CONNECTICUT'S SPENDING CAP:

QUESTIONS AND ANSWERS

POLICY ANALYSIS

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prepared by: The Connecticut Health Foundation www.cthealth.org
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CONNECTICUT Health FOUNDATION

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EXECUTIVE SUMMARY

The mission of the Connecticut Health Foundation is to improve the health status of the people in Connecticut. The Foundation strives to serve the unmet needs of the state and its communities and to be responsive to unserved and underserved populations.

As the Foundation began identifying program priorities to be addressed in the fall of 2000, it became evident that Connecticut's spending cap limits the state's ability to respond to the issues facing residents across the state. The Foundation is especially concerned about severe crises in the areas of children's mental health and oral health.[1] At the same time, dramatic racial and ethnic disparities in health outcomes are preventing individuals, families and communities from enjoying the high quality of life many have come to expect in Connecticut.[2]

The state's ability to respond to these problems has been hampered by a number of factors, including the structure of the spending cap. As a result, the Foundation, in collaboration with Washington DC's Center on Budget and Policy Priorities, researched the spending cap and its effects. Our findings begin with a review of the structure of the cap:

CONNECTICUT'S SPENDING CAP CURRENTLY:

- Limits the increase in general budget expenditures to the 5 year average in personal income growth, or the 12 month rate of inflation, whichever is greater.
- Defines "General budget expenditures" as all state spending, except:
  - payments on the principal or interest of bonds, notes and other forms of debt
  - state grants to distressed municipalities (for grants in effect on July 1, 1991)
  - first year expenditures on federal mandates or court orders.
- Can be exceeded if the Governor declares an emergency or the existence of extraordinary circumstances, and at least 3/5ths of the General Assembly agrees.
- Is one of the most restrictive expenditure limits in the nation.

How has the cap been working so far?

- The cap has been among the factors bringing down the overall rates of spending growth from an average rate of 10.8% a year from Fiscal Year 1987-1991 to 4.5% during FY 1995-2000. However, these figures do not take into account that appropriations have exceeded the spending cap in each of the last three years, allowing a total of more than $1.5 billion in state surplus dollars to be spent. A portion of those dollars were for recurring expenditures, but these dollars were never added to the base.

- Even in previous years where appropriated budget expenditures have not exceeded the cap, actual budget expenditures have. This has been done through the use of budget techniques such as lapses, carry forwards and the use of the surplus.

- The cap has had at least three potentially unintended consequences on state budgeting practices which could impact state policies and programs: increased state bonding, creation of a strong incentive to use tax expenditures, and an inability to capture new federal funds.

  A. Increased Bonding: Bonded debt per capita has more than doubled over the past decade, leaving Connecticut with the second highest rate of state tax supported debt in the nation. Total General Fund indebtedness has increased from $3.673 billion in FY 1992 to $11.12 billion in FY 2001.

  B. Incentive to use tax expenditures: Tax expenditures are a form of state "spending" implemented through the tax code and are rarely revisited by the legislature. (Examples include tax deductions, exemptions, and credits.) Since they do not appear as a line item in the state budget and are not subject to the spending cap, there is a powerful incentive to increase this form of "back door spending".

  C. Inability to capture new federal funds: Because most federal matching dollars fall underneath the spending cap, capturing new federal dollars brings the budget ever closer to the allowable limit. This is true even though the federal portion of matching programs are not "state spending" in the conventional sense. In FY 2001, the state is now so close to the spending cap limit that bringing in even $10 million in new federal funds would be difficult to achieve.

What are the limitations imposed by the spending cap?

- The FY 2001 budget is now right at the limits of the cap. According to December 2000 projections from the Office of Fiscal Analysis, spending on current services alone will put the state $220 million over the cap in FY 2002.[3] Our research shows that unless adjustments are made, the state will continue to be over the cap by a minimum of $127 million, and sometimes much more, for at least the next five years.

What actions could be taken to adjust the spending cap?

- Our research shows that the following options would create additional room under the cap:
  - Exempting Medicaid
  - Exempting tobacco settlement funds, *but only if this is calculated as starting in FY 1999*
  - Changing the income factor used to calculate the spending cap from personal income to adjusted gross income (to include capital gains income)
  - Re-basing by using some of this year's surplus in the calculation for the cap next year.

These adjustments would be effective because:
If fast growing programs are removed from the base, additional room under the cap will be created. If slow growing programs are removed, the spending cap will be tightened. When programs that are in the base grow quickly - at a rate faster than the increase in the spending cap growth limit - they consume a greater proportion of available growth and crowd out other programs.

• Because the following programs grow slowly, our research shows that these possible exemptions would further restrict available room under the cap:

- Exempting all federal funds
- Exempting Education Equalization (ECS) funds
- Exempting Special Education funds
- Treating unfunded state employee pension funds as exempt debt payments.

Will the public support changes to create additional room under the cap?

• The answer is a qualified yes. In a poll conducted for the Foundation by the University of Connecticut's Center for Survey Research and Analysis, 57% of respondents strongly or somewhat favored the spending cap. At the same time, 55% of respondents said that in general, they would favor making changes to the spending cap to allow spending <u>in certain areas</u>.

• The percent of respondents showing support for changing the cap to allow increased spending was even higher when they were asked to make decisions regarding the specific programs involved. Of those who had opinions, 80% said they would strongly or somewhat support changing the cap to allow increased spending on children's mental health programs or on programs that help people gain access to health care. Similar levels of support were shown for prescription drug programs for those without insurance. (A full report on attitudes toward the spending cap in Connecticut is included in the Appendix.)

Conclusion

The spending cap as presently constituted is creating significant pressure on state expenditures in areas which affect vulnerable populations, from mental health programs to prescription drugs subsidies. If adjustments to the cap are not made, this pressure will increase dramatically over the next few years, requiring major programmatic cutbacks in areas that the public cares about. Connecticut faces a stark choice: either cut essential programs or change the parameters of the spending cap.

In the *short term*, action could be taken to re-base the spending cap to address pressing issues such as the mental health crisis. Re-basing would also recognize the presence of certain ongoing expenditures which have been made from the surplus in previous years.

Several *long term* statutory adjustments could also be made to ensure that the cap does not prevent the state from meeting the vital needs of all of its residents. These include exempting Medicaid, exempting tobacco settlement funds from the time they were first received by the state, and changing the income factor used to calculate the spending cap from personal income to adjusted gross income so that capital gains income is included.

The tables on the following page give an indication of how much room would be created by each of these adjustments.

Potential Adjustments to the Spending Cap

Estimated Effect of Exclusions that Would Create Room Under the Spending Cap

	GROSS SPENDING CAP - APPROPRIATION						
ALTERNATIVES	FY00	FY01	FY02	FY03	FY04	FY05	FY06
Current Cap	$11,687.5	$12,360.5	$12,931.2	$13,594.6	$14,367.2	$15,132.3	$15,804.5
Medicaid using 6% growth in 02	$11,804.9	$12,381.0	$12,968.5	$13,645.8	$14,443.5	$15,240.3	$15,951.1
Tobacco Settlement Funds	$11,765.5	$12,499.3	$13,053.0	$13,717.8	$14,481.5	$15,246.9	$15,919.1
Rebasing	$11,687.5	$12,466.0	$13,042.3	$13,711.8	$14,490.5	$15,261.8	$15,940.3
DIFFERENCE BETWEEN REVISED CAP AND CURRENT CAP							
Medicaid using 6% growth in 02	$117	$21	$37	$51	$76	$108	$147
Tobacco Settlement Funds	$78	$139	$122	$123	$114	$115	$115
Rebasing	$0	$105.5	$111.1	$117.3	$123.3	$129.5	$135.7

Note: Assumes that spending equaled revised cap in 01 thus increasing base for 02. Uses actual spending for 00 - that is, does not assume that spending would have increased to amount allowed under higher cap. For 03 and beyond base is the lesser of the revised spending cap or OFA's current services projection.

Estimated Effect of Changing Growth Factor

	GROSS SPENDING CAP - APPROPRIATION	
ALTERNATIVES	FY01	FY02
Current Cap	$12,360.5	$12,954.0
Growth Factor of 6.4% AGI	$12,360.5	$13,058.5
Growth Factor of 9.7% AGI	$12,360.5	$13,380.8
DIFFERENCE BETWEEN REVISED CAP AND CURRENT CAP		
Growth Factor of 6.4% AGI	$0.0	$104.5
Growth Factor of 9.7% AGI	$0.0	$426.8

CONNECTICUT'S SPENDING CAP ON STATE EXPENDITURES

When was the cap instituted?

