

TESTIMONY

Issue: Constitutional Spending Cap: (a) increase in personal income
(b) increase in inflation
(c) general budget expenditures

Submitted by: Elda Smith
12 Kaechele Drive
Sandy Hook, CT 06482
Phone: 203-270-9831
Email: eldasmail@gmail.com

As stated on Page 4 of the document entitled "Coping with the Cap: A Primer on Connecticut's State Spending Cap and It's Impacts", Shelley Geballe, JD, MPH, April 2007 ...

"The Constitutional spending cap explicitly envisioned the need to amend the spending cap definitions, stating, "the general assembly shall by law define 'increase in personal income,' 'increase in inflation,' and 'general budget expenditures'and may amend such definitions, from time to time."

A number of changes in the definitions of our spending cap would help assure that state spending is able to grow with Connecticut's economy, reducing the temptation to evade its constraints. They include:

- *Re-define "growth in personal income" to use a more current and comprehensive measure of personal income growth;*
- *Re-define "general budget expenditures" as the amount of spending allowed under the cap or, minimally, the total amount actually spent in a given year including surplus funds and transferred lapse funds used for on-going purposes;*
- *Exclude the first year of new federal funds from the cap, but then add them to the budget base.*

This modest re-definition of spending cap terms would assure a closer fit between growth in state spending and growth in our economy; efforts to evade the cap to meet state needs will become unnecessary and the transparency and accountability of our state budget process will be restored."

Ref: <http://www.ctvoices.org/sites/default/files/bud07spendingcap.pdf>

Yes, it is true that a spending cap must be a "living", changing and adaptive policy. Cost of living, inflation, increases and decreases in revenue sources are all meant to be considered, rather than have the cap be a fixed number. However, in CT, our problem is a 20-year history of cap adjustments as emergency measures to fix needless deficits.

The state has the means to predict bad years before they hit and could proactively respond so that reasonable adjustments to the budget could be implemented. However, the Governor and his budget-writing committee consistently choose to ignore these indications and spend what we don't have. Because of this irresponsible behavior, "deficit mitigation exercise" has become commonplace.

It is imperative that the State of CT immediately implement an approach of “balancing our checkbook” by adhering to the cap rather than going back to the taxpayers (in the form of tax increases), “charging it” (bonding for non-capital purposes), or “cooking the books” (moving long term pension obligations off the balance sheet – NO, IT DOESN’T JUST GO AWAY!)

In closing, the State of CT needs to stop approaching state spending as a “moving target” and instead “live within a budget”.

Elda Smith