Spending Cap Commission
Monday, October 17, 2016
Meeting Notes

Attendees:

Staff:
Susan Keane, Administrator

Call to Order
Chairperson Widlitz called the meeting to order.

Acceptance of the September 26 Meeting Notes
Chairperson Widlitz asked for a motion to accept the September 26 meeting notes. The motion was made by Ms. Pelletier, seconded by Mr. Van Winkle. Seeing no further discussion, the meeting notes were accepted by voice vote.

Acceptance of the October 5 Meeting Notes
Chairperson Widlitz asked for a motion to accept the October 5 meeting notes. The motion was made by Ms. Shemitz, seconded by Ms. Pelletier. Mr. Fiore offered that the second to the last bullet on the bottom of page one should reflect 2032, not 2031. Seeing no further discussion, the meeting notes were accepted, as revised, by voice vote.

Discussion of General Budget Expenditures
In response to a question posed by Sen. Kane regarding the process, Chairpersons Widlitz and Cibes clarified that a vote on the definitions will not be final action, rather as each definition is approved it will go to public hearing. Final action will occur when the members are ready to vote on the final recommendations in November.

Rep. Ziobron thanked the Chairpersons for the clarification. She then stated that she is very troubled by the number of aspects being considered for exemption under the spending cap. She thanked Mr. Shuldman for providing copies of the transcript of the 1991 House floor debate. Further, she quoted then-Rep. McNally, who stated “Tonight, we take the historic step of working to approve and send to the voters of the state of
Connecticut, a Constitutional amendment imposing a limit on state spending.” She expressed her concern that some of the options do the opposite.

Chairperson Widlitz responded that the list of proposed definitions (see Exhibit A) reflect certain components that are of concern and interest to commission members. She shared that the Chairpersons presented the list as a starting point for discussion. She reminded members that they can submit proposals to the Chairpersons in writing.

Mr. Shuldman remarked that there are other opinions among commission members then those offered by the Chairpersons. He shared that he read the transcripts of the House and Senate debates to gain an understanding of what legislators were feeling at the time. He quoted then-Sen. Herbst, who stated “In the budget will be definitions of personal income and increased inflation. It will define general budget expenditures, which shall not include debt service…” He stated that the sentiment of legislators to limit spending was clear.

Chairperson Widlitz replied that the proposals were put forward for discussion. She added that there will be plenty of opportunity to discuss other proposals offered by members.

Chairperson Cibes commented on Sen. Herbst’s remarks, which had just been presented to members. He suggested that they receive additional consideration. He then addressed the proposed definitions before the members, explaining that they were developed using the existing spending cap language in CGS 2-33a as the base, and do not reflect any new exemptions. His starting point was the language defining “general budget expenditures”. He further explained that in an effort to be transparent and to identify those areas on the menu of options discussed in August, he separated out many of the items already addressed in Sec. 2-33a (the underlined language). He then reviewed Definitions 1 – 4. With respect to Definition 5, which addresses pass through funds, he explained that the issue was identified in the August discussion of the menu of options, and that pass through funds are somewhat under the category of federal funds. He reminded members that Mr. Van Winkle had suggested that rather than stating a detailed list of the various programs, that language be developed that just referred to pass through funds. Chairperson Cibes informed members that a definition regarding court orders was not yet developed.

Chairperson Cibes remarked that some members may think that the definitions are too broad or that there are too many. He commented that over the years, almost all of the proposed bills introduced to implement the Constitutional spending cap replicate the language of Sec. 2-33a; he believes that was done in order to achieve a three-fifths vote. He added that he does not believe that the list of proposed definitions is an attempt to radically expand the definition of what is exempt under general budget expenditures. Rather, he views it as an attempt to build on the existing statutory cap, and to do it such as way that allows for consideration of individual pieces.
Chairperson Widlitz called for discussion of proposed definition 1 concerning other evidences of indebtedness, specifically the unfunded liability portion of state employees’ and teachers’ pensions.