- In August 1991, the General Assembly enacted a spending cap as part of the negotiations over creating a state income tax. This is referred to as the "statutory" cap and can be modified through legislative action. (Text is included in Appendix at page 33.)

- In November 1992, spending cap provisions were included in the state's constitution. The "constitutional" cap was approved by Connecticut voters by a 4 to 1 margin. (Text is included in Appendix at page 34.)

- The Constitutional cap required the General Assembly to enact statutory language to implement the cap. To date, the General Assembly has not taken action to implement the Constitutional cap. A 1993 opinion from the Attorney General clarified that the statutory cap remains in place until the General Assembly enacts definitions for the Constitutional cap. Any definitions must be approved by a 3/5th majority of the legislature.

What does the cap require?

- The cap limits the increase in general budget expenditures to the increase in Connecticut's personal income – as measured by a 5 year average of personal income growth – or the 12 month rate of inflation as measured by the Consumer Price Index, whichever is greater.

- "General budget expenditures" includes all state spending, except:
  - payments on the principal or interest of bonds, notes and other forms of debt
  - state grants to distressed municipalities (for grants in effect on July 1, 1991)
  - first year expenditures on federal mandates or court orders.

- The cap may be exceeded if the Governor declares an emergency or the existence of extraordinary circumstances, and at least 3/5ths of the General Assembly agrees.

How is the cap calculated?

- The previous year's appropriated funds, minus any dollars spent on the 3 exempt areas (listed above) constitutes the base. The base is then multiplied by the allowable growth rate. The result is the number of dollars that the budget may grow, unless the Governor and the legislature agree to exceed the cap. At its core, the calculation looks like this:

  Last year's appropriated funds minus exemptions = Base
  Base x allowable growth rate (about 5.5% for FY 01) = Allowable spending increase.

Current Spending Cap

CURRENT SPENDING CAP	FY00	FY01	FY02	FY03	FY04	FY05	FY06
Base Appropriated Funds	$11,074.8	$11,714.2	$12,360.5	$12,931.2	$13,594.6	$14,367.2	$15,132.3
Less Non-Capped Expenditures							
Debt Service	$1,237.5	$1,328.7	$1,417.2	$1,428.9	$1,496.3	$1,652.4	$1,816.7
Grants to Distressed Municipalities	$1,016.1	$1,091	$1,198.5	$1,215.8	$1,243	$1,299.6	$1,327.6
Total Non-Capped Expenditures-Prior Year	$2,253.6	$2,419.7	$2,615.7	$2,644.7	$2,739.3	$2,952.0	$3,144.3
Net Base Capped Expenditures	$8,821.2	$9,294.5	$9,744.8	$10,286.5	$10,855.3	$11,415.2	$11,988.0
Times 5-year Avg. Growth in Personal Income	5.08%	5.48%	5.33%	5.53%	5.16%	5.02%	4.88%
Allowable Capped Appropriation Growth	$448.1	$509.3	$519.4	$568.7	$559.9	$572.8	$585.0
Net Capped Appropriation = Growth + Base	$9,269.3	$9,803.8	$10,264.2	$10,855.3	$11,415.2	$11,988.0	$12,573.0
Plus Non-Capped Expenditures: Current Year							
Debt Service	$1,328.7	$1,417.2	$1,428.9	$1,496	$1,652	$1,817	$1,875
Federal Mandates and Court Orders	$15.3	$10.3	$0.0	$0.0	$0.0	$0.0	$0.0
Grants to Distressed Municipalities	$1,074.2	$1,129.2	$1,238.1	$1,243	$1,300	$1,328	$1,357
Total Non-Capped Expenditures	$2,418.2	$2,556.7	$2,667.0	$2,739.3	$2,952.0	$3,144.3	$3,231.5
Gross Spending Cap - Appropriation	$11,687.5	$12,360.5	$12,931.2	$13,594.6	$14,367.2	$15,132.3	$15,804.5
Actual Gross Appropriation	$11,687.1	$12,360.6	$13,145.0	$13,743	$14,517	$15,277	$15,932
Over/(Under) the Spending Cap	($0.4)	$0.1	$213.8	$148.2	$150.1	$145.0	$127.0
Current Services Revenue			$13,149.3	$13,630.4	$14,098.1	$14,618.4	$15,119.0
revised 03/29/01							

Source for Base #'s: FY02-FY06 General Fund, Transportation Fund and Spending Cap projections December 18, 2000, Office of Fiscal Analysis (FY01 adjusted based on revised figures in Governor's budget summary.)

Notes: 1. FY 2001 base appropriated funds include a $27.1 million adjustment for federal appropriation requirement for Workforce Investment Act.

2. Amount subtracted from base for grants to distressed municipalities in FY 2002 includes a $68.8 million adjustment due to changes in the list of distressed municipalities.

WHERE DOES CONNECTICUT'S CAP STAND NATIONALLY?

Twenty-three states have expenditure limits. Connecticut has one of the two or three most restrictive in the nation:

- The base covers 80% of all state expenditures, including most federal dollars received by the state. The spending limitations imposed by most other states cover only about 50% of state spending, since states usually exclude federal funds from their spending cap.

- The formal decision to exceed the cap requires the approval of both the Governor and a supermajority (3/5ths) of the legislature. Of the 19 states which allow a legislative override, only five (including Connecticut) require the Governor to declare an emergency first.

- Connecticut uses a five year average in calculating the growth in personal income. Using a five year average results in a more restrictive limit in times of economic growth. Only one other state (Florida) uses as many years; most states use a shorter time period, from one to three years.

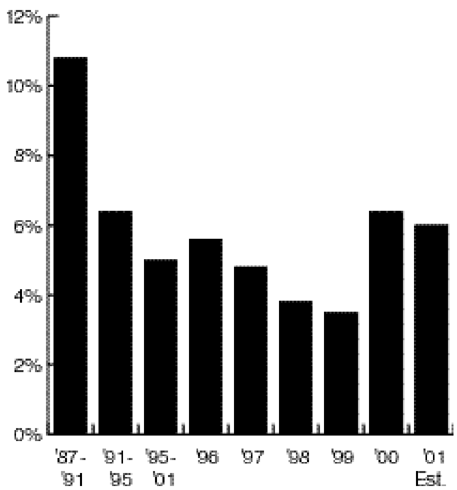
- The definition of "personal income" which is currently used to determine the allowable growth rate, comes from the U.S. Bureau of Economic Analysis. This measure does not include capital gains income, unlike other measures of income, such as the definition used for our state income tax or federal Adjusted Gross Income (AGI). For tax year 1998, the total capital gains for Connecticut was $9.76 billion, or 9.9% of AGI.[4]

- Some states allow other exemptions – capital expenditures, all aid to municipalities (as opposed to aid to distressed municipalities only which Connecticut allows), Medicaid, and other high growth areas such as corrections.

HOW HAS THE CAP BEEN WORKING SO FAR?

• While spending growth has fluctuated from year to year since the cap was instituted in 1991, expenditure growth rates have been on an overall downward trend as illustrated in the accompanying bar chart.

Budgeted Expenditure
Growth Rates By Fiscal Year



Source: Governor's Budget Summary FY 2001 - 03

In the last few years the allowable growth rate under the cap has been between 5 and 5.5%. This figure is derived from the rate of personal income growth, since inflation has been running at a much lower 1% to 1.6%.

• Appropriations have exceeded the spending cap in each of the last three years, allowing a total of more than $1.5 billion in state surplus dollars to be spent. Although the Office of Fiscal Analysis (OFA) has determined that some of the uses of surplus funds have been for ongoing expenses, these funds have not been added to the base used to calculate the cap in subsequent years. An example is the $78 million Medicaid Managed Care Capitation Payments made in FY 1999.

Surplus Spending
Minus Debt Reduction & Transfers to Budget Reserve

FY 1998	$249 million
FY 1999	$591 million
FY 2000	$462 million

Source: Center on Budget and Policy Priorities calculation of OFA data

If all surplus spending (minus debt reduction and transfers to the budget reserve) had been added to the base, the spending limit would have increased by approximately $1.3 billion. When recurring expenditures are not added to the base, a structural problem is created which drives the state closer and closer each year to the allowed limit.

