwhelmingly finds that austerity is even more harmful than economists and policymakers thought a couple decades ago. A main finding for policymakers from this research is that during an economic downturn, taking money out of the economy through austerity measures is bad policy.<sup>19</sup> These types of policies can actually set off a downward spiral

that can damage the state’s economic recovery. By cutting government spending, public goods and services are reduced and the public sector workforce is diminished. Many residents are impacted by these cuts and must reduce their household spending. This decrease in demand and spending impacts businesses, which eventually are forced to lay off workers. These negative spirals are set in motion and continue to expand. As Professors Jane Knodell and Stephanie Seguino at the University of Vermont explain, “This ‘multiplier’ effect means that precipitous cuts in government spending in response to budget gaps due to Covid-19 further depress employment, incomes and, as a result, tax revenue. The result is the opposite of what was intended — a deterioration, not improvement, in the state’s budget position... The effect of cuts is less economic activity, higher unemployment and business survival prospects, leading to a worsening of the budget gap. Those are only the short-run negative effects of budget cuts at a time like this.”<sup>20</sup> It is worth noting that even the International Monetary Fund (IMF), which has historically pushed and advocated for austerity measures, has backtracked and admitted that both austerity policies and inequality threaten economic growth.<sup>21</sup>

There are important lessons to be learned about the impacts of austerity from the Great Recession. Many studies that have analyzed data from this period have found that states that employed austerity measures had slower economic growth and poorer outcomes, while states that increased public investments experienced better economic outcomes. In 2012, as states were in the midst of recovery from the Great Recession, the Center for American Progress examined how state spending affected economic outcomes. They divided states into two groups based on whether they had expanded or contracted public spending since the start of the Great Recession in December 2007. Though both expenditure-cutting and expenditure-expanding states saw substantial rises in unemployment rates, the data shows that, on average, states that cut spending fared substantially worse, with unemployment rates rising faster and higher in these states than in those that expanded spending. Moreover, increased spending on public services and investments delivered a boost to the private sector that helped private employment better weather the economic downturn. Private employment in states that cut spending fell faster on average and further than states that increased spending. Overall, states that expanded spending progressed well ahead of their pre-recession growth rates, while states that cut spending languished with growth much slower than before the recession.<sup>22</sup>



■ Chart from “Austerity Is Hammering State Economies,” by Center for American Progress, June 21, 2012

Another study showed that states that preserved or expanded their public sector workforce came out of the Great Recession with fewer overall job losses, fewer private sector job cuts, less growth in unemployment, and faster job growth during recovery. It also found that states that cut state and local government employment lost, on average, 1.3 percent of jobs outside of state and local government.<sup>23</sup> Similarly, the Center for Budget and Policy Priorities found that during the Great Recession, 31 states lowered health care expenditures, 29 cut services to the elderly and disabled, and 44 reduced employee compensation. By cutting instead of expanding these services, especially during a time when need for these services increased, the recovery from the recession was slower. The report explains how cutting public services or failing to expand them to meet the needs of vulnerable residents, combined with the related public sector layoffs, cancelled vendor contracts, and other impacts of these measures, “reduc[es] not only the level and quality of services available to state residents but also the purchasing power of workers’ families, which in turn affects local businesses and slows recovery.”<sup>24</sup> These types of measures are a key reason there was slow growth after the Great Recession, and these decisions still haunt many states as they are now less prepared for the current downturn.<sup>25</sup> The Economic Policy Institute estimates that because local and state austerity spending pulled down economic growth, pre-recession unemployment rates could have been achieved by early 2013 rather than 2017, delaying recovery by over four years.<sup>26</sup> States should heed these lessons. Economists warn that without bold public investments, this recession could impede growth for years to come.<sup>27</sup>

It’s important to note that the impacts of austerity are felt the most by vulnerable and marginalized communities. The Center on Law and Social Policy shows in their analysis of austerity policies from the last ten years that these types of policies are particularly disastrous to workers who were struggling before these crises began.<sup>28</sup> People of color and immigrants are especially impacted since they are overrepresented in jobs paying low wages.<sup>29</sup> Due to historical racism and discrimination, people of color, on average, have much less income and wealth than they would have otherwise. People of color are also more likely to need greater public supports during recessionary times.<sup>30</sup> The report recommends increasing public investments in programs that help vulnerable workers meet basic needs, which can help more quickly and effectively bring about economic recovery.<sup>31</sup>