Chairperson Cibes discussed the proposed definition. He explained the following: the initial underlining of language is taken directly from the Constitutional amendment, not the statutory cap language. The subsequent language dealing with the treatment of the unfunded pension liabilities as evidences of indebtedness was taken from Section 35 of PA 15-244. Further, language was added to make it clear that normal costs are not to be exempt from the spending cap, as had been discussed by commission members. In addition, the term “actuarially determined employer contribution” (ADEC) has been used in lieu of “actuarially required contribution” (ARC). Chairperson Cibes confirmed that it is the correct terminology, as used by the rating agencies and GASB.

Chairperson Cibes thanked Ms. Bates and Mr. Shuldman for their dedicated review and analysis of the source materials provided. He stated that he disagreed with Mr. Shuldman’s position that the unfunded pension liabilities cannot be considered evidences of indebtedness. He discussed the treatment of unfunded pension liabilities as debt by GASB and Moody’s.

Ms. Shemitz asked for clarification on the process. She stated that it was her understanding that the commission was going to memorialize language based on Senator McLachlan’s suggestion regarding the treatment of the unfunded liabilities and the treatment of normal costs. If her understanding was correct, she had additional language that she would offer for discussion.

Chairperson Widlitz confirmed Ms. Shemitz’s understanding of the process. She shared that the proposed definition before them was offered as a reflection of previous conversations regarding Sen. McLachlan’s suggestion.

Sen. McLachlan remarked that the October 5 meeting notes accurately reflected his thoughts on the issue, and that there was agreement among some commission members to move forward with his suggestion. He confirmed that his suggestion was accurately reflected in the proposal before the commission.

Mr. Shuldman discussed the history of all pension obligations being under the spending cap until 2015. He remarked that the transcripts of the 1991 debate speak to the three-fifths vote as a tool that can be used to exceed the spending cap when there are extraordinary conditions. He reiterated his position that state residents need to be assured that there is an “iron clad” spending cap in place.

Mr. Shuldman went on to discuss the issues regarding the definition and treatment of debt. He stated that the unfunded liabilities are not debt simply because the state chose not to fund its pension obligations adequately. He reiterated his concerns that policymakers in the future could treat the OPEB obligation as an evidence of indebtedness. He spoke about the definition of “evidence of indebtedness”.

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Mr. Shuldman then asked Sen. McLachlan to speak to the accounting mechanism that would be used to calculate what costs would be under the spending cap and those costs that would be outside the cap.

Chairperson Widlitz directed Mr. Shuldman to the language of the proposal, which she believes makes clear what is to be included under the spending cap. She added that historically, keeping the unfunded liabilities under the spending cap has not produced adequate payments on those obligations.

Sen. McLachlan reiterated his position regarding taking a pragmatic approach to the commission submitting recommendations to the General Assembly that can be adopted. He stated that while he does not want to vote for the proposal before them, he is trying to consider the implementation process of the spending cap. He discussed the legal concerns regarding the spending cap over the years. Sen. McLachlan stated that if there is not enough support for Mr. Shuldman’s position, which he himself supports, it appears that there are enough votes for the proposed definition.

Mr. Shuldman stated that he appreciates Sen. McLachlan’s position. He asked again for an explanation of how the various factors of the pension costs will be determined.

Mr. Fiore responded that the actuaries break out the actuarially determined employer contribution into two categories – the normal cost and the past service liability. He added that these numbers are updated annually.

Mr. Shuldman and Mr. Fiore then discussed the implications on the level of spending and the spending cap by using a high discount rate.

Chairperson Cibes discussed the determination of normal cost and the unfunded service liability.

Ms. Bates commented on the legal definition of “evidence of indebtedness” provided by Mr. Shuldman. She stated that it shows that, according to case law, an evidence of indebtedness is a security under US federal law and must therefore be registered with the federal Security and Exchange Commission (SEC). She remarked that she thought all could agree that pensions are not securities, which are instruments that are bought and sold, and they are certainly not registered with the SEC. She shared that she searched the statutes for references to “evidence of indebtedness”, and found that it appears in 34 sections. Further, she commented that if the definition of “evidence of indebtedness” is changed to include actuarially accrued pension liabilities, it could have a ripple effect regarding the other statutory references that the commission has not taken under consideration.