• Even in previous years where appropriated budget expenditures have not exceeded the cap, actual budget expenditures have. How can this be? Through several budgeting techniques which allow funds to be spent without ever being appropriated for purposes of the cap. While the spending of surplus funds is provided for in the cap statute, there are no statutory or constitutional provisions which address the use of other budget techniques such as lapses and carry forwards.

Lapses are a budgeted estimate of expected savings in a budget year that will come from unanticipated sources within state agencies. (For example, if positions go unfilled or a new program is established later than anticipated.) These savings can be applied to cover shortfalls in other areas (known as "deficiencies"). This technique of using lapses to cover deficiencies results in spending that does not have to be appropriated and therefore is not counted toward the spending cap. It also can mean that the base amount of appropriations that are used to determine the next year's cap can be understated, requiring additional spending reductions in the following year to keep the budget under the cap. From FY 1995 to FY 1999, lapses have been predicted to be between $103 and $147 million, with actual savings ranging from $158 million to $178 million. If the predicted savings do not occur (which sometimes happens), the state is that much closer to the spending cap limit in a given year.

Carry forwards are funds which were originally budgeted for one fiscal year, but are held over until the next budget year. If funds are carried over from one year to the next, they do not count against the spending cap limit in the year that they were originally budgeted.

Surplus funds which have been spent have historically not been counted in the base used to calculate the cap in subsequent years. The statutory cap provides authority for the Governor to declare in his statement of emergency or the existence of extraordinary circumstances whether the surplus (or portions of it) will be counted in the base for the following year. This option has not been exercised to date.

The strategy used to stay underneath the cap in FY 2001 counts on the transfer of funds from agencies that are expected to spend less than originally budgeted – those with lapses and recissions – to those that are projected to spend more:

FY 2000-01 Agency Deficiencies	$144.5 million
FY 2000-01 Plan to Mitigate the Deficiency	
- Recissions/Lapses	($88.9 million)
- Additional Appropriations	($55.6 million)
FY 200-01 Total Adjustments	($144.5 million)
Balance	$0

Source: Governor's Budget Summary FY 2001-03

- Significant adjustments have been made to the base calculation twice:

  - The first time the cap was "re-based" was in 1994, when $289.8 million was added to the previous year's base. This adjustment was made to reflect the change from the Uncompensated Care Pool (which had been off-budget) to funds provided for Medical Assistance Disproportionate Share - Emergency Assistance in DSS.

  - The cap was re-based a second time in 2000, when the $27.1 million appropriation of Workforce Investment Act (WIA) federal grants was treated as a "federal mandate". This had the effect of exempting these funds from the cap in FY 2001 and placing them in the FY 2001 base for spending cap calculations going forward. The WIA funds had replaced federal Job Training Partnership Act (JTPA) funds that were not subject to appropriation.

Unintended consequences

The cap has had at least three potentially unintended consequences on state budgeting practices which could impact state policies and programs: increased state bonding, creation of a strong incentive to use tax expenditures, and an inability to capture new federal funds.

- Increased state bonding. Connecticut is spending more on interest payments, reducing the proportion of the budget that can be appropriated for other purposes. Because debt service payments are explicitly excluded from the cap, the state has turned to bonding as a funding mechanism for on-going operating expenses in addition to bonding more traditional capital expenses.

  As a result, total General Fund indebtedness has increased from $3.673 billion in FY 1992 to $10.55 billion in FY 2000 and $11.12 in FY 2001. According to the State Treasurer, bonded debt per capita has more than doubled over the past decade, growing to $3,052 – only $2 behind Hawaii, leaving us a close second in state tax supported debt per capita.[5]

- Incentive to use tax expenditures. A tax expenditure is an exemption, credit, deduction, exclusion, or reduced rate from a state tax that decreases revenue, confers some sort of preferential treatment, and is intended to accomplish some public policy purpose. The economic effect of tax expenditures is equivalent to the impact of a spending program enacted throughout the budget.

  However, since this form of spending through the tax code is not subject to the state's spending cap, these types of off-budget expenditures are likely to increase rapidly. In addition, because tax expenditures tend to operate automatically once enacted and are not subject to annual review, the state has created built-in losses to Connecticut's revenue stream.

  For Fiscal Year 2002, the Office of Fiscal Analysis identified $406 million in expenditures against the corporate income tax and $213 million in business and agricultural sales tax exemptions. Examples of new tax expenditures in 2000 include: a $10.5 million credit against the insurance companies' tax for the benefit of the managed care organizations providing HUSKY coverage. The General Assembly also "spent" $8 million to exempt the sales of equipment to a telecom or CATV company that is used to provide high speed data transmission or broadband internet service.

- Inability to capture new federal funds. The structure of Connecticut's spending cap has created an inability to obtain new federal funds. Connecticut typically receives a 50% match for every state dollar spent on certain federal programs, and sometimes receives a match rate as high as 90%. Because both state appropriations and any federal matching dollars fall underneath the cap, capturing new federal dollars brings the budget ever closer to the allowable limit. One example: Connecticut has declined to pursue the Medicaid Adult Rehabilitation Option, forgoing an opportunity to bring in new federal dollars, despite severe needs in the adult mental health system.

WHAT ARE THE LIMITATIONS IMPOSED BY THE SPENDING CAP?

• Each year the state has been coming closer to the cap limit - and we are now estimated to be right at the limit for Fiscal Year 2001. The historical pattern is as follows:

Difference Between Actual Appropriation & Allowed Spending Cap Limit	
FY 1993	$120.0 Million
FY 1994	39.1
FY 1995	53.4
FY 1996	20.1
FY 1997	3.6
FY 1998	0.4
FY 1999	2.3
FY 2000	0.4

Source: Office of Fiscal Analysis

• There is a structural problem with the limits the cap imposes on the state budget. The cost of simply maintaining existing programs – based on current services budget projections (not including any additional spending from the FY 2002-03 budget currently being debated) – will exceed the limit by significant amounts during the next five years:

Projected Amount Current Services Budget would be over the Spending Cap	
FY 2002	$220.2+ Million over the cap
FY 2003	$155.0+
FY 2004	$157.2+
FY 2005	$152.5+
FY 2006	$134.8+

Source: Office of Fiscal Analysis

WHAT ACTIONS COULD BE TAKEN TO ADJUST THE CAP?

Basic principle to apply when considering adjustments to the cap

If slow growing programs are removed from the base, the spending cap will be tightened. If fast growing programs are removed, additional room under the cap will be created. When programs are in the base that grow quickly - at a rate faster than the increase in the spending cap growth limit - they consume a greater proportion of available growth and crowd out other programs.

An example: prescription drug costs are rising far higher than personal income growth at 5.5%, resulting in less room under the cap for growth in other program areas.

- The Foundation researched two possible types of actions: statutory adjustments to portions of the spending cap calculation, and adjusting the base (known as “re-basing”). The following statutory adjustments were examined:

  A. Adding new exemptions to the list of funds already exempt:
- All federal funds
- Medicaid funds
- New federal dollars (as is currently done with court mandates)
- Education Equalization (ECS) funds
- Special Education funds
- Tobacco settlement funds
- Unfunded state employee pension funds (counting them as debt payments).

  B. Changing the factors used to calculate the spending cap formula to include capital gains income, which is currently not considered in the definition of personal income growth.

- Because of the principle highlighted above, the following adjustments would help to create additional room under the cap:

  Statutory changes:
  - Exempting Medicaid
  - Exempting tobacco settlement funds, *but only if this is calculated as starting in FY 1999*
  - Changing the factors used to calculate the spending cap formula to include capital gains.

  Non-Statutory change:
  - Re-basing.

Exempting Medicaid

For a variety of reasons including increasing health care costs, Medicaid spending is projected to rise faster than both the rate of general inflation and the rate of spending on state discretionary programs. Given this rate of growth, major portions of which are not under the state’s control, and the need to ensure that health care continues to be provided, the Medicaid program could be exempted from the spending cap. If the Medicaid program were to grow at a 6% growth rate, as OFA projects, and if it were to be exempted from the cap, approximately $37 million additional room would be created in FY 2002, growing to $76 million in FY 2004. (See sample calculation included in Table 1 in Appendix at page 19).

Exempting tobacco settlement funds

Connecticut currently receives over $100 million in funds each year from a lawsuit settlement against the tobacco industry. These settlement funds could be recognized as a special form of revenue that is exempted from the spending cap. If this was done, beginning with the first year that funds were made available to the state, an additional $122 million would be created under the cap for FY 2002. (See Tables 1 and 6 in Appendix.) This could be done through a re-basing procedure when the spending cap is calculated for the next year.