Layoffs and reductions of the public sector workforce are particularly harmful to women and Black workers because they disproportionately hold jobs in state and local government services.<sup>32</sup> As discussed above, these job losses not only mean public services lose capacity and are less able to serve a more vulnerable public, but they also mean that these workers and their families will have diminished purchasing power, which slows down economic recovery. In 2019, the Connecticut Office of Legislative Research found that 18.5 percent of state employees in non-managerial positions identified as Black or African American, which is well above the 11.9 percent of the total state population who identified as Black or African American according to U.S. Census data.<sup>33</sup>

Likewise, recessions disproportionately hurt working people with low incomes.<sup>34</sup> An analysis by the Washington Post found that low-wage jobs were lost at about eight times the rate of high-wage ones in the late spring and summer of 2020.<sup>35</sup> States must be committed to reversing economic and racial inequities instead of making them deeper. If Connecticut is truly committed to an equitable recovery, public investment must be increased, especially for services and programs that help the most vulnerable.

## DEPARTMENT OF TRANSPORTATION

Sherwin LeGendre | *Service Patrol Driver*

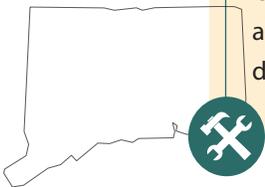


**S**HERWIN LEGENDRE has been a proud employee of DOT for almost 7 years, starting in the maintenance department where he helped keep Connecticut's highways and state local roads safe for the general public. His duties included guard rail repairs, tree work, pothole patching, removal of dead animals from the streets, and snow removal. Basically, his job was all about doing whatever was needed to keep the roads as safe as possible.

After being in the maintenance department for 3 years, he transferred to the Repair Department where he now works as a member of Service Patrol. As a Service Patrol driver he is in constant contact with the general public. His job is one of service. People are always amazed that this service exists and is free of charge. His duties are basically the same each day. They range from giving people gas, changing flat tires, jumping dead batteries, and pushing disabled vehicles off of the highways. He has even started CPR on a person who had almost died.

Jobs such as his are important to the people of this state. He goes about his day not being noticed by the general public, except when there is traffic caused by him and his colleagues working. It isn't done for profit. Unlike other companies, like AAA, which only helps people who are paid members, he helps everyone. It doesn't matter if he is called or not, he is there to help in any way he can. This is one of things people like about the service he provides, there is no bias, he helps everyone.

Without proper funding for these positions, many people would be left to fend for themselves in times of stress and danger. He is proud to serve in this capacity and strongly believes that adequate funding is needed to preserve these important jobs. Public employees provide services that many are unaware about. It is important that the taxpayers understand the jobs people like Sherwin do and how tax dollars are being spent. Too many are led to believe that they are lazy and provide unneeded services.



### *Privatization is not the answer either*

Privatization, whether it's outsourcing public services or the selling of public assets to corporations and private investors, can seem attractive to states in hopes of reducing government spending. When budgets are tight, public officials are more susceptible to arguments by private investors and consultants who claim that privatization "saves taxpayer money." But research and decades of evidence show that privatization rarely saves public dollars,<sup>36</sup> all the while reducing transparency,<sup>37</sup> limiting flexibility when it comes to policy-making,<sup>38</sup> lowering service quality,<sup>39</sup> and increasing economic and racial inequality.<sup>40</sup>

Unlike public agencies, a private company's primary goal is to maximize profits and to that end, they must ensure a premium over the actual cost to do a job.<sup>41</sup> In many cases, cost savings fail to materialize or reach levels promised by the private contractor. According to a 2012 survey by the International City/County

Management Association, 53% of governments that brought services back in-house and under public control reported that the primary reason was insufficient cost savings.<sup>42</sup>

It's important to understand exactly where promised cost savings will be generated. A primary way for private companies to increase their profit margin on public service contracts is to reduce their operating costs. A common way to do this is to change formerly-public sector jobs that sustained families and included healthcare and retirement benefits into low-wage jobs without benefits, most of which are no longer unionized, when transferred to the private sector.<sup>43</sup> African Americans are particularly impacted by this dynamic, as approximately one in five Black workers hold jobs in government.<sup>44</sup> Moreover, median wages earned by African American employees are significantly higher in the public sector than in other industries.<sup>45</sup> Due to their prevalence in public sector jobs, African American workers are more likely to be affected when jobs are outsourced to companies that pay reduced wages and benefits, potentially losing stable economic footing, which can have long-lasting impacts for generations.

