



# State of Connecticut

## SENATE

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**ASSISTANT MINORITY LEADER**

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GOVERNMENT ADMINISTRATION &  
ELECTIONS COMMITTEE

**MEMBER**  
JUDICIARY COMMITTEE  
LEGISLATIVE MANAGEMENT COMMITTEE  
TRANSPORTATION COMMITTEE

Senator Harp, Representative Walker, Senator Kane, Representative Miner, and distinguished members of the Appropriations Committee,

I am State Senator Michael A. McLachlan, and a year ago I testified in front of the Appropriations Committee in support of a bill which sought to fully implement the Constitutional Expenditure Cap of 1991 by enacting definitions. Unfortunately, the bill last year died in committee therefore today I am urging you to reject Senate Bill 21, *An Act Defining The Expenditure Cap*.

Connecticut's spending cap is guided by the State Constitution as well as General Statutes. The statute was a part of the income tax compromise of 1991, which looked to generate about \$1 billion in new taxes for the state. To assure that the state would not engage in runaway spending, the General Assembly passed, and then the electorate ratified, the Constitutional Expenditure Cap.

The cap limits the allowable growth in appropriations by the state to no more than the greater of either the five year average growth in personal income, or the most recent calendar year's increase in inflation.

Since the inception of the Expenditure Cap, personal income growth has served as the cap's allowable growth. However, now the state has seen two years of negative personal income growth which will take a toll on upcoming Expenditure Cap growth rates. For the next few years we will see the lowest allowable growth, so low that the secondary growth rate of inflation is expected to be the limiting factor in Fiscal Year 2014.

It is time that we enact fully the intentions of both the General Assembly and the electoral of 1991. We have been fortunate not to have seen a financial climate where personal income tax levels are so low. However, now that we are realizing this climate, and we need to best prepare for the consequences of such. It is time that we fully implement the Constitutional Expenditure Cap by enacting the appropriate definitions. We owe the citizens of Connecticut a government that is reasonably and responsibly spending its funds. The Expenditure Cap was enacted to create a system that would promote such responsibility; we need to now adhere to that.

Passage of this bill will result in setting a certain class of appropriations being exempt from the spending cap. These payments include those above the actuarial required contribution for the State Employee Retirement System and Teachers Retirement System, payments above the annual cost of retiree health benefits to reduce Other Post Employment Benefits and payments for the annual deferred charge required for implementation of state finances to Generally Accepted Accounting Principles (GAAP) accounting.

My opposition to this legislation does not mean I am against making additional payments to State Employee or Teacher Retirements Systems or I do not believe our state finances should be in accordance with GAAP accounting, these are very important to our state budget. However, I do not believe we should be exempting only certain expenditures from our spending cap and any additional appropriations for retirement or payments for GAAP conversion should be made within available appropriations inside our state constitutionally mandated cap. Governors and legislatures should be encouraged to move our finances towards GAAP and to reduce the unfunded ratio we currently have in our retirement systems, but in achieving these goals they should be done while living within the cap.

My other concern for this proposal if we start to select certain appropriations to be exempted from the spending cap we set the precedent to possibly allow further exemptions in the future deemed important enough to circumvent the cap, we should be working to strengthen the cap as one of our budget controls, not add exemptions.

With that I urge the committee to reject this legislation.

Thank you for your time.