Chairperson Cibes thanked Ms. Bates for her research and for raising the issue. He also thanked Mr. Shuldman for researching a legal definition of “evidence of indebtedness”. He remarked that the operative part of the definition quoted is that “evidence of
indebtedness” means “all contractual obligations to pay in the future for consideration presently received.” He stated that the definition plainly includes pension obligations, even if the pension obligation is part of the compensation an employee receives, as asserted by Mr. Shuldman. He further stated that from that definition it does not follow that “any agreement that is an “evidence of indebtedness” is a security under US federal law and must therefore be registered with the federal SEC…” He shared that the statement was taken from a Court of Appeals case that did not deal with pension liabilities. Further, he commented that a security may be one kind of an “evidence of indebtedness”, but it does not follow that all “evidences of indebtedness” are securities.

Chairperson Cibes shared that he had talked to an attorney, who informed him of the following: the U.S. Supreme Court has not yet ruled on whether contributory pension plans are securities under the Securities Act of 1933. But it has ruled, in a 1979 case, that mandatory, non-contributory pension plans are not securities. In addition, the justices did not raise the general question of whether a pension plan is an “evidence of indebtedness.” They did rule that the pension plan in question was not an instrument that was intended to be regulated by the Securities Act, and that Congress instead intended for that kind of plan to be regulated by ERISA. Chairperson Cibes remarked that all securities are “evidences of indebtedness”, but not all “evidences of indebtedness” are securities. He added that securities are one “evidence of indebtedness”, but they do not exhaust the category of “evidence of indebtedness”.

Ms. Bates reiterated that, according to case law, an “evidence of indebtedness” is a security. In addition, she restated her concerns regarding the potential ramifications on state statutes should the definition of “evidence of indebtedness” be changed.

Chairperson Cibes stated that he is not in agreement with the position that case law says all “evidences of indebtedness” are securities, and he again cited the Supreme Court case he discussed earlier. With respect to the effect of a language change on the other statutes, he pointed out that the proposed definition states “As used in this section…”, thereby limiting the proposed definition of “evidences of indebtedness” to Section 2-33a and not affecting other statutes.

Mr. Hunter remarked that he appreciated the discussion. He stated that he has commented in the past on the lack of clarity concerning the term “other evidences of indebtedness” as discussed by commission members. Further, he stated that “other evidences of indebtedness” could be considered by some to include a whole host of obligations that have not been paid within the year in which they arose. He added that it could include the normal cost that has not been paid currently. He expressed the concern that in the event that happened, the state could then be enabled to defer such payment, thereby creating an ever-increasing unfunded liability. He added that unfunded liabilities can arise from several other factors, as pointed out in the Boston College study (Figure 25), and that trying to parse between the normal cost and the portion called “unfunded liabilities” doesn’t really capture all of the factors that could occur.
Mr. Hunter expressed the concern that a whole category – “unfunded liabilities” – is being excluded that could change over time for any number of reasons and for which the state would have an obligation to pay in order to decrease the unfunded liabilities over time. He stated that he could not support the language of the current proposed definition, as he believes there is not discipline to the construction of the exclusion. Further, he stated that there needs to be a “line in the sand” regarding the level of the unfunded liabilities as of a particular date; otherwise future legislatures could agree to funding levels that would short the normal cost, thus increasing the unfunded liabilities. He commented that in approving the Constitutional amendment, the citizens of the state looked to the legislature to exercise fiscal discipline. While he agrees that there needs to be some compromise regarding the treatment of the unfunded liabilities, he stated that the proposed definition lacks discipline and he cannot support it as written.

Chairperson Widlitz asked Mr. Hunter if he had suggested language that would address his concerns.

Mr. Hunter offered the following: after “unfunded liability” insert “that exists as of June 30, 2017, but not any increase to such unfunded liability arising thereafter”. He stated that at the very least that language would prevent any shorting of the normal cost. He added that the language would also capture any changes in the discount rate, making it clear that any additional costs that resulted in such changes would not be outside the spending cap.

Chairperson Widlitz thanked Mr. Hunter for his suggestion.