A broad range of research also shows that public services do not improve after being contracted out, and often actually decline in quality.<sup>46</sup> The ability of the state to provide high-quality and timely public services is critical, especially in these times of crisis for many residents. Many public services are complex, and it is difficult, if not impossible, to ensure quality services through the life of a contract. In the 2012 survey by the International City/County Management Association mentioned above, the second most cited reason for bringing services back in-house was unsatisfactory service quality, with 51% of governments that insourced services reporting that reason.<sup>47</sup>

Connecticut has firsthand experience with these problems related to privatization. In October 2020, the state awarded contracts to corporations Maximus and Protiviti Government Services for determining eligibility and processing claims for pandemic unemployment assistance. These contracts were awarded without review by the State Contracting Standards Board and without consideration of their track records.<sup>48</sup> For example, nationwide, Maximus has a long history of mistreating its workforce and cutting costs at the expense of clients who rely on the public services they operate.<sup>49</sup> In Connecticut, Maximus was hired over 20 years ago to improve and operate its child care assistance program for poor working families. After the company took over, the system deteriorated. Thousands of applications for assistance languished, leaving parents and child care providers without the income they needed to care for their kids and keep child care providers operational, sometimes for months on end.<sup>50</sup> Connecticut cannot afford the serious risks inherent to privatization of critical public services.

## A Genuine Path towards A Better Future

What should Connecticut do to boost economic recovery during this recessionary period? Research shows that greater public investments, especially during economic downturns, are key to economic prosperity. In an economic downturn, increased government spending speeds up recovery by boosting demand and stimulating the economy, setting it on a positive trajectory toward long-term recovery.<sup>51</sup> Public investment drives broad and long-term economic growth.

### DEPARTMENT OF ENERGY AND ENVIRONMENTAL PROTECTIONS

Anita Masih | *Field Inspector*



**A**S A FIELD INSPECTOR FOR THE AIR BUREAU, ANITA MASIH conducts inspections and follows up with reports, making recommendations for future action such as possible issuance of Notice of Violation. The inspections vary in complexity and purpose. She responds to citizen complaints regarding issues such as nuisance odors from known and unknown sources, visible emissions of all kinds, and idling vehicles. She also conducts regularly scheduled full compliance inspections of major and minor sources to assure ongoing compliance with existing permits, and all state and some federal (when they have delegated authority) regulations as they pertain to the Air Quality. They also conduct inspections as follow up to Notice of Violation responses, State Orders, and requests from staff in Permitting and Administrative Enforcement.

The main goal of our department is to preserve our natural resources, specifically as it pertains to air. By conducting her job, she improves air quality, thereby improving everyone's quality of life. Cleaner air helps individuals with compromised health such as asthma sufferers breathe easier, and unpleasant nuisance odors that detract from enjoyment of life can be abated.

Currently their staff is stretched too thin and the response time to citizen complaints is slow, and they are constantly playing catch up on all inspection type report writing. Having more staff would act as a deterrent in and of itself, as potential violators would know they could be inspected at any time. Obviously with more staff they would better maintain compliance and catch more potential violators. Also, with more staff they could extend the enforcement program to implement Next Generation Compliance tools.

It is important to help protect and ensure that Connecticut's air quality remains safe and adequate for all our citizenry. Industry does not typically police itself since maintaining air quality does not come cheap. It is expensive to add on emission controls, develop low VOC coatings, and train personnel to monitor emissions. Therefore they are there to make sure the industry is following the guidelines necessary to remain in compliance with the regulations, which in turn have been designed to maintain good air quality

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Greater public investment also means that public services and public goods are made more robust. This is especially important in an economic downturn where the demand from residents for public supports is great. Moreover, public investments during an economic downturn can help people who have lost jobs or had their hours cut, to rejoin the economy more quickly, mitigating the severity of the recession.<sup>52</sup> The private sector also greatly benefits from increased public spending. A study by the Economic Policy Institute found that public investment boosts private sector productivity, with estimated rates of return ranging from 15 percent to 45 percent.<sup>53</sup>

