



Written Testimony Of  
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Spending Cap Commission Public Hearing  
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The Connecticut AFL-CIO represents more than 210,000 union members across our state. Our labor movement consists of democratically elected bodies dedicated to representing the interests of working people at all levels. We mobilize our members and community partners to advocate for social and economic justice and we strive daily to vanquish oppression and make our communities better for all people—regardless of race, color, gender, religion, age, sexual orientation, or ethnic or national origin. Our President, Lori Pelletier, was honored to be appointed by Senate President Martin Looney to represent the interests of Connecticut's working families on the Spending Cap Commission. It is on their behalf that I submit this testimony today.

Connecticut's spending cap, passed in 1991, was a politically crafted construct designed to assuage taxpayer concerns over the need to create a state personal income tax. At the time, lawmakers realized the need to establish a new funding stream to guarantee the continued delivery of high quality public services and meet the requirements of constitutionally required investments, e.g. education, but were sensitive to the calls of those who feared unchecked government spending. It was an attempt to write public trust into the statute and the constitution.

Twenty-five years later, we now know it was a flawed endeavor. Taxpayer confidence in government responsibility has not improved and partisan bickering over a mechanism that served a particular ideology, not the needs of state residents, is at all-time high. Our economy has changed considerably in that time, but the confines of the spending cap have constrained our ability to budget much differently. As the Center on Budget and Policy Priorities told our Commission this summer, it is virtually impossible to design a workable spending cap, or any formula, that can replace the careful deliberations of elected representatives with input of residents. Rather than tying the hands of public servants, what we require instead, is flexibility to adapt to an evolving economic landscape.

The Commission was charged with creating definitions to help clarify what can be included or excluded from the spending cap. After reviewing the Commission's proceedings and testimony received from experts, it is our contention that the definition of "general budget expenditures," that is line items that should be placed under the spending cap, should not include any payments applied toward indebtedness, e.g. bonds, notes, pension obligations and liabilities, grants to distressed municipalities, compliance with federal mandates, or any use of federal funds. To do so would hamstring the state budget to the degree that it would restrict the state from making the kinds of strategic investments that create jobs and improve our quality of life,

such as school construction, transportation infrastructure and the delivery of high quality public services.

The spending cap is already an artificial instrument based on false assumptions and does not necessarily coincide with the needs of our most vulnerable residents. The recent Superior Court ruling on state education funding is just one example of how the state is not meeting its constitutional obligation to its residents. Broadening the cap to include new line items would make it even more difficult to meet the demand for public services by prohibiting adequate funding of essential programs and make the kinds of investments that attract and retain responsible employers.

By including debt service payments and accrued pension liabilities, the cap would undoubtedly put pressure on parties to renegotiate or abandon the agreements struck between the administration and the State Employees Bargaining Agent Coalition (SEBAC). Since 1982, governors and SEBAC have negotiated fair pension agreements. For thirty-four years, state employees have met the obligations required of them and even negotiated significant concessions when economic circumstances warranted. It wasn't until 1996, fourteen years after the first pension agreement was negotiated, that the state began to fulfill its promises by making its full annual actuarially required contribution (ARC) to the pension fund. ARCs in fiscal years 2009, 2010 and 2011 were not fully made either, adding to the unfunded liability, increasing future ARCs and reducing the state's discretionary bottom line. Forcing ARCs under the cap would undermine these good faith agreements, pit constituent groups against each other and undermine the retirement security of hardworking public employees.

The Spending Cap Commission's deliberations are important and will have long term consequences for our state. We urge Commission members to give lawmakers the flexibility they need to continue to honor the pension obligations negotiated with public employees, protect the social services on which our most vulnerable residents depend and make the kinds of capital investments that will lead to economic growth and job creation. This can only be done by recommending a definition of "general budget expenditures" that excludes debt service, including pension obligations and liabilities, grants to distressed municipalities, expenditures designed to comply with federal mandates, or any use of federal funds.

We live in a democratic society that allows us to elect the representatives who craft our budget. If we don't agree with their priorities, we should note that opposition at the ballot box, rather than tying their hands at the budget table. Thank you.