However, if the tobacco funds were to be removed from the spending cap beginning any time after FY 2000, the opposite effect would occur. The reason for this difference is that removing these funds initially takes advantage of the rapid increase in funds that the state experienced in the first year. After that initial "bounce" has passed, removing tobacco settlement funds would further restrict spending under the cap since these funds are expected to decline.

Including capital gains

- The definition of "personal income" which is currently used to determine the allowable growth rate comes from the U.S. Bureau of Economic Analysis. It does not include capital gains income, unlike the definition of income used to calculate our state income tax which does reflect this measure of economic wealth. Capital gains income can be volatile, however, so in order to ensure stability the spending cap calculation could be changed to be either A) the growth in personal income as currently measured, B) federal Adjusted Gross Income (which does include capital gains), or C) the rate of inflation, whichever is greater.

- An examination of recent federal Adjusted Gross Income (AGI) data for Connecticut gives a sense of how much difference this change would make. The five year average of AGI growth averaged 6.4% for FY 1998 through FY 2000. A 6.4 % growth factor would have allowed an additional $104.5 million under the cap for FY 2002. However, during times of economic downturn when capital gains income is reduced, the two growth factors currently being used would most likely be higher than federal AGI (see table 1A in Appendix at page 19.)

- Using a 3 year average for personal income growth instead of the current 5 year average would also more closely reflect business cycles and their impact on Connecticut's economy. An illustration of the combined effect of including capital gains income and using a 3 year average would allow an additional $426.8 million in FY 2002 (see Table 7 in Appendix at page 24). This reflects significant growth in capital gains income in recent years.

Re-basing

- On the belief that some portion of the surplus is spent on recurring costs (as opposed to one time expenditures), the spending cap could be "re-based" to add some spending from the surplus to the next year's base. Re-basing does not require a change in the spending cap statute, and has been done twice in the past (discussed on page 5).

  For example, if $100 million of this year's surplus were to be spent for health and human services programs and then that amount was added into the base for next year's spending cap calculation, there would be an additional $100 million available each year plus the rate of growth at about 5%. (See Table 8 in Appendix at page 25.)

Maximizing federal revenue by exempting new federal programs

- If we were to treat them in the same manner as federal mandates and court orders, new federal programs could be exempted from the spending cap for one year. The primary benefit of this action would be to capture new federal revenue, which could reduce the amount of state-source revenue necessary to run our programs. The effect on the spending cap could go either way; it depends on the rate of growth of the new program. This option only creates room under the cap if the new programs' growth rate is low. (See Tables 9 through 12 in Appendix beginning on page 26 for an illustration of what happens when new federal programs of varying sizes and growth rates are exempted from the cap for one year.)

If slow growing programs are removed from the base, the spending cap will be tightened. If fast growing programs are removed, additional room under the cap will be created. When programs are in the base that grow quickly - at a rate faster than the increase in the spending cap growth limit - they consume a greater proportion of available growth and crowd out other programs.

Adjustments that would further restrict spending under the cap:

- Our research shows that the following possible exemptions would further restrict available room under the cap:

  - Exempting all federal funds
  - Exempting Education Equalization (ECS) funds
  - Exempting Special Education funds
  - Treating unfunded state employee pension funds as debt payments (which would therefore be exempt from the cap).

None of these programs are expected to grow at a consistently high rate. These programs are generally slow growing, and one area – federal funds – even experiences negative growth; that is, in any given year, Connecticut may receive less federal funds than it has during the previous year. Given the principle outlined above, this means removing any of these programs from the spending cap base will reduce the amount of available room under the cap.

For example, if we were to remove projected revenue from federal grants from under the cap, we would lose the ability to spend about $14 million in FY 2002, and the cap would be further reduced by $98 million in FY 2004. Similarly, if Educational Equalization funds were removed from the cap, we would lose the ability to spend about $80 million in FY 2002, and about $136 million in FY 2004. (Table 3 in the Appendix on page 20 outlines the estimated effect of exclusions that would reduce room under the spending cap; see also full calculations in Tables 13 through 15 in Appendix beginning on page 30.)

CONCLUSION

The spending cap as presently constituted is creating significant pressure on state expenditures in areas which affect vulnerable populations, from mental health programs to prescription drugs subsidies. If adjustments to the cap are not made, this pressure will increase dramatically over the next few years, requiring major programmatic cutbacks in areas that the public cares about. Connecticut faces a stark choice: either cut essential programs or change the parameters of the spending cap.

In the short term, action could be taken to re-base the spending cap to address pressing issues such as the mental health crisis. Re-basing would also recognize the presence of certain ongoing expenditures which have been made from the surplus in previous years.

Several long term statutory adjustments could also be made to ensure that the cap does not prevent the state from meeting the vital needs of all of its residents. These include exempting Medicaid, exempting tobacco settlement funds from the time they were first received by the state, and changing the income factor used to calculate the spending cap from personal income to adjusted gross income so that capital gains income is included.

APPENDICES

REFERENCES

1. For more information on the children's mental health crisis, see this report commissioned by the Connecticut Health Foundation: Connecticut Voices For Children. *The State of Children's Mental Health In Connecticut: A Brief Overview*. June 2000.
   URL: http://www.cthealth.org/site/

   For more information on the oral health crisis, see the Children's Health Council series of studies on problems with access to dental care utilization in the HUSKY program. December 1998 to February 2001.
   URL: http://www.childrenshealthcouncil.org/access/utilization.htm#Dental

2. For more information on racial and ethnic disparities in health care, see Connecticut Department of Public Health. *Multicultural Health: The Health Status of Minority Groups in Connecticut*. June 1999.
   URL: http://www.state.ct.us/dph/OPPE/MCH/contents.pdf

3. Connecticut General Assembly, Office of Fiscal Analysis. FY 02 – FY 06 *General Fund, Transportation Fund and Spending Cap Projections.* December 18, 2000.
   URL: http://www.cga.state.ct.us/ofa/Documents.htm

4. In some years capital gains represents a smaller percentage of federal AGI. For example, capital gains accounted for 4.4% of AGI in 1993.

5. Testimony of the Honorable Denise L. Nappier, Treasurer of the State of Connecticut, to the Connecticut General Assembly Appropriations Committee, February 15, 2001.
   URL: http://www.state.ct.us/ott/

The following tables that model the effect of various changes to the spending cap were calculated by the Center on Budget and Policy Priorities in the following way:

The basis for each of these scenarios is the spending cap calculation prepared by the Connecticut General Assembly's Office of Fiscal Analysis and included in their December 18, 2000 report: FY 02 – FY 06 General Fund, Transportation Fund and Spending Cap Projections. (Available on the web at http://www.cga.state.ct.us/ofa/Documents.htm).

The FY 2001 figures in this report were adjusted to reflect the updated FY 2001 figures included in the Governor's Budget. This affects the base for future years.

With these figures as a base (see Table 4), the Center modeled each change by adjusting the exclusions from the spending cap and then computing the impact of this adjustment on the base for future years. The cap calculation was adjusted beginning in FY 2000. For FY 2001, it was assumed that actual spending would have equaled the new cap had the cap been higher. For future years, each year's base is set to be the lower of the adjusted spending cap or OFA's current services projection.

TABLE 1

Estimated Effect of Exclusions that Would Create Room Under the Spending Cap

	GROSS SPENDING CAP - APPROPRIATION						
ALTERNATIVES	FY00	FY01	FY02	FY03	FY04	FY05	FY06
Current Cap	$11,687.5	$12,360.5	$12,931.2	$13,594.6	$14,367.2	$15,132.3	$15,804.5
Medicaid using 6% growth in 02	$11,804.9	$12,381.0	$12,968.5	$13,645.8	$14,443.5	$15,240.3	$15,951.1
Tobacco Settlement Funds	$11,765.5	$12,499.3	$13,053.0	$13,717.8	$14,481.5	$15,246.9	$15,919.1
Rebasing	$11,687.5	$12,466.0	$13,042.3	$13,711.8	$14,490.5	$15,261.8	$15,940.3
DIFFERENCE BETWEEN REVISED CAP AND CURRENT CAP							
Medicaid using 6% growth in 02	$117	$21	$37	$51	$76	$108	$147
Tobacco Settlement Funds	$78	$139	$122	$123	$114	$115	$115
Rebasing	$0	$105.5	$111.1	$117.3	$123.3	$129.5	$135.7

Note: Assumes that spending equaled revised cap in 01 thus increasing base for 02. Uses actual spending for 00 - that is, does not assume that spending would have increased to amount allowed under higher cap. For 03 and beyond base is the lesser of the revised spending cap or OFA's current services projection.