In the long run, investments in important public services, programs, infrastructure, and goods generate high returns. For example, every dollar invested in K-12 public education yields an average of three dollars in future economic activity.<sup>54</sup> Increased spending in public health, especially in light of the pandemic, is also a wise public investment. The American Public Health Association estimates that one dollar in public health investment can save \$5.60 in future health spending.<sup>55</sup> Public investment in green infrastructure has been estimated to yield a benefit-to-cost ratio of well over 2-to-1.<sup>56</sup> There is also growing evidence that programs that provide support to families with children, including food assistance and rental assistance programs, not only reduce poverty but also have significant long-term impacts on poor children in school performance, high school completion, and labor market outcomes in adulthood, which are known to deliver positive economic impact in the future.<sup>57</sup>

While greater public investments can have substantial positive and measurable impacts on the economy, they also may produce conditions that are less easy to measure but incredibly important for a healthy society, such as better environmental outcomes, like cleaner air and water. Additionally, research suggests that countries with greater public investment and more public infrastructure tend to have less income inequality among residents. Public investments are more broadly shared and can help lift up lower-income households since the benefits of these investments are more broadly distributed.<sup>58</sup> States that center on meeting the needs of residents, especially those who are and were already vulnerable and struggling, can promote and increase more broadly shared prosperity and equality.<sup>59</sup>

While many states are waiting on financial assistance from the federal government to help weather this recessionary storm, states must also raise new revenues to support increased public investment. As the Institute on Taxation and Economic Policy wrote in an April report, “Even with more federal support, states will need home-grown revenue solutions in the short, medium, and long terms as the crisis and its fiscal fallout intensify, subside, and eventually give way to a new normal.”<sup>60</sup> Raising new revenues through progressive tax increases primarily on high-income households or corporations is a far better choice than cutting spending, which is harmful to the growth of a state’s economy.<sup>61</sup>

## CONNECTICUT OFFICE OF EARLY CHILDHOOD

Queen Freelove | Family Childcare Provider

**“ I HAVE BEEN A CHILDCARE PROVIDER FOR 29 YEARS** and I have had the blessing of watching the children I care for grow up and excel thanks in due part to the extraordinary care provided throughout their childhood. As a childcare provider, I do more than just watch young children throughout the day, I am an integral piece to their growth and development so it’s imperative that I continue to grow and develop my own skills as a childcare provider through courses and conferences.



“For 29 years I have devoted my livelihood to the children and families I serve. I make sure that my house is always stocked with the latest and greatest educational toys and aides and that I always have the food and cleaning supplies necessary for a conducive environment for young children.

“Without childcare providers like myself, how would first responders and essential employees continue to go to work when the schools closed leaving their small children at home? During normal times, childcare providers help keep the doors open and employees working, but during COVID-19 the need for childcare providers like myself only grew exponentially.

“Without funding for programs like Care 4 Kids — which is a State-sponsored program that helps low to moderate income families in Connecticut pay for childcare costs – we risk leaving thousands of families in an unsolvable problem — needing to go to work but not having a safe place for their children to stay. The solution cannot be to allow older kids to watch younger kids, the solution cannot be that these parents quit their jobs, the solution cannot be to leave young children wholly unattended. The only solution is to allow for highly-skilled providers like myself to care for these children while their parents work.”

### WITHOUT CHILDCARE PROVIDERS LIKE

**MYSELF,** how would first responders and essential employees continue to go to work when the schools closed leaving their small children at home?