Rep. Steinberg stated that he was glad to hear Mr. Hunter’s suggestions, as he was considering a similar approach. He spoke of the compromise suggested by Sen. McLachlan at the last meeting, and offered that the commission might need an alternative means to accomplish that end by imposing the discipline of having the unfunded liability under the cap as a matter of Constitutional reform going forward. He added the importance of acknowledging the concept raised by Rep. Smith several months ago regarding a phase-in process as perhaps the best way to recognize the current crisis, yet assure discipline for the “long haul”. He recalled a comment made by Mr. Frankel concerning consideration of a sunset provision. Rep. Steinberg suggested that such a provision might be an alternative means of imposing a “date certain” to assure that any concession made in the short-term does not last into the long-term.

Mr. Van Winkle discussed the normal cost. He explained that the normal cost is recalculated each year to adjust for returns realized in the market.

Ms. Shemitz offered another alternative for consideration, without including any increase in the accrued unfunded liability that might reflect changes in the market as opposed to continued failure to pay timely current employee costs. She suggested that, rather than adding the limitation language suggested by Mr. Hunter, the following or similar language be added at the end of the paragraph – “Failure to pay the normal costs of employer contributions accrued as of or after the passage of this statute shall not provide
grounds to treat such contributions as new debt.” She asked Mr. Fiore if the effect would be the creation of 3 “pots of money” – the currently accrued unfunded liability, the necessary current contributions and a third category that would be created should the legislature fail to fully fund current contributions. She stated that she was not sure how feasible it would be to track that third category, but that the language would avoid the challenge of not trying the legislature’s hands to changes in the market over which it has no control.

Mr. Fiore agreed that there would need to be a third calculation. He stated that he presumes that the actuaries could make that calculation.

Ms. Shemitz remarked that her proposal would be another option that would hold truest to Sen. McLachlan’s suggested compromise, as it wouldn’t include additional costs. She added that it would be a very clear statement that, should there be a failure in the future to pay the then current obligations in a timely basis, the costs associated with such a failure to pay would not get moved into a new definition of debt outside the spending cap.

Chairperson Cibes stated that while he likes the idea of a “grand compromise”, he doesn’t believe that any of the suggestions offered would enable the commission to reach that point. He expressed his concerns regarding a “date certain”, which he believes would leave the state in the same difficult situation it currently faces. He agreed with Mr. Hunter’s comments that there are a number of factors that can cause the actuarially determined unfunded liability to increase, one being a lower discount rate. He remarked that should securities and other investments not provide the rate that is assumed, the unfunded liability and the normal cost will likely increase, and the state will not have the means to pay for the increased costs under the spending cap. Chairperson Cibes stated that he does not support any language that ties the hands of the state in paying what it must for pension obligations, regardless of the discount rate that moves into the future or any other factors. He commented that the OPM Secretary, the State Comptroller, and the State Treasurer have come together on a plan, which if negotiated with SEBAC, can result in a gradual payoff of the unfunded liability in a way that would satisfy the rating agencies and would create stability in the plans in the future by going to a level dollar payment method. He stated that he doesn’t think the state should be in the position of putting so many things under the spending cap, but he cannot agree to tie the hands of the state with respect to the unfunded liability.

In response to Chairperson Cibes’ remarks, Mr. Hunter offered several comments. First, he stated that while a “date certain” may tie the hands of the legislature somewhat, it was offered in an effort to reach some compromise and to be respectful of the citizens who sought to tie the hands of the legislature 25 years ago to contain the lack of fiscal discipline the legislature had shown up to that point. Second, he commented that there
are a number of communities throughout the state that are making hard choices in dealing with their unfunded pension obligations. While he appreciated Chairperson Cibes citing cases of expenditures that could be crowded out, Mr. Hunter believes that the state budget is very large and there are any number of places where the legislature may decide to reduce spending to compensate for increases in spending it wants to make in other categories. Lastly, Mr. Hunter stated that having a “date certain” would allow for the state to settle its unfunded liability and to exercise fiscal discipline, as expressed by CBIA and others who have come before the commission. He offered that such an approach would make the state a more attractive place to live and for business to invest in, thereby creating jobs, increasing revenue and improving the quality of life.