TABLE 1A

Estimated Effect of Changing Growth Factor

	GROSS SPENDING CAP - APPROPRIATION	
ALTERNATIVES	FY01	FY02
Current Cap	$12,360.5	$12,954.0
Growth Factor of 6.4% AGI	$12,360.5	$13,058.5
Growth Factor of 9.7% AGI	$12,360.5	$13,380.8
DIFFERENCE BETWEEN REVISED CAP AND CURRENT CAP		
Growth Factor of 6.4% AGI	$0.0	$104.5
Growth Factor of 9.7% AGI	$0.0	$426.8

TABLE 2

Estimated Effect of Excluding New Federal Programs from the Spending Cap

	GROSS SPENDING CAP - APPROPRIATION						
ALTERNATIVES	FY00	FY01	FY02	FY03	FY04	FY05	FY06
Current Cap	$11,687.5	$12,360.5	$12,931.2	$13,594.6	$14,367.0	$15,132.3	$15,804.5
New Federal program Small / Slow Growth ($30 million / 4% growth)	$11,717.5	$12,392.2	$12,964.6	$13,629.9	$14,404.5	$15,171.7	$15,845.9
New Federal program Small / Fast Growth ($30 million / 6% growth)	$11,717.5	$12,392.2	$12,964.6	$13,629.9	$14,404.5	$15,171.7	$15,845.9
New Federal program Large / Slow Growth ($300 million / 4% growth)	$11,987.5	$12,677.0	$13,264.5	$13,946.4	$14,737.4	$15,521.3	$16,212.5
New Federal program Large / Fast Growth ($300 million / 6% growth)	$11,987.5	$12,677.0	$13,264.5	$13,946.4	$14,737.4	$15,521.3	$16,212.5
DIFFERENCE BETWEEN REVISED CAP AND CURRENT CAP							
New Federal program Small / Slow Growth ($30 million / 4% growth)	$30.0	$31.7	$33.4	$35.3	$37.4	$39.4	$41.3
New Federal program Small / Fast Growth ($30 million / 6% growth)	$30.0	$31.7	$33.4	$35.3	$37.4	$39.4	$41.3
New Federal program Large / Slow Growth ($300 million / 4% growth)	$300.0	$316.5	$333.3	$351.9	$370.3	$389.0	$408.0
New Federal program Large / Fast Growth ($300 million / 6% growth)	$300.0	$316.5	$333.3	$351.9	$370.3	$389.0	$408.0

TABLE 3

Estimated Effect of Exclusions that Would Reduce Room Under the Spending Cap

	GROSS SPENDING CAP - APPROPRIATION						
ALTERNATIVES	FY00	FY01	FY02	FY03	FY04	FY05	FY06
Current Cap	$11,687.5	$12,360.5	$12,931.2	$13,594.6	$14,367.2	$15,132.3	$15,804.5
Projected Revenue from Federal Grants	$11,729.7	$12,430.5	$12,917.0	$13,535.1	$14,269.0	$14,997.3	$15,634.8
Education Equalization Grants	$11,674.1	$12,328.8	$12,851.5	$13,461.8	$14,230.8	$14,943.1	$15,561.1
Pension Contributions (best & worst)	$11,663.9	$12,345.9	$12,914.6	$13,582.2	$14,361.0	$15,134.2	$15,812.4
DIFFERENCE BETWEEN REVISED CAP AND CURRENT CAP							
Projected Revenue from Federal Grants	$42.2	$70.0	($14.2)	($59.5)	($98.1)	($135.0)	($169.8)
Education Equalization Grants	($13.4)	$968.3	($79.7)	($132.7)	($136.3)	($189.2)	($243.4)
Pension Contributions (best & worst)	($23.6)	($14.6)	($16.6)	($12.4)	($6.2)	$2.0	$7.8

TABLE 4

Current Spending Cap

CURRENT SPENDING CAP	FY00	FY01	FY02	FY03	FY04	FY05	FY06
Base Appropriated Funds	$11,074.8	$11,714.2	$12,360.5	$12,931.2	$13,594.6	$14,367.2	$15,132.3
Less Non-Capped Expenditures							
Debt Service	$1,237.5	$1,328.7	$1,417.2	$1,428.9	$1,496.3	$1,652.4	$1,816.7
Grants to Distressed Municipalities	$1,016.1	$1,091	$1,198.5	$1,215.8	$1,243	$1,299.6	$1,327.6
Total Non-Capped Expenditures-Prior Year	$2,253.6	$2,419.7	$2,615.7	$2,644.7	$2,739.3	$2,952.0	$3,144.3
Net Base Capped Expenditures	$8,821.2	$9,294.5	$9,744.8	$10,286.5	$10,855.3	$11,415.2	$11,988.0
Times 5-year Avg. Growth in Personal Income	5.08%	5.48%	5.33%	5.53%	5.16%	5.02%	4.88%
Allowable Capped Appropriation Growth	$448.1	$509.3	$519.4	$568.7	$559.9	$572.8	$585.0
Net Capped Appropriation = Growth + Base	$9,269.3	$9,803.8	$10,264.2	$10,855.3	$11,415.2	$11,988.0	$12,573.0
Plus Non-Capped Expenditures: Current Year							
Debt Service	$1,328.7	$1,417.2	$1,428.9	$1,496	$1,652	$1,817	$1,875
Federal Mandates and Court Orders	$15.3	$10.3	$0.0	$0.0	$0.0	$0.0	$0.0
Grants to Distressed Municipalities	$1,074.2	$1,129.2	$1,238.1	$1,243	$1,300	$1,328	$1,357
Total Non-Capped Expenditures	$2,418.2	$2,556.7	$2,667.0	$2,739.3	$2,952.0	$3,144.3	$3,231.5
Gross Spending Cap - Appropriation	$11,687.5	$12,360.5	$12,931.2	$13,594.6	$14,367.2	$15,132.3	$15,804.5
Actual Gross Appropriation	$11,687.1	$12,360.6	$13,145.0	$13,743	$14,517	$15,277	$15,932
Over/(Under) the Spending Cap	($0.4)	$0.1	$213.8	$148.2	$150.1	$145.0	$127.0
Current Services Revenue			$13,149.3	$13,630.4	$14,098.1	$14,618.4	$15,119.0
revised 03/29/01							

Source for Base #'s: FY02-FY06 General Fund, Transportation Fund and Spending Cap projections December 18, 2000, Office of Fiscal Analysis (FY01 adjusted based on revised figures in Governor's budget summary.)

Notes: 1. FY 2001 base appropriated funds include a $27.1 million adjustment for federal appropriation requirement for Workforce Investment Act.

2. Amount subtracted from base for grants to distressed municipalities in FY 2002 includes a $68.8 million adjustment due to changes in the list of distressed municipalities.

TABLE 5

Estimated Effect of Excluding Medicaid

	FY00	FY01	FY02	FY03	FY04	FY05	FY06
Base Appropriated Funds	$11,074.8	$11,714.2	$12,381.0	$12,968.5	$13,645.8	$14,443.5	$15,240.3
Less Non-Capped Expenditures							
Debt Service	$1,237.5	$1,328.7	$1,417.2	$1,428.9	$1,496.3	$1,652.4	$1,816.7
Grants to Distressed Municipalities	$1,016.1	$1,091.0	$1,198.5	$1,215.8	$1,243.0	$1,299.6	$1,327.6
Medicaid	$1,997.9	$2,216.8	$2,358.7	$2,500.2	$2,650.2	$2,809.2	$2,977.8
Total Non-Capped Expenditures-Prior Year	$4,251.5	$4,636.5	$4,974.4	$5,144.9	$5,389.5	$5,761.2	$6,122.1
Net Base Capped Expenditures	$6,823.3	$7,077.7	$7,406.6	$7,823.6	$8,256.3	$8,682.3	$9,118.1
Times 5-year Avg. Growth in Personal Income	5.08%	5.48%	5.33%	5.53%	5.16%	5.02%	4.88%
Allowable Capped Appropriation Growth	$346.6	$387.9	$394.8	$432.6	$426.0	$435.9	$445.0
Net Capped Appropriation = Growth + Base	$7,169.9	$7,465.6	$7,801.3	$8,256.3	$8,682.3	$9,118.1	$9,563.1
Plus Non-Capped Expenditures: Current Year							
Debt Service	$1,328.7	$1,417.2	$1,428.9	$1,496.3	$1,652.4	$1,816.7	$1,874.9
Federal Mandates and Court Orders	$15.3	$10.3	$0.0	$0.0	$0.0	$0.0	$0.0
Grants to Distressed Municipalities	$1,074.2	$1,129.2	$1,238.1	$1,243.0	$1,299.6	$1,327.6	$1,356.6
Medicaid	$2,216.8	$2,358.7	$2,500.2	$2,650.2	$2,809.2	$2,977.8	$3,156.5
Total Non-Capped Expenditures	$4,635.0	$4,915.4	$5,167.2	$5,389.5	$5,761.2	$6,122.1	$6,388.0
Gross Spending Cap - Appropriation	$11,804.9	$12,381.0	$12,968.5	$13,645.8	$14,443.5	$15,240.3	$15,951.1
Actual Gross Appropriation/Current Services	$11,687.1	$12,360.6	$13,145.0	$13,742.8	$14,517.3	$15,277.3	$15,931.5
Over/(Under) the Spending Cap	($117.8)	($20.4)	$176.5	$97.0	$73.8	$37.0	($19.6)