Connecticut Voices for Children recently examined tax data from the Connecticut Department of Revenue Services from 2014, the most recent year available. The data confirmed that the state’s current tax system is regressive. The effective state and local tax rate for the median household in Connecticut was 13.66 percent, while the effective state and local tax rate for the average tax filer in the top one percent of households was only 6.5 percent, even though the average post-tax income of the top one percent household was 44 times greater than that for the median household. As the report concludes, “Connecticut’s regressive tax system exacerbates an already exceptionally high level of income inequality.” The effective state and local tax rate was even higher for Black and Hispanic households at 14.72 percent, even though the average post-tax income of the top one percent household was 71 and 74 times greater than the median Black and Hispanic household, respectively. Connecticut Voices for Children recommends the creation of a progressive tax system in the state.<sup>62</sup>

The Economic Policy Institute also finds that Connecticut would benefit from greater investment in public goods and services and more progressive taxation. In a 2016 ranking of state and local business taxes by Ernst and Young, Connecticut was tied for the lowest business tax burden in the nation. Connecticut ranked last for its share of total revenue in state and local taxes collected from businesses. At the same time, public investment as a share of gross state product (GSP) was in the lowest fifth of all states. And state tax revenue as a share of personal income was lower than the national average. Given these conditions, the report explains that “Connecticut could benefit substantially from moving to a state budget strategy that emphasizes progressive revenue increases and ramped-up public investments.”<sup>63</sup> They recommend that the state raise the top personal income tax rates as well as close loopholes in the business tax code. The ability to raise revenues to increase public spending in areas such as education would not only help lift Connecticut out of recession but also boost longer-term economic growth.<sup>64</sup>

Some policymakers have expressed concern that raising revenues from high-income households may cause a large number of them to migrate out of the state. However, these claims are not supported in economic research.<sup>65</sup> A 2011 Center of Budget and Policy Priorities study comprehensively reviewed the experiences of multiple states that had increased income taxes on high-income households and overwhelmingly found that “recent research shows income tax increases cause little or no interstate migration.”<sup>66</sup> A 2016 study published in the *American Sociological Review* examined tax return data for high-income households over a 13-year period to estimate the causal effect of tax hikes on high-income household migration. The study also finds very little evidence of migration caused by millionaire tax hikes,<sup>67</sup> noting that their study suggests millionaire tax rates would have to be increased an implausible 10% of income to lead to a 1% loss in the millionaire population.<sup>68</sup>

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## SECTION 4. CONCLUSION

**T**he preceding sections debunk at least three debilitating myths that have caused policymakers to make the wrong choices about how to build a better future for Connecticut. Austerity fails because it is based upon the myth that we have two different economies, and two different societies—public sector and private sector— and that the private sector gains if we take resources away from the public sector. Experience and economic science show the opposite. Connecticut has one economy and is one society, and the well-being of both sectors is mutually dependent. We can no more have a recovery for all in the private sector while we have austerity in the public sector than we can have recovery for all in the public sector while we have austerity in the private. To build a better future we must discard the myth that austerity builds. Austerity destroys.

Equally debunked is the idea that we should return to the pre-pandemic *status quo*. Even if such a return were possible, it would fail to address the fundamental issues and challenges we face as a state. For decades before COVID-19, Connecticut has been moving in the wrong direction as judged by virtually every metric of well-being, regardless of whether the economy in a particular year showed growth, or whether the state

## DEPARTMENT OF EDUCATION

Julie Trzaski | Health Tech Teacher



### “ IN 1997, I BEGAN TEACHING IN THE ADULT LICENSED PRACTICAL NURSE PROGRAM

at Kaynor Technical High School. For twelve years, I worked with a student body comprised of many single mothers and people of color who balanced a job, a family, and schooling so they could change their lives. When they graduated, they became vital parts of our healthcare system, whether they worked in hospitals, doctor’ offices, or group homes. It was a great program.

“In 2009, when the national financial crisis began affecting Connecticut’s budget, the program was cut. We fought to return the program, and I sat on a bipartisan committee that helped return Adult LPN to our system. Unfortunately, when the budget became an issue again in 2015, the program was cut for good. The teachers

in the program—all nurses with Masters’ Degrees — were able to find jobs either teaching Health Tech in our system or returning to nursing. It was a difficult time for us, especially after fighting so hard to have the program returned, but we ended up ok. Not everyone was so lucky.

**MY REAL CONCERN** is for the people of Connecticut who had a door to a better life through our program shut in their face.

“My real concern is for the people of Connecticut who had a door to a better life through our program shut in their face. Anyone who wants to be an LPN now must go to a program that is far more expensive and, in my opinion, not as thorough. Many of the students I taught would not have been able to afford the program today without taking on significant student debt. My students became proud, successful healthcare workers who paid taxes and bought a home. What would become of them today? What becomes of the vulnerable people they would have cared for, the sick and the elderly? With a shrinking pool of LPNs, that work now must be added to someone else’s load, or taken over by someone with less training and education. In either case, patient care suffers.

