

Spending Cap Commission
Monday, April 18, 2016
Minutes

Attendees

Members:

Commission Co-Chairperson William Cibes, Commission Co-Chairperson Patricia Widlitz, Senator Steve Cassano, Senator Joan Hartley, Senator Michael McLachlan, Representative Melissa Ziobron, Representative Richard Smith, Representative Jonathan Steinberg, Representative Jeffrey Berger, Representative Christopher Davis, Bart Shuldman, Ellen Shemitz, Lori Pelletier, Suzanne Bates, Richard Porth, Roberto Hunter, Tom Fiore, Ron Van Winkle

Staff:

Amanda Zabel, Committee Clerk, Appropriations
Sarah Schnitman, Committee Assistant Clerk, Appropriations

Call to Order by Chairperson Widlitz

Chairperson Widlitz called the meeting to order promptly at 1:02 P.M. She stated the meeting would be short in anticipation of the public hearing to follow.

Approval of Minutes

Chairperson Widlitz called for a motion to approve the minutes of the first Spending Cap Commission meeting, which was held on March 30, 2016. The motion was made by Chairperson Cibes and seconded by Ellen Shemitz. Chairperson Widlitz asked if there was any discussion to be had on the minutes. Seeing no discussion, Chairperson Widlitz asked members to approve the minutes by voice vote. The minutes were accepted and passed.

Documents Provided by Committee Members

Chairperson Widlitz referenced the documents given to members as they arrived which contained information provided to Commission members and staff as requested at the prior committee meeting. She stated the Commission would be happy to receive further information from the public or members going forward relating to the spending cap and indicated that the documents received would be examined further at the next Commission meeting.

Preliminary Review of Aspects of Expenditure Limitations, As Raised in the NCSL Report

Chairperson Widlitz asked members for any comments on the NCSL report received at the previous committee meeting. She started the discussion by indicating an interest in further research beyond the processes for how other states handle spending caps as is documented in the NCSL report. She expressed a desire to learn more about what other states are excluding from their spending caps before making any final decisions relating to the spending cap in Connecticut. She referenced Colorado as an example of a state with a smaller budget figure but one which places many items outside of its cap.

Chairperson Cibes referenced page eight and onwards within the NCSL report as detailing a good set of bullet points of arguments for and against tax and expenditure limitations. He

indicated a need for the Commission to discuss the arguments against such limitations later on in Commission proceedings.

Representative Ziobron asked for clarification on page references made by Chairperson Cibes.

Chairperson Cibes clarified that his comments referred to page eight of the 2012 NCSL report on the state tax and expenditure limits which was distributed to members at the last meeting on March 30, 2016. He explains there are points detailed both in favor and in opposition but highlighted a number of points made in the report against tax and expenditure limits. These include the shift in fiscal decision making away from current elected representatives, how such limits have caused uneven cuts for non-mandated or general revenue fund programs rather than programs set aside via tax expenditures, bonding, or intercepted revenues, and failure to account for the disproportionate growth of intensive government service populations such as elderly and school aged youth. Chairperson Cibes made reference to his point in relation to growth in these two populations when he described the application of Baumol's cost disease, a principle that in this case finds there is a greater increase in programs than inflation as a result of more face to face personal services which can produce lower levels of productivity. Chairperson Cibes referenced another point made in the report, which has been raised repeatedly by Voices for Children, which postulated a ratchet down effect where the limit causes a decrease in the spending base which results in an inability for the maximum allowable growth to bring the spending base back up to its original level. He also raised a fifth point made by the report in opposition which suggests that expenditure limitations can result in declining levels of government service over time. Chairperson Cibes also expressed his openness in approaching all aspects of these ongoing discussions around the spending cap.

Chairperson Widlitz asked Commission members for further comments.

Bart Shuldman expressed that Connecticut needs to live within its means, indicating that it is not the Commission's job to re-do the state budget as there have been no decisions made on defining the cap and that the Commission does not share the responsibilities of the legislature or the Governor's office. He expressed his concern with attempts to undo decisions made in the past with regards to the spending cap, and expressed his belief in placing emphasis on planning for the future by looking at the big picture of the spending cap situation. He indicated that there will be painful changes as a result of instituting a cap as defined by the Commission and enforced by state government but emphasized his view that spending must be controlled appropriately to mitigate deficits moving forward. He made mention of transportation initiatives in his comments.

