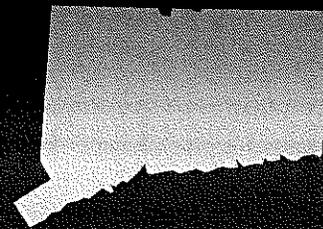


FISCAL POLICY CENTER

At Connecticut Voices for Children



Testimony In Support Of Governor's H.B. 6352 *An Act Concerning the Expenditure Cap*

Matthew M. Santacroce
Policy Analyst
Connecticut Voices for Children

Appropriations Committee
March 22, 2013

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

My name is Matt Santacroce. I am a Policy Analyst at Connecticut Voices for Children, a research-based public education and advocacy organization that works statewide to promote the well-being of Connecticut's children, youth, and families. **I am here today to testify in support of Governor's H.B. 6352, *An Act Concerning the Expenditure Cap*.** This bill would make the following changes to the state's expenditure cap, pursuant to C.G.S. Sec. 2-33a:

- Spending related to federal programs that are 100 percent funded by the federal government would be exempted from the cap for the first full year in which such spending is authorized, but will be rolled into the budget "base" for purposes of determining the cap for the following year.
- The bill would broaden the definition of "evidence of indebtedness" to include annual required contributions for the unfunded accrued liability in the teachers' retirement system (TERS) and the state employees' retirement system (SERS). Under current law, payments related to "evidences of indebtedness" are exempt from the definition of "general budget expenditures" for the purposes of determining the cap.

We applaud these proposed changes. Because Connecticut "gross-budgets" Medicaid,¹ the expansion of health coverage to low-income adults under 133% of the federal poverty level beginning in calendar year 2014 will significantly increase total Medicaid spending in Connecticut – even though the net state cost of this expansion will be zero for the first three years of implementation, and will remain relatively low after that.² The statutory spending cap was adopted to limit growth in *state* spending, and was never intended to limit the receipt of additional funds from the federal government – as will occur under the Affordable Care Act.

¹ The state appropriation for Medicaid includes not only state funds, but also the anticipated federal matching funds that are booked as General Fund revenue when received. As a result, a dollar of increased state spending on Medicaid generally results in two dollars of "general budget expenditures" counted against the spending cap.

² By 2020, the state will be responsible for 10 percent of the total cost of providing coverage to this expansion group (childless adults with incomes below 133% of the federal poverty level).