revised 03/29/01

Source for Base #'s: FY02-FY06 General Fund, Transportation Fund and Spending Cap projections December 18, 2000, Office of Fiscal Analysis (FY01 adjusted based on revised figures in Governor's budget summary.)

Notes: 1. FY 2001 base appropriated funds include a $27.1 million adjustment for federal appropriation requirement for Workforce Investment Act.

2. Amount subtracted from base for grants to distressed municipalities in FY 2002 includes a $68.8 million adjustment due to changes in the list of distressed municipalities.

TABLE 6

Estimated Effect of Excluding Tobacco Settlement Funds

	FY00	FY01	FY02	FY03	FY04	FY05	FY06
Base Appropriated Funds	$11,074.8	$11,792.2	$12,499.3	$13,053.0	$13,717.8	$14,481.5	$15,246.9
Less Non-Capped Expenditures							
Debt Service	$1,237.5	$1,328.7	$1,417.2	$1,428.9	$1,496.3	$1,652.4	$1,816.7
Grants to Distressed Municipalities	$1,016.1	$1,091.0	$1,198.5	$1,215.8	$1,243.0	$1,299.6	$1,327.6
Tobacco Funds (from Tobacco Trust)	$0.0	$78.0	$138.8	$121.8	$123.1	$114.0	$114.0
Total Non-Capped Expenditures-Prior Year	$2,253.6	$2497.7	$2,754.5	$2,766.5	$2,862.4	$3,066.0	$3,258.3
Net Base Capped Expenditures	$8,821.2	$9,294.5	$9,744.8	$10,286.5	$10,855.4	$11,415.5	$11,988.6
Times 5-year Avg. Growth in Personal Income	5.08%	5.48%	5.33%	5.53%	5.16%	5.02%	4.88%
Allowable Capped Appropriation Growth	$448.1	$509.3	$519.4	$568.8	$560.1	$573.1	$585.0
Net Capped Appropriation = Growth + Base	$9,269.3	$9,803.8	$10,264.2	$10,855.4	$11,415.5	$11,988.6	$12,573.6
Plus Non-Capped Expenditures: Current Year							
Debt Service	$1,328.7	$1,417.2	$1,428.9	$1,496.3	$1,652.4	$1,816.7	$1,874.9
Federal Mandates and Court Orders	$15.3	$10.3	$0.0	$0.0	$0.0	$0.0	$0.0
Grants to Distressed Municipalities	$1,074.2	$1,129.2	$1,238.1	$1,243.0	$1,299.6	$1,327.6	$1,356.6
Tobacco Funds (from Tobacco Trust)	$78.0	$138.8	$121.8	$123.1	$114.0	$114.0	$114.0
Total Non-Capped Expenditures	$2,496.2	$2,695.5	$2,788.8	$2,862.4	$3,066.0	$3,258.3	$3,345.5
Gross Spending Cap - Appropriation	$11,765.5	$12,499.3	$13,053.0	$13,717.8	$14,481.5	$15,246.9	$15,919.1
Actual Gross Appropriation / Current Services	$11,687.1	$12,360.6	$13,145.0	$13,742.8	$14,517.3	$15,277.3	$15,931.5
Over / (Under) the Spending Cap	($78.4)	($138.7)	$92.0	$25.0	$35.8	$30.4	$12.4

Source for Base #'s: FY02-FY06 General Fund, Transportation Fund and Spending Cap projections December 18, 2000, Office of Fiscal Analysis (FY01 adjusted based on revised figures in Governor's budget summary.)

Notes: 1. FY 2001 base appropriated funds include a $27.1 million adjustment for federal appropriation requirement for Workforce Investment Act.

TABLE 7

Estimated Effect of Changing Growth Factor

	FY00	FY01	FY02 GROWTH FACTOR: PERSONAL INCOME GROWTH	FY02 GROWTH FACTOR: ADJUSTED GROSS INCOME ESTIMATED
Base Appropriated Funds	$11,074.8	$11,714.2	$12,360.5	$12,360.5
Less Non-Capped Expenditures				
Debt Service	$1,237.5	$1,328.7	$1,417.2	$1,417.2
Grants to Distressed Municipalities	$1,016.1	$1,091.0	$1,176.9	$1,176.9
Total Non-Capped Expenditures-Prior Year	$2,253.6	$2,419.7	$2,594.1	$2,594.1
Net Base Capped Expenditures	$8,821.2	$9,294.5	$9,766.4	$9,766.4
Times 5-year Avg. Growth in Personal Income	5.08%	5.48%	5.33%	9.70%
Allowable Capped Appropriation Growth	$448.12	$509.34	$520.55	$947.34
Net Capped Appropriation = Growth + Base	$9,269.3	$9,803.8	$10,287.0	$10,713.8
Plus Non-Capped Expenditures: Current Year				
Debt Service	$1,328.7	$1,417.2	$1,428.9	$1,428.9
Federal Mandates and Court Orders	$15.3	$10.3	$0.0	$0.0
Grants to Distressed Municipalities	$1,074.2	$1,129.2	$1,238.1	$1,238.1
Total Non-Capped Expenditures	$2,418.2	$2,556.7	$2,667.0	$2,6667.0
Gross Spending Cap - Appropriation	$11,687.5	$12,360.5	$12,954.0	$13,380.8 *difference $426.8*
Actual Gross Appropriation / Current Services	$11,687.1	$12,360.6	$13,145.0	$13,145.0
Over / (Under) the Spending Cap	($0.4)	$0.1	$191.0	($235.8)

Source for Base #'s: FY02-FY06 General Fund, Transportation Fund and Spending Cap projections December 18, 2000, Office of Fiscal Analysis

TABLE 8

Estimated Effect of Re-Basing

CURRENT SPENDING CAP	FY00	FY01	FY02	FY03	FY04	FY05	FY06
Base Appropriated Funds	$11,074.8	$11,814.2	$12,466.0	$13,042.3	$13,711.8	$14,490.5	$15,261.8
Less Non-Capped Expenditures							
Debt Service	$1,237.5	$1,328.7	$1,417.2	$1,428.9	$1,496.3	$1,652.4	$1,816.7
Grants to Distressed Municipalities	$1,016.1	$1,091.0	$1,198.5	$1,215.8	$1,243.0	$1,299.6	$1,327.6
Total Non-Capped Expenditures-Prior Year	$2,253.6	$2,419.7	$2,615.7	$2,644.7	$2,739.3	$2,952.0	$3,144.3
Net Base Capped Expenditures	$8,821.2	$9,394.5	$9,850.3	$10,397.6	$10,972.5	$11,538.5	$12,117.5
Times 5-year Avg. Growth in Personal Income	5.08%	5.48%	5.33%	5.53%	5.16%	5.02%	4.88%
Allowable Capped Appropriation Growth	$448.1	$514.8	$525.0	$574.9	$566.0	$579.0	$591.3
Net Capped Appropriation = Growth + Base	$9,269.3	$9,909.3	$10,375.3	$10,972.5	$11,538.5	$12,117.5	$12,708.8
Plus Non-Capped Expenditures: Current Year							
Debt Service	$1,328.7	$1,417.2	$1,428.9	$1,496	$1,652	$1,817	$1,875
Federal Mandates and Court Orders	$15.3	$10.3	$0.0	$0.0	$0.0	$0.0	$0.0
Grants to Distressed Municipalities	$1,074.2	$1,129.2	$1,238.1	$1,243	$1,300	$1,328	$1,357
Total Non-Capped Expenditures	$2,418.2	$2,556.7	$2,667.0	$2,739.3	$2,952.0	$3,144.3	$3,231.5
Gross Spending Cap - Appropriation	$11,687.5	$12,466.0	$13,042.3	$13,711.8	$14,490.5	$15,261.8	$15,940.3
Actual Gross Appropriation	$11,687.1	$12,360.6	$13,145.0	$13,743	$14,517	$15,277	$15,932
Over / (Under) the Spending Cap	($0.4)	($105.4)	$102.7	$31.0	$26.8	$15.5	($8.8)
Current Services Revenue			$13,149.3	$13,630.4	$14,098.1	$14,618.4	$15,119.0

Source for Base #'s: FY02-FY06 General Fund, Transportation Fund and Spending Cap projections December 18, 2000, Office of Fiscal Analysis (FY01 adjusted based on revised figures in Governor's budget summary.)