Rep. Ziobron expressed her concern regarding the discussion of more ways to expand spending. She remarked that the notion of crowding out expenditures for state services ignores the three-fifths vote tool that could address urgent needs. She stated that, as the legislature has the mechanism to address extraordinary circumstances, she does not think the commission should water down the spending cap definitions. Rep. Ziobron reiterated her previous statements regarding “keeping it simple” when crafting the definitions. She commented that she does not see the commission taking that approach, which she believes is contrary to what the voters wanted 25 years ago. She thanked Mr. Shuldman for his research on the transcripts, and remarked that in reading them, she thinks it is clear that compromises were made, but that the idea was to limit spending. She expressed the hope that the commission will deal with limiting spending.

Sen. Kane thanked Sen. McLachlan for his ideas on how to move the discussions forward. He spoke to the challenges in finding consensus among commission members, as well as among legislators. He stated that he disagreed with Chairperson Cibes’ comment that moving items outside the spending cap would put the state in “good fiscal shape”. He spoke of the fiscal policies of the past 6 years and their ramifications, including putting items outside the cap, tax increases, and deficits. Sen. Kane offered that he concurred with the remarks of Mr. Smith from Webster Bank and others that the state needs to control spending and to “get its fiscal house in order” to promote an atmosphere that is conducive to job growth. He stressed the need for compromise in developing the commission’s recommendations.

Rep. Davis stated that he concurred with the remarks made by Rep. Ziobron and Sen. Kane. He commented that each year the legislature must balance the needs of the state with the costs of providing services. He then asked Chairperson Cibes if the proposed language dealt with the Constitution.

Chairperson Cibes responded that the language is intended to be a replacement for CGS 2-33a, which is the current spending cap, not the Constitution.

Rep. Davis then asked how the proposed language would apply to the Constitutional language regarding general budget expenditures not exceeding revenues.
Chairperson Cibes replied that in order to comply with the Constitutional language, the legislature must determine what expenditures will be and what revenues will be. The consequence is that the state cannot enact a budget in which the expenditures exceed the revenues. He stated that the requirement would not change under the statutory language he proposed.

Rep. Davis expressed the concern that under the proposed definition, the legislature could pass a budget with general budget expenditures that are under the spending cap and that are up to the level of anticipated revenues. There would then be the issue of payments on the unfunded liability that would have to be made. He questioned how those payments would be made if there wasn’t the revenue to support them and how the state could avoid perpetual deficits. He stated that his interpretation of the interplay between the statutory language and the Constitution might allow a legislature to appropriate for general budget expenditures and the unfunded liability in excess of revenues. He asked Chairperson Cibes for his thoughts on that interpretation.

Chairperson Cibes remarked that the potential scenario discussed by Rep. Davis has not been the interpretation used over the past 25 years. He stated that he would think about Rep. Davis’ comments.

Rep. Davis stated that the concerns he expressed give him pause not support the proposed language.

Rep. Smith remarked that some of Chairperson Cibes’ comments concerned him, particularly with regard to consideration of a “date certain” or a sunset provision. He stated that there needs to be a willingness on the part of the legislature to reduce spending and to face the state’s fiscal challenges. He shared that he was happy to hear Mr. Hunter’s suggestions, as well as Rep. Steinberg’s comments concerning a sunset provision and a phase-in of the payment of the unfunded liability, which Rep. Smith had mentioned in the spring. Further, he stated that he could support a proposal that contained restrictions or conditions on the treatment of pension obligations that would allow for the unfunded liability to be paid and for the state to control its spending. In addition, he expressed his concern that the commission’s deliberations have gone beyond its charge.

Sen. Frantz talked about the challenges that have resulted from the fiscal policies of the past 25 years. He stated that he would like to see the commission present a strong statement that the state has been fiscally irresponsible and the legislature needs to address how to fix the fiscal situation.