“When politicians talk about austerity budgets, they talk about numbers. Those numbers reflect actual people, however; they represent the real needs of our citizens. Those numbers only talk about this year; our LPN program, like many others, were an investment in Connecticut’s economic future. Since 2009, we have learned that demands for austerity only lead to more calls for austerity, year after year. Eliminating the LPN Program did not affect that cycle. What it did affect, to a devastating degree, was the people who looked to that program to build a better life, and the patients who they cannot serve today. We need to do better.”



budget was balanced. Connecticut's devastating growth in wealth and income inequality by race and class has slowed underlying economic growth to a crawl (except for the super-rich). But more critically, it has created an equally devastating deficit in the growth of human well-being, security, and comfort. Poverty grows, homelessness grows, inequality grows, health, healthcare, and health care systems deteriorate. Racial and economic justice languish, and families struggle with stagnant incomes, reduced public services and increasing housing, college and medical debt. And we move on now to the second generation in American history understandably convinced that our children and grandchildren will have it worse than we do.

The third equally debunked myth is that there is nothing we can do about this. The alleged lack of resources to invest in our futures is but a self-fulfilling prophecy. We live in one of the richest states in the nation, and we seem to lack resources to invest in our future only because we have chosen to. Our regressive tax system can be fixed, and the myth that multi-millionaires and billionaires will leave Connecticut if we do so—the millionaire migration myth—has been thoroughly debunked by the data. It is their Connecticut too, and all the economic and sociological evidence shows that a vibrant state, with livable cities, and with public structures that work, is more attractive, not less, to the very wealthy. We *can* choose to have the resources to invest in a better future. In fact, we must choose.

And those investments can work. We have included but a few examples of programs that can lift workers—Black, brown and white—out of poverty while keeping their young children safe and giving them critical early childhood education, that can keep roads and bridges safe while moving towards a sustainable transportation structure, that can provide debt-free higher education for our children, that can provide dignity and safety as we age, that can provide health care, and healthy environments, that can achieve all of these things for all of Connecticut's people, regardless of race, class, gender, or any other of the many invidious ways by which we are divided.

We will not resolve our social problems or economic challenges by waving them away, hiding them behind macroeconomic indicators or rising stock market indexes that obscure the economic conditions of the majority of the population and the lack of investment in opportunities—for education, health, safety, and a decent old age, for example—that we thought we valued. A future is built on vision, investment, and commitment: these should be public, participatory, transparent, and accountable processes. We must focus our attention on raising revenue and on strategic, democratic public investment. This should be implemented with the following goals in mind: (1) infrastructure; (2) security beyond the “safety net”; (3) genuine democratic sharing of risk and resources; (4) the essential role of the state (5) strengthening unions and upholding the integrity of collective bargaining contracts; (6) gender and racial equity; (7) environmental justice; (8) rededication to the public good.

There is no magic wand for instant success. But in the long run, this is not rocket science. To build a better future for *anybody*, we must build a better future for *everybody*. And that means not just an open and honest acknowledgement of the systems that divide us and deny equal opportunity to so many—racism, sexism, classism, xenophobia and others. It means conscious, sustained *investment* in proven and effective solutions to those structural problems.

Over 7,500 Connecticut residents have died from COVID—a devastating number made only worse by its connection to the structural racism and inequality that divide us. But before the pandemic, during the pandemic, and after the pandemic, we don't even keep track of the number of losses caused by our broken system of race and wealth inequality, of disinvestment in public good, public structures and public systems.

Illnesses and deaths that could have been prevented with a robust public health system, prison sentences that could have been avoided with equal education and fair housing policies, lives that could have been saved by enforcing occupational health and environmental regulation, suicides and mental illnesses that could have been prevented with timely intervention and expanded services.

Recovery for all is not just about the pandemic. It is about recovery of our core values of liberty and justice for all, and about sustained, courageous and honest investment in a future that makes those core values more than the words we utter, but the standards by which we measure ourselves and our government. The sections above show that our future is indeed what we make it together, and that if we discard the failed myths which divide us, we have the capacity to build a future of which we can all be proud.



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