Notes: 1. FY 2001 base appropriated funds include a $27.1 million adjustment for federal appropriation requirement for Workforce Investment Act.

2. Amount subtracted from base for grants to distressed municipalities in FY 2002 includes a $68.8 million adjustment due to changes in the list of distressed municipalities.

TABLE 9

Estimated Effect of Excluding New Federal Program:

Scenario 1 - Small/Slow Growing ($30 Million, 4% growth)

	FY00	FY01	FY02	FY03	FY04	FY05	FY06
Base Appropriated Funds	$11,074.8	$11,744.2	$12,392.2	$12,964.6	$13,629.9	$14,404.5	$15,171.7
Less Non-Capped Expenditures							
Debt Service	$1,237.5	$1,328.7	$1,417.2	$1,428.9	$1,496.3	$1,652.4	$1,816.7
Grants to Distressed Municipalities	$1,016.1	$1,091.0	$1,198.5	$1,215.8	$1,243.0	$1,299.6	$1,327.6
Total Non-Capped Expenditures-Prior Year	$2,253.6	$2,419.7	$2,615.7	$2,644.7	$2,739.3	$2,952.0	$3,144.3
Net Base Capped Expenditures	$8,821.2	$9,324.5	$9,776.5	$10,319.9	$10,890.6	$11,452.5	$12,027.4
Times 5-year Avg. Growth in Personal Income	5.08%	5.48%	5.33%	5.53%	5.16%	5.02%	4.88%
Allowable Capped Appropriation Growth	$448.1	$511.0	$521.1	$570.7	$562.0	$574.9	$586.9
Net Capped Appropriation = Growth + Base	$9,269.3	$9,835.5	$10,297.6	$10,890.6	$11,452.5	$12,027.4	$12,614.4
Plus Non-Capped Expenditures: Current Year							
Debt Service	$1,328.7	$1,417.2	$1,428.9	$1,496.3	$1,652.4	$1,816.7	$1,874.9
Federal Mandates and Court Orders	$15.3	$10.3	$0.0	$0.0	$0.0	$0.0	$0.0
Grants to Distressed Municipalities	$1,074.2	$1,129.2	$1,238.1	$1,243.0	$1,299.6	$1,327.6	$1,356.6
New Federal Program	$30.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Total Non-Capped Expenditures	$2,448.2	$2,556.7	$2,667.0	$2,739.3	$2,952.0	$3,144.3	$3,231.5
Gross Spending Cap - Appropriation	$11,717.5	$12,392.2	$12,964.6	$13,629.9	$14,404.5	$15,171.7	$15,845.9
Actual Gross Appropriation / Current Services	$11,687.1	$12,391.8	$13,177.4	$13,776.5	$14,552.4	$15,313.8	$15,969.5
Over / (Under) the Spending Cap	($30.4)	($0.4)	$212.9	$146.7	$147.9	$142.1	$123.6
New Federal Program	$30.0	$31.2	$32.4	$33.7	$35.1	$36.5	$38.0

Source for Base #'s: FY02-FY06 General Fund, Transportation Fund and Spending Cap projections December 18, 2000, Office of Fiscal Analysis (FY01 adjusted based on revised figures in Governor's budget summary.)

Notes: 1. FY 2001 base appropriated funds include a $27.1 million adjustment for federal appropriation requirement for Workforce Investment Act.

2. Amount subtracted from base for grants to distressed municipalities in FY 2002 includes a $68.8 million adjustment due to changes in the list of distressed municipalities.

TABLE 10

Estimated Effect of Excluding New Federal Program:

Scenario 2 - Small/Fast Growing ($30 Million, 6% growth)

	FY00	FY01	FY02	FY03	FY04	FY05	FY06
Base Appropriated Funds	$11,074.8	$11,744.2	$12,392.2	$12,964.6	$13,629.9	$14,404.5	$15,171.7
Less Non-Capped Expenditures							
Debt Service	$1,237.5	$1,328.7	$1,417.2	$1,428.9	$1,496.3	$1,652.4	$1,816.7
Grants to Distressed Municipalities	$1,016.1	$1,091.0	$1,198.5	$1,215.8	$1,243.0	$1,299.6	$1,327.6
Total Non-Capped Expenditures-Prior Year	$2,253.6	$2,419.7	$2,615.7	$2,644.7	$2,739.3	$2,952.0	$3,144.3
Net Base Capped Expenditures	$8,821.2	$9,324.5	$9,776.5	$10,319.9	$10,890.6	$11,452.5	$12,027.4
Times 5-year Avg. Growth in Personal Income	5.08%	5.48%	5.33%	5.53%	5.16%	5.02%	4.88%
Allowable Capped Appropriation Growth	$448.1	$511.0	$521.1	$570.7	$562.0	$574.9	$586.9
Net Capped Appropriation = Growth + Base	$9,269.3	$9,835.5	$10,297.6	$10,890.6	$11,452.5	$12,027.4	$12,614.4
Plus Non-Capped Expenditures: Current Year							
Debt Service	$1,328.7	$1,417.2	$1,428.9	$1,496.3	$1,652.4	$1,816.7	$1,874.9
Federal Mandates and Court Orders	$15.3	$10.3	$0.0	$0.0	$0.0	$0.0	$0.0
Grants to Distressed Municipalities	$1,074.2	$1,129.2	$1,238.1	$1,243.0	$1,299.6	$1,327.6	$1,356.6
New Federal Program	$30.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Total Non-Capped Expenditures	$2,448.2	$2,556.7	$2,667.0	$2,739.3	$2,952.0	$3,144.3	$3,231.5
Gross Spending Cap - Appropriation	$11,717.5	$12,392.2	$12,964.6	$13,629.9	$14,404.5	$15,171.7	$15,845.9
Actual Gross Appropriation / Current Services	$11,687.1	$12,392.4	$13,178.7	$13,778.5	$14,555.2	$15,317.4	$15,974.1
Over / (Under) the Spending Cap	($30.4)	$0.2	$214.1	$148.7	$150.7	$145.7	$128.2
New Federal Program	$30.0	$31.8	$33.7	$35.7	$37.9	$40.1	$42.6

Source for Base #'s: FY02-FY06 General Fund, Transportation Fund and Spending Cap projections December 18, 2000, Office of Fiscal Analysis (FY01 adjusted based on revised figures in Governor's budget summary.)

Notes: 1. FY 2001 base appropriated funds include a $27.1 million adjustment for federal appropriation requirement for Workforce Investment Act.

2. Amount subtracted from base for grants to distressed municipalities in FY 2002 includes a $68.8 million adjustment due to changes in the list of distressed municipalities.

