



## State of Connecticut

### HOUSE OF REPRESENTATIVES STATE CAPITOL

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### Testimony

### Spending Cap Commission

April 18, 2016

Good afternoon. Thank you for soliciting commentary on the implementation of Connecticut's constitutional spending cap.

The amendment imposing the spending cap was added to the state constitution in 1992, following an affirmative vote by more than 80% of the voters. To implement the cap, the General Assembly was required to vote on its parameters. As we know, after almost 25 years, that hasn't happened, and that is why we are here today.

Discussions of the spending cap in the General Assembly tend to focus on spending and arguments for increasing or decreasing it. But they rarely, if ever, recall that the original purpose of the constitutional spending cap was to protect taxpayers – to prevent them from being required to spend more than they can reasonably afford, as gauged by certain economic indicators. I believe strongly that this principle should guide the work of this commission, as well as the actions of the General Assembly going forward.

With that in mind, I have these broad recommendations to offer:

- As originally conceived, the cap was meant to be calculated for each budget cycle relative to the levels set in the previous cycle. As OPM has confirmed recently, we are seeing an influx of low-wage jobs coupled with a loss of higher-wage jobs. So it is entirely possible that the tax base has changed substantially – perhaps even contracted -- over the years. In order to be able to characterize its capacity accurately,

it might be wise to explore resetting the cap as a foundation for future calculations, perhaps taking into account a business component as well.

- Various items have been moved outside the statutory spending cap at different times, effectively allowing greater levels of spending on the items still governed by the cap. These have included appropriations for state employee and teacher retirement fund payments, Medicaid costs, and funding for charter schools and supplemental educational aid. Whether considered as falling under the cap or not, this money is still being spent, and taxpayers are ultimately responsible for providing the revenue source. As the cap is meant to protect them from being pushed beyond their means, all of these items should be restored to their place underneath it.

In all of my research, and during the debates and public hearings I've participated in during my time in the legislature, I have not read or heard a substantive argument against defining the cap, the necessary prerequisite for its implementation. In fact, in my experience, the legislative majority has simply suppressed the possibility of moving forward. This is disrespectful to taxpayers, who cannot provide infinite resources to support spending policies that take no account of their financial circumstances.

Thank you for your attention to these observations, and for your work on this issue of paramount importance to Connecticut's economic viability.