OLR RESEARCH REPORT

May 30, 2013 2013-R-0244

OLR BACKGROUNDER: STATE SPENDING CAPS ANALYSIS

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This report analyzes state spending caps.

Attachment 1 is an Excel spreadsheet analyzing the spending caps imposed by 25 states based on the:

- method used to determine the cap,
- types of expenditures excluded from it,
- requirements for exceeding the cap, and
- legal authority for imposing the cap.

The spreadsheet is password protected, preventing users from changing the cells' information. Users can filter the data to focus their analysis on specific characteristics.

Click here to access the attached spreadsheet.

CAP FEATURES

The most common type of spending cap ties the growth in a state's budget to the growth in the state's population, personal income or inflation. Washington, for example, limits the increase in spending to the 10-year average growth in personal income. Four states take a different tack, limiting spending to an amount equal to a percent of the total projected revenue for the next fiscal year (e.g., Delaware and Rhode Island). Oklahoma uses a hybrid method, combining an inflation and revenue measure.

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CAP COVERAGE

All the states exclude certain funds from the cap based mainly on (1) their use or purpose or (2) the revenue source. For example, several states exclude debt service payments (e.g., Alaska, Connecticut, Montana, New Jersey, and Utah). Most states exclude funds they receive from the federal government for housing, highways, and many other purposes. California, Colorado, Connecticut, Indiana, and New Jersey exclude funds they must spend to comply with a federal mandate or court order.

PROCEDURE TO EXCEED THE CAP

Each state with a spending cap has a procedure for exceeding it, and some have a number of ways to exceed their cap. In many states, the procedure is a legislative vote, either requiring a majority or supermajority vote. In several states, the procedure combines a gubernatorialy or legislatively declared emergency and a supermajority legislative vote.

Some states have enacted a procedure unlike any other state's. California allows the cap to be exceeded if (1) the legislature declares an emergency and reduces the growth cap for the next three years to offset the excess or (2) the governor declares an emergency and the legislature concurs by a two-thirds vote. Ohio requires (1) the governor to declare an emergency or (2) a two-thirds vote of the legislature to exceed its cap. Alaska requires a state of emergency or legislative and voter approval. Texas requires a majority vote that identifies a specific emergency.

LEGAL AUTHORITY

Half of the states (12) have statutory spending caps, while nine have constitutional caps. The remaining four states, including Connecticut, have both constitutional and statutory provisions.

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