Ms. Pelletier raised several points: 1) if members were considering including all expenditures under the spending cap, then they should revisit the issue of including tax expenditures under the cap; 2) if pension obligations had been outside the cap since its inception, payments would not have been skipped, as there would not have been the need to use the deferrals as a means to provide room under the cap; 3) despite the decision of GE to leave the state, there are major businesses that have renewed their commitments to
doing business in Connecticut. She urged people to consider what is important for the state to do for its citizens, namely to provide services to the people who need them, to make sure businesses have a pipeline of well-educated workers, and to impose taxes that are fair. In addition, Ms. Pelletier stated that she believes the role of the commission is to look back at what the spending cap was intended to do in the 1990’s and to translate what is needed today. Further, she remarked that taking the past service liability out from under the spending cap, while keeping the annual required payments under the cap, keeps the process honest and does not create the need to figure out a way of going around the spending cap. She added that she does not think that adding a “date certain” to the definition is necessary.

Sen. Cassano spoke to the challenges faced by the commission in developing its recommendations. He questioned what liabilities the state has and where they are defined, as they change from year to year depending on changes in society. He stated that it is important to know exactly what expenditures are under the spending cap.

Mr. Porth expressed his concern that the longer the members have discussed the proposal, the farther apart they have become. He stated that he believes that if the commission doesn’t finish its work with a product that most members can agree to, it will have failed to carry out the duties with which it was charged. He remarked that it had seemed at the start of the discussion that members were close to voting on the proposal before them, with a few “tweaks”. He asked Chairperson Widlitz if it would be possible for a subcommittee to be formed to develop language that might secure enough votes to move the deliberations forward.

Chairperson Widlitz stated that she thinks it would be a mistake to divide the commission into “pieces”. She remarked that all of the members need to be a part of the discussion and have access to all of the information shared. Further, she commented that what appeared on its face to be a simple compromise is, in fact, not so simple.

Mr. Shuldman asked if the definitions the commission was charged with defining would become part of the Constitutional language. He asked that, if that was so, is the commission defining “evidences of indebtedness” under the Constitution.

Chairperson Widlitz responded that the commission is working to define what qualifies as a general budget expenditure. The legislature would then adopt language, either the commission recommendations or some other language, by a three-fifths vote that would become part of the statute.

In response to Mr. Shuldman’s request for further clarification, Chairperson Cibes remarked that the Constitutional cap states that “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 not include expenditures for the payment of bonds, notes or other evidences of indebtedness.” He stated that presumably it could include other things. He remarked that although the legislature adopted Sec. 2-33a in
1991, which Attorney General Blumenthal said would stand until the legislature amended it. Attorney Jepsen has said that, because Sec. 2-33a was not adopted by a three-fifths vote, there is no effective Constitutional spending cap.

Chairperson Cibes explained that the commission is in existence to recommend definitions of "increase in personal income", "increase in inflation" and "general budget expenditures" so that the legislature can consider adopting definitions by a three-fifths vote. He then reviewed the language of Sec. 2-33a. He stated that the language he has proposed transfers the language of the Constitution to the statute. He remarked that he thought that a “grand compromise” had been reached, which lead him to add language that leaves the unfunded liability outside the cap (as in PA 15-244), but includes the normal pension costs under the spending cap. He thought that was a reasonable compromise and where the commission was going.

Chairperson Cibes further explained that one part of the effort before the commission is to define and specify what “other evidence of indebtedness” means. He added that other aspects of the definition were also proposed.

In conclusion, Chairperson Cibes called members’ attention to the testimony of Secretary Barnes, who reiterated that including or excluding pension contributions from the spending cap doesn’t impact the requirement that the state pay the ADEC. Further, Secretary Barnes testified that including the unfunded liabilities under the cap may limit the state’s ability to implement a more rapid payoff of the unfunded liabilities. Chairperson Cibes remarked that if there is an interest in ensuring the state’s solvency over the long-term, it makes sense to make sure the state can accomplish that effort by leaving the unfunded liabilities outside the cap. He cited the Boston College report and the actuaries used by the state, who have concluded that not paying off the unfunded liability in a rapid manner will lead to a situation in 2028 through 2032 of the state needing to pay $6 billion a year in order to amortize those unfunded liabilities. He added that the state needs to embark on a program to rapidly pay off the unfunded liabilities.

