MetroHartford Alliance Statement on HB 5046 - An Act Concerning Revenue Items to Implement the Governor's Budget

Connecticut General Assembly
Finance, Revenue and Bonding Committee
February 26, 2016

The MetroHartford Alliance serves as the region's economic development leader and the City of Hartford's Chamber of Commerce. Our investors include businesses of all sizes, health care providers, arts and higher education institutions as well as the municipalities of North Central Connecticut. Our mission is to ensure that the region competes aggressively and successfully for jobs, capital, and talent so that it thrives as one of the country's premier places for all people to live, play, work, and raise a family.

While Connecticut's economic recovery is ongoing and thousands of jobs have been added in the state, we have not seen a commensurate increase in tax revenues. The state now faces a budget shortfall of as much as $266 million in the current fiscal year, a nearly $900 million deficit in FY 2016-17, and projected deficits in excess of $2 billion in both FY 2017-18 and FY 2018-19. State budget deficits are unfortunately not new – what is new, however, is the approach to the 2016-2017 budget that Gov. Malloy unveiled earlier this month. His proposed budget reflects an emerging bipartisan consensus that Connecticut's economic reality has fundamentally changed, and now our state's budget needs to change as well. The Governor has outlined five key principles to guide how the state budgets in the future:

1. Living within our means and limiting spending to available revenues
2. Making pension funding sustainable and affordable
3. Prioritizing state funding around core services and reforming the earmark process
4. Holding state agencies accountable for cost-effective spending and outcomes
5. Increasing the transparency of our budgeting process

These five principles offer a constructive departure from the standard way of doing business at the Capitol and we applaud the Governor's leadership. We also strongly support his call for the adoption of an enforceable constitutional spending cap. Taking action on the spending cap will not only help to ensure that the state lives within its means, it will also show long overdue respect to the will of our state's voters who ratified the spending cap in 1992. Working together, Connecticut's eight metro chambers of commerce and CBIA have drafted suggested spending cap amendment language; we have attached it for your information. Lastly, as Gov. Malloy continues negotiations with Connecticut's state employee bargaining units, we support his focus on spending what we can afford, not what we have spent in the past.

Connecticut's state budget factors significantly in the decision making of our state's employers. Sound fiscal management is critical to reinforcing Connecticut's employers' confidence that our state is a place where they can be competitive. Such sound fiscal management must include balanced, stable, predictable tax policies that encourage Connecticut's key industries - from health care and financial services, to precision manufacturing and technology - to invest and grow jobs in our state.

Our state's private sector employers generate the jobs and taxes needed to fund Connecticut's government services and infrastructure investments. We believe that the sustained engagement of private sector employers by state leaders will drive job growth, increase capital investment and help policymakers shape effective solutions to the challenges we face.

As fiscal reality all too plainly shows, budgeting with a commitment to the status quo no longer works. We encourage the members of the Finance, Revenue and Bonding Committee to embrace the five key principles outlined by Gov. Malloy and to work in a bipartisan manner to develop more effective approaches to budgeting that strengthen job growth and capital investment in our state.

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Spending Cap Amendment - DISCUSSION DRAFT

ARTICLE XXVIII.

Article third of the constitution is amended by adding section 18 as follows:

Sec. 18 a. The amount of general budget expenditures authorized for any fiscal year shall not exceed the estimated amount of revenue for such fiscal year.

b. On or before July 15th, annually, the Secretary of the Office of Policy and Management and the director of the legislative Office of Fiscal Analysis shall each submit to the joint standing committees of the General Assembly having cognizance of matters relating to appropriations and the budgets of state agencies and finance, revenue and bonding a consensus calculation of the percentage increase in personal income and the percentage increase in inflation for the previous fiscal year.

c. The general assembly shall not authorize an increase in general budget expenditures for any fiscal year above the amount of general budget expenditures authorized for the previous fiscal year by a percentage which exceeds the greater of the consensus calculation of the percentage increase in personal income or the consensus calculation of the percentage increase in inflation, unless the governor declares an emergency or the existence of extraordinary circumstances and at least three-quarters of the members of each house of the general assembly vote to exceed such limit for the purposes of such emergency or extraordinary circumstances.

d. No later than April 15, 2017 the general assembly shall by law define "increase in personal income", "increase in inflation" and "general budget expenditures" for the purposes of this section and may amend such definitions, from time to time, provided general budget expenditures shall include expenditures to fund state retiree pension and health care benefits and shall not include expenditures for the payment of bonds, notes or other evidences of indebtedness. The enactment or amendment of such definitions shall require the vote of three-quarters of the members of each house of the general assembly.

e. As used in this section, “general budget expenditures” means expenditures from appropriated funds authorized by public or special act of the General Assembly, provided general budget expenditures shall not include (1) expenditures for payment of the principal of and interest on bonds, notes or other evidences of indebtedness, expenditures pursuant to section 4-30a, or current or increased expenditures for statutory grants to distressed municipalities, provided such grants are in effect on July 1, 1991, and (2) expenditures for the implementation of federal mandates or court orders shall not be considered general budget expenditures for the first fiscal year in which such expenditures are authorized, but shall be considered general budget expenditures for such year for the purposes of determining general budget expenditures for the ensuing fiscal year. As used in this section, “federal mandates” means those programs or services in which the state must participate, or in which the state participated on July 1, 1991, and in which the state must meet federal entitlement and eligibility criteria in order to receive federal reimbursement, provide expenditures for program or service components which are optional under federal law or regulation shall be considered general budget expenditures.

f. Any unappropriated surplus shall be used to fund a budget reserve fund or for the reduction of bonded indebtedness; or for any other purpose authorized by at least three-quarters of the members of each house of the general assembly. Any use of the budget reserve fund other than the reduction of bonded indebtedness shall require the vote of three-quarters of the members of each house of the general assembly.

g. Original jurisdiction is vested in the supreme court to be exercised on the petition of any registered voter of Connecticut whereby said court may compel the general assembly, by mandamus or otherwise, to perform its duty to define "increase in personal income", "increase in inflation" and "general budget expenditures" for the purposes of this section. Said court may take such other action to effectuate the purposes of this article, including the establishing of definitions of "increase in personal income", "increase in inflation" and "general

budget expenditures" if the general assembly fails to define "increase in personal income", "increase in inflation" and "general budget expenditures" by the fifteenth day of April 15, 2017. Any such petition shall be filed within thirty days of the date specified. The Supreme Court shall render its decision not later than thirty days following the filing of such petition. Upon receiving such decision the secretary shall publish the same forthwith, and, upon publication, such definitions of "increase in personal income", "increase in inflation" and "general budget expenditures" shall have the full force of law.