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Public Hearing Testimony before the
Connecticut General Assembly's Human Services Committee

**In support of Senate Bill 36:
An Act Establishing A Refundable Child Tax Credit &
H.B. 5113: An Act Increasing the Highest Marginal Rate of the Personal
Income Tax and Establishing a Capital Gains Surcharge to Provide
Funding for Certain Child-Related, Municipal and Higher Education
Initiatives**

Rhonda Evans, Executive Director
Connecticut Association for Community Action, Inc. (CAFCA)

March 6, 2024

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 that provide a wide variety of services to nearly 200,000 low- and moderate-income people in all 169 cities and towns across the state. More information about Community Action Agencies is included at the end of this testimony.

CAFCA supports this bill, which creates a fully refundable Child Tax Credit (CTC) worth \$600 per child.

We are the only state that taxes a family's income but does not provide them with tax relief to offset the high cost of raising children in today's economy.

But child tax credits can fill the gap, and research shows they are an incredibly effective tool in helping to reduce poverty and advance economic stability. This is because:

- They work! When the federal CTC was expanded during the pandemic, over 238,000 families applied for the state rebate, helping to lift 33,000 children out of poverty in 2021.

- For every \$1 a family earns from CTC, \$1.38 is returned to their local economy.
- More money is put back in families' pockets, allowing them the flexibility to meet their immediate needs: food, clothing, housing, and child care costs, or even pay down debt. Studies have even shown that

credit card debt is mainly comprised of household expenses like utility bills, food purchases, and child care.

We know it's expensive to live in Connecticut. According to Connecticut Voices for Children, families are facing the largest three-year cost of living increase since the 1980s. The average cost to raise a child here is about \$18,400 per year, which is higher than the national average. And the United Way notes that Connecticut's working poor – those who are employed but still facing financial hardship – have experienced an 18% increase in household basics since 2021. Combined with the ending of pandemic-era federal benefits, working families struggling to meet basic needs are facing a financial burden like never before.

This is why a permanent Connecticut CTC of \$600 per child is so important, and would provide dependable, flexible income to approximately 250,000 households and 550,000 children statewide.

It's also important to note that the CTC just doesn't improve 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.

Let's invest in policies that ease the financial burden on parents and guardians. Please pass a permanent, refundable state CTC this to help our families can thrive.

Thank you for your consideration of this important bill and for your service to our state. Please feel free to get in touch with any questions at rhonda@cafca.org or 860-305-2937.

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. A Profile of Services table to this testimony is below and shows the services provided by Community Action Agencies in Connecticut.