Chairperson Widlitz voiced that the discussion provided an opportunity for Commission members to share their feelings about the NCSL report and discuss what measures they believe are necessary in moving forwards in analyzing both pros and cons. She invited members to request further information as desired and voice their thoughts in order to work together to get to a final product. Chairperson Widlitz also responded with her thoughts on transportation initiatives, referring to prior proposals made to eliminate funding for Shoreline East commuter rail infrastructure. She echoed Mr. Shuldman's thoughts that it is not the Commission's responsibility to re-do the state budget.

Rep. Ziobron stated she was a strong proponent of the General Assembly's charge to the Commission and indicated her concerns with the Commission's ability to come up with definitions before December 2016. She emphasized her hope that through the public hearing processes, hearing from constituents, and working together, the charged task in defining the spending cap can be completed.

Suzanne Bates stated that Connecticut has a spending cap as defined in the Constitution and state statute, but the Commission needs to define three things as per its charge. She offered an idea that the Commission forms a bipartisan subcommittee to draft the definitions that can be then further discussed. She stated that having such definitions would help in the public hearing portion of the Commission's process.

Ron Van Winkle reiterated his point from the previous meeting that defining the spending cap is not a difficult process, but rather the difficult part is the political component. He stated that it is important to be mindful, although it will ultimately be the legislature's job, to identify areas such as how to stay within the cap, how to shift money that is allocated under the cap, and how to identify where money is spent.

Chairperson Widlitz stated the most difficult charge of the Committee will be identifying general government expenditures, indicating she would like to see more research into what other states have undertaken. She expressed her view that it is critical to examine what items may be removed from under the cap in order to access as many federal funds as possible given the amount of money that Connecticut taxpayers receive back. Chairperson Widlitz also said the chairs will meet before the next meeting to establish ideas for preliminary discussion purposes and remarked that she prefers to work collectively as a Commission rather than breaking into subcommittees.

Lori Pelletier expressed her concern with defining what items go under the spending cap with regards to ripple effects at the local level. She stated these ripple effects could arise as cities and towns lose services with state rescissions and tax increases at the municipal level.

Bart Shuldman expressed his concerns with the rise in some costs and maintenance of cost levels in other areas. He stated that if revenues were increasing and the economy was in better shape in Connecticut, then the cities and towns wouldn't be seeing such devastating cuts and the state wouldn't be hurting at all levels as is the case currently and with projected deficits. He stated the emphasis should be on attracting businesses and turning the economy around to mitigate current budget shortfalls, which he expressed, would be alleviated with implementation of a cap.

Ellen Shemitz indicated that fiscal health in Connecticut would not just be attainable through cuts, but rather there are critical investments that must be made to help alleviate the budget situation and contribute to long term state wellbeing. She emphasized that the spending cap ought not to be used as an artificial limit on these investments, which include infrastructure in roads and highways, information technology infrastructure, or in human resources for instance.

Representative Smith reflected on his understanding of the many factors that go into the spending cap conversation as he has examined them over time. He stated his biggest concern is

identifying how to stop the state legislature and the governor's office from changing definitions created by the Commission to suit specific needs. He echoed other members' comments that investments in the State's future, including infrastructure, must be made within its means, after identifying priorities.

Chairperson Cibes expressed that members' commentary has highlighted a number of issues to face the Commission as it moves forward in establishing definitions for the spending cap. He highlighted that current interpretation of the cap has excluded tax credits from current budget expenditures, and indicated that revenue has been greatly decreased in giving such credits out over the last five to twenty-five years. He suggested bringing those tax expenditures under the cap to augment revenue but also pointed out that this concept would meet with resistance in the state legislature who would seek to continue providing competitive businesses with them. Chairperson Cibes also referenced spreadsheet data on tax credits and bonding provided to the business industry over the past several years which total \$3.5 billion from the Department of Economic Development's website. He expressed that although this is not an easy task; a balance ought to be achieved on this issue between revenue and general budget expenditures, in addition to bearing in mind the impact of such decision making on towns, communities, businesses, and hospitals. He also referenced that the Commission has not yet discussed if and how changing the definition of "increase in personal income," a definition which currently excludes realized capital gains, will impact the conversation.

Chairperson Widlitz expressed her optimism that the Commission's work and study will result in a creation of a good product. She asked members for further commentary as desired and also reminded members of the next Commission meeting on May 9th at 10 A.M, asking members if this date and time were still agreeable for schedules.

Representative Smith expressed the difficulty for Commission members who are lawyers to attend meetings on Monday mornings as they are required to be in respective courts. He asked that Monday mornings going forward be avoided where possible.

Chairperson Widlitz asked for further discussion, and seeing none, adjourned the Commission meeting at 1:30 P.M. to convene the public hearing.

Respectfully submitted,
Sarah Schnitman