



Testimony submitted by Carol Platt Liebau, president of the Yankee Institute for Public Policy, to the Appropriations Committee on S.B. 128.

March 27, 2015

The Yankee Institute for Public Policy is a Connecticut think tank that develops and advances policy solutions to promote smart, limited government; fairness for taxpayers; and an open road to opportunity for all the people of our state.

I submit this testimony in support of Senate Bill 128, which would strengthen the definition of Connecticut's constitutional spending cap.

In 1992, the people of Connecticut voted overwhelmingly in favor of instituting a cap on state spending. More than 80 percent of the voters approved of the constitutional amendment when it was brought before them.

The spending cap was part of the compromise reached when the state first established an income tax. It was intended to limit the growth of state government, and to stop the government from enacting new programs without the money to pay for them.

Now, more than 20 years later, we have witnessed the slow erosion of the spending cap's effectiveness. The results are sobering.

A recent Yankee Institute study shows that if state spending had been kept below the cap, the state would have had an additional \$2.4 billion in its rainy day fund when the 2008 recession hit. By 2012, the state could have saved an additional \$5.2 billion.

This money would have been particularly significant to lawmakers this year, as you look for ways to close the state's deficit. It would be even more meaningful to taxpayers, who worry that continued budget deficits mean they will be saddled with ever-higher taxes to pay for the growing expense of our state government.

We respectfully ask that this committee restrain the growth of this year's budget so that state spending remains under the constitutionally mandated spending cap.

We agree with the changes proposed by this bill, which would keep any emergency spending from being included in the calculation of the following year's spending cap.



What's more, we believe the spending cap should be strengthened even further by re-including the Medicaid and other supposed "pass-through" spending. As you know, this spending was initially defined as falling within the spending cap but has since been removed from the spending cap calculation.

The spending cap could also be strengthened if its limits were applied to the growth in state debt. The effects of runaway debt spending are evident in this year's budget, as debt service payments from the general fund have grown 7.7 percent from fiscal year 2015 to fiscal year 2016. Meanwhile, state tax revenue is expected to grow by less than 1 percent. That means that this year the state would have to raise taxes just to spend up to the constitutional spending cap.

Only four short years ago, state taxpayers were burdened with the largest tax hike in our state's history. Despite their assurances at the time, now legislators are telling us that it still isn't enough – that they need yet more of our money to spend. This is unacceptable. Connecticut's high taxes are hurting every person in this state, and every business.

We respectfully ask you – who have the power to put the brakes on state spending – to strengthen the state's spending cap. And we ask you to slow the growth of state spending in Connecticut.

By doing so, you will reinvigorate this beautiful state – and you will help the people who live here. You will send a message that Connecticut is committed to fiscal responsibility, which in turn will put us back on the path to growth.

Thank you.