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Testimony of Representative Tom Reynolds
Joint Committee on Appropriations
April 5, 2011

Testimony on Spending Cap Legislation

Senator Harp, Representative Walker, and fellow members of the Appropriations Committee, I am pleased to submit testimony on various bills related to the state's spending cap. I request that the provisions of **Proposed H.B. 5659, An Act Directing the Program Review and Investigations Committee to Study the State Spending Cap** be incorporated into the committee's final legislation on this topic.

I introduced this bill as part of a package of budget reform legislation to begin to change the state's policies and practices that have helped to create and perpetuate our fiscal crisis. H.B. 5659 would direct the legislature's non-partisan Program Review and Investigations Committee to study the impacts of the state spending cap to ascertain its effectiveness in meeting its intended purpose and to make recommendations for reform.

The cap allows state spending to grow from one year to the next by the greater of a five-year average growth in state personal income or the percentage increase in inflation during the preceding 12 months. The spending cap applies to all appropriations, except debt service payments, grants to distressed municipalities, first year expenditures on federal or court mandates, and transfers of unappropriated surplus to the Rainy Day Fund, state employee retirement fund, or debt service. The cap may be exceeded with an emergency declaration of the Governor and approval of at least 60% of members of both the House and Senate.

A spending cap can be good public policy, and it has slowed the growth in state spending in some areas. However, Connecticut's cap is poorly designed and increasingly unworkable. As a result, it is routinely ignored. For example, Governors Rowland and Rell issued "emergency" declarations, supported by the legislature, to exceed the cap in 8 of 11 fiscal years for a total of \$3.6 billion of spending above the cap.

What's more, the spending cap's flaws have resulted in additional "spending" through budget techniques that circumvent statutory restrictions, while giving the appearance of a "cap" on spending—leading to greater taxpayer obligations over the long-run.

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