Testimony on House Bill 5086

Submitted by Carol Platt Liebau, President

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Good afternoon. My name is Carol Platt Liebau. I am the president of the Yankee Institute for Public Policy, a Connecticut-based free market think tank.

I am here to express our support for House Bill 5086, which would define the terms in the constitutional spending cap.

As you know, 24 years ago a significant majority of voters approved a constitutional spending cap. This cap was part of a bargain negotiated between those who wanted a state income tax, and those who did not. The cap was meant to address the fears of those who worried that state spending would grow too fast once an income tax was adopted.

Clearly, those fears were well founded. This year marks the 25th anniversary of the state income tax, and it's obvious that the cost of state government has grown at a much faster pace than the economy as a whole.

As a result, over the last five years, state legislators have imposed the two largest tax increases in state history. What's more, just last year Attorney General George Jepsen said the legislature was not bound by the constitutional cap because lawmakers had not done their part to enact the cap by defining key terms, as required by the amendment.

Please redress this wrong. As members of the Connecticut General Assembly, you swear an oath to support the Constitution of the state of Connecticut. -- and the spending cap, like it or not, is part of our state's constitution. As the people's representatives, you have an opportunity to honor their clearly expressed wishes. For these reasons, I ask you to fully enact the spending cap.

The definitions proposed in this legislation would tighten the cap, in that it ties spending increases only to the rate of inflation. Although the Yankee Institute supports this more conservative approach, we understand others may want to continue to use the statutory definition, which includes a five-year average of annual personal income growth. Both of

these measures allow the cap to fulfill its intent: which is to keep the growth in state government to a rate that the people can afford.

We would not be trapped in the current budget crisis had we adhered to the spending cap. A study that Yankee released last year showed that the state could have saved $5.2 billion between 1992 and 2015, had lawmakers kept spending under the cap.

In addition, we ask that you review the change lawmakers made last year, which was to remove pension debt from under the spending cap. This removal could incentivize future legislators to raid or under fund the pension funds. State employee pay and benefits are an important part of the day-to-day cost of state government, and should be treated as part of our general spending.

Again, I respectfully ask that you do what an overwhelming majority of citizens asked your predecessors to do 24 years ago: Please enact the constitutional spending cap.

Thank you.