Ms. Bates remarked that when talking about expenditures, members should keep in mind that the voters wanted the spending cap in order to limit tax increases. She stated that her biggest concern with moving the pension liabilities outside the spending cap is that is it will create more space for tax increases. She reminded members of the JP Morgan report distributed to members early in their deliberations. The report showed that if the unfunded liabilities are amortized over 30 years, rather than the current 16 years, and a 6% discount rate is assumed, either state taxes will have to increase by 14%, state spending will have to decrease by 14%, or state employee contributions will have to increase by 700%. Further, she remarked that spending on pensions is not limited by the spending cap, but by revenues, which are not growing at the rate anticipated. She stated that she does not want to create more room for tax increases.

Chairperson Widlitz stated that she would like to find a way to move deliberation forward. She remarked that she had hoped the commission would have voted at this meeting, but the discussions revealed that members are not ready to do so. She proposed
that the commission meet on Monday, October 24, and asked members to prepare to vote. She shared that the idea of including a “date certain” is intriguing, but bears further exploration as to how the language would be written and what the ramifications of the language might be. Chairperson Widlitz reminded members that other issues had been raised during the discussion – tax expenditures and a phase-in of payments on the pension debt – and that the commission would need to explore the benefits or ramifications of those ideas as well.

**Meeting and Public Hearing Schedule**

Chairperson Widlitz announced the following schedule:

Next Commission Meeting – Monday, October 24, 1 pm

Public Hearing Dates:

- Wednesday, October 19, 4 to 7 pm, SCSU
- Wednesday, October 26, 4 to 7 pm, ECSU
- Wednesday, November 16, 4 to 7 pm, Waterbury (venue TBA)

**Adjournment**

Seeing no further discussion, Chairperson Widlitz adjourned the meeting.

Respectfully submitted,

Susan Keane, Administrator
Exhibit A

At its meeting on October 17, we suggest that the Commission consider and vote – in separate motions – on the following aspects of the definition of “general budget expenditures.”

The relevant portion of each motion is underlined. When the Commission has considered all aspects of the definition of “general budget expenditures,” as outlined in the menu of options distributed in August, the approved motions will be integrated into an overall definition – much as in the current Section 2-33a.

The following proposed motions are not exhaustive: they are an attempt to address issues that we think can be worked through on October 17. Additional matters (such as court orders, the state match for federal funds, revolving funds, programs supported with revenue dedicated to that specific program, etc.) can be raised and discussed, and voted on, at subsequent meetings.

Proposed definition 1:

“As used in this section, . . . “general budget expenditures” means expenditures from appropriated funds authorized by public or special act of the General Assembly, provided (1) general budget expenditures shall not include expenditures for payment of bonds, notes or other evidences of indebtedness, . . .”

(later on in this section, the following would also appear:

“As used in this section, payment of other evidences of indebtedness includes payment of the portion of the actuarially determined employer contribution representing the unfunded liability of (1) any retirement system or alternative retirement program administered by the State Employees Retirement Commission, or (2) the teachers’ retirement system, but shall not include payment of the portion of the actuarially determined employer contribution representing the normal cost of such programs.”

Proposed definition 2:

“As used in this section, . . . “general budget expenditures” means expenditures from appropriated funds authorized by public or special act of the General Assembly, provided (1) general budget expenditures shall not include . . . expenditures pursuant to section 4-30a, . . . “

Proposed definition 3:

“As used in this section, . . . “general budget expenditures” means expenditures from appropriated funds authorized by public or special act of the General Assembly, provided (1) general budget expenditures shall not include . . . current or increased expenditures for statutory grants to distressed municipalities, provided such grants are in effect on July 4, 1994, . . .”
Proposed definition 4:

“As used in this section, . . . “general budget expenditures” means expenditures from appropriated funds authorized by public or special act of the General Assembly, provided (1) general budget expenditures shall not include . . . the expenditure of any federal funds granted to the state or its agencies . . .”

Proposed definition 5:

As used in this section, . . . “general budget expenditures” means expenditures from appropriated funds authorized by public or special act of the General Assembly, provided (1) general budget expenditures shall not include . . . or the expenditure of funds from any other source which are passed through the fiscal facilities of the state or any of its agencies and spent pursuant to the direction of the source of the funds.