TABLE 11

Estimated Effect of Excluding New Federal Program:

Scenario 3 - Large/Slow Growing ($300 Million, 4% growth)

	FY00	FY01	FY02	FY03	FY04	FY05	FY06
Base Appropriated Funds	$11,074.8	$12,014.2	$12,677.0	$13,264.5	$13,946.4	$14,737.4	$15,521.3
Less Non-Capped Expenditures							
Debt Service	$1,237.5	$1,328.7	$1,417.2	$1,428.9	$1,496.3	$1,652.4	$1,816.7
Grants to Distressed Municipalities	$1,016.1	$1,091.0	$1,198.5	$1,215.8	$1,243.0	$1,299.6	$1,327.6
Total Non-Capped Expenditures-Prior Year	$2,253.6	$2,419.7	$2,615.7	$2,644.7	$2,739.3	$2,952.0	$3,144.3
Net Base Capped Expenditures	$8,821.2	$9,594.5	$10,061.3	$10,619.8	$11,207.1	$11,785.4	$12,377.0
Times 5-year Avg. Growth in Personal Income	5.08%	5.48%	5.33%	5.53%	5.16%	5.02%	4.88%
Allowable Capped Appropriation Growth	$448.1	$525.8	$536.3	$587.3	$578.3	$591.6	$604.0
Net Capped Appropriation = Growth + Base	$9,269.3	$10,120.3	$10,597.5	$11,207.1	$11,785.4	$12,377.0	$12,981.0
Plus Non-Capped Expenditures: Current Year							
Debt Service	$1,328.7	$1,417.2	$1,428.9	$1,496.3	$1,652.4	$1,816.7	$1,874.9
Federal Mandates and Court Orders	$15.3	$10.3	$0.0	$0.0	$0.0	$0.0	$0.0
Grants to Distressed Municipalities	$1,074.2	$1,129.2	$1,238.1	$1,243.0	$1,299.6	$1,327.6	$1,356.6
New Federal Program	$300.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Total Non-Capped Expenditures	$2,718.2	$2,556.7	$2,667.0	$2,739.3	$2,952.0	$3,144.3	$3,231.5
Gross Spending Cap - Appropriation	$11,987.5	$12,677.0	$13,264.5	$13,946.4	$14,737.4	$15,521.3	$16,212.5
Actual Gross Appropriation / Current Services	$11,687.1	$12,672.6	$13,469.5	$14,080.3	$14,868.3	$15,642.3	$16,311.1
Over / (Under) the Spending Cap	($300.4)	($4.4)	$204.9	$133.8	$130.8	$121.0	$98.6
New Federal Program	$300.0	$312.0	$324.5	$337.5	$351.0	$365.0	$379.6

Source for Base #'s: FY02-FY06 General Fund, Transportation Fund and Spending Cap projections December 18, 2000, Office of Fiscal Analysis (FY01 adjusted based on revised figures in Governor's budget summary.)

Notes: 1. FY 2001 base appropriated funds include a $27.1 million adjustment for federal appropriation requirement for Workforce Investment Act.

2. Amount subtracted from base for grants to distressed municipalities in FY 2002 includes a $68.8 million adjustment due to changes in the list of distressed municipalities.

TABLE 12

Estimated Effect of Excluding New Federal Program:

Scenario 4 - Large/Fast Growing ($300 Million, 6% growth)

	FY00	FY01	FY02	FY03	FY04	FY05	FY06
Base Appropriated Funds	$11,074.8	$12,014.2	$12,677.0	$13,264.5	$13,946.4	$14,737.4	$15,521.3
Less Non-Capped Expenditures							
Debt Service	$1,237.5	$1,328.7	$1,417.2	$1,428.9	$1,496.3	$1,652.4	$1,816.7
Grants to Distressed Municipalities	$1,016.1	$1,091.0	$1,198.5	$1,215.8	$1,243.0	$1,299.6	$1,327.6
Total Non-Capped Expenditures-Prior Year	$2,253.6	$2,419.7	$2,615.7	$2,644.7	$2,739.3	$2,952.0	$3,144.3
Net Base Capped Expenditures	$8,821.2	$9,594.5	$10,061.3	$10,619.8	$11,207.1	$11,785.4	$12,377.0
Times 5-year Avg. Growth in Personal Income	5.08%	5.48%	5.33%	5.53%	5.16%	5.02%	4.88%
Allowable Capped Appropriation Growth	$448.1	$525.8	$536.3	$587.3	$578.3	$591.6	$604.0
Net Capped Appropriation = Growth + Base	$9,269.3	$10,120.3	$10,597.5	$11,207.1	$11,785.4	$12,377.0	$12,981.0
Plus Non-Capped Expenditures: Current Year							
Debt Service	$1,328.7	$1,417.2	$1,428.9	$1,496.3	$1,652.4	$1,816.7	$1,874.9
Federal Mandates and Court Orders	$15.3	$10.3	$0.0	$0.0	$0.0	$0.0	$0.0
Grants to Distressed Municipalities	$1,074.2	$1,129.2	$1,238.1	$1,243.0	$1,299.6	$1,327.6	$1,356.6
New Federal Program	$300.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Total Non-Capped Expenditures	$2,718.2	$2,556.7	$2,667.0	$2,739.3	$2,952.0	$3,144.3	$3,231.5
Gross Spending Cap - Appropriation	$11,987.5	$12,677.0	$13,264.5	$13,946.4	$14,737.4	$15,521.3	$16,212.5
Actual Gross Appropriation / Current Services	$11,687.1	$12,678.6	$13,482.1	$14,100.1	$14,896.0	$15,678.8	$16,357.1
Over / (Under) the Spending Cap	($300.4)	($1.6)	$217.5	$153.7	$158.6	$157.4	$144.5
New Federal Program	$300.0	$318.0	$337.1	$357.3	$378.7	$401.5	$425.6

Source for Base #'s: FY02-FY06 General Fund, Transportation Fund and Spending Cap projections December 18, 2000, Office of Fiscal Analysis

Notes: 1. FY 2001 base appropriated funds include a $27.1 million adjustment for federal appropriation requirement for Workforce Investment Act.

2. Amount subtracted from base for grants to distressed municipalities in FY 2002 includes a $68.8 million adjustment due to changes in the list of distressed municipalities.

TABLE 13

Estimated Effect of Excluding All Federal Grants

	FY00	FY01	FY02	FY03	FY04	FY05	FY06
Base Appropriated Funds	$11,074.8	$11,714.2	$12,430.5	$12,917.0	$13,535.1	$14,269.0	$14,997.3
Less Non-Capped Expenditures							
Debt Service	$1,237.5	$1,328.7	$1,417.2	$1,428.9	$1,496.3	$1,652.4	$1,816.7
Grants to Distressed Municipalities	$1,016.1	$1,091.0	$1,198.5	$1,215.8	$1,243.0	$1,299.6	$1,327.6
Federal Grants	$1,938.3	$2,078.9	$2,262.8	$2,295.5	$2,377.8	$2,464.7	$2,556.3
Total Non-Capped Expenditures-Prior Year	$4,191.9	$4,498.6	$4,878.5	$4,940.2	$5,117.1	$5,416.7	$5,700.6
Net Base Capped Expenditures	$6,882.9	$7,215.6	$7,552.0	$7,976.8	$8,418.0	$8,852.3	$9,296.7
Times 5-year Avg. Growth in Personal Income	5.08%	5.48%	5.33%	5.53%	5.16%	5.02%	4.88%
Allowable Capped Appropriation Growth	$349.7	$395.4	$402.5	$441.1	$434.4	$444.4	$453.7
Net Capped Appropriation = Growth + Base	$7,232.6	$7,611.0	$7,954.5	$8,418.0	$8,852.3	$9,296.7	$9,750.4
Plus Non-Capped Expenditures: Current Year							
Debt Service	$1,328.7	$1,417.2	$1,428.9	$1,496.3	$1,652.4	$1,816.7	$1,874.9
Federal Mandates and Court Orders	$15.3	$10.3	$0.0	$0.0	$0.0	$0.0	$0.0
Grants to Distressed Municipalities	$1,074.2	$1,129.2	$1,238.1	$1,243.0	$1,299.6	$1,327.6	$1,356.6
Federal Grants	$2,078.9	$2,262.8	$2,295.5	$2,377.8	$2,464.7	$2,556.3	$2,652.9
Total Non-Capped Expenditures	$4,497.1	$4,819.5	$4,962.5	$5,117.1	$5,416.7	$5,700.6	$5,884.4
Gross Spending Cap - Appropriation	$11,729.7	$12,430.5	$12,917.0	$13,535.1	$14,269.0	$14,997.3	$15,634.8
Actual Gross Appropriation / Current Services	$11,687.1	$12,360.6	$13,145.0	$13,742.8	$14,517.3	$15,277.3	$15,931.5
Over / (Under) the Spending Cap	($42.6)	($69.9)	$228.0	$207.7	$248.3	$280.0	$296.7

Source for Base #'s: FY02-FY06 General Fund, Transportation Fund and Spending Cap projections December 18, 2000, Office of Fiscal Analysis (FY01 adjusted based on revised figures in Governor's budget summary.)

Notes: 1. FY 2001 base appropriated funds include a $27.1 million adjustment for federal appropriation requirement for Workforce Investment Act.

2. Amount subtracted from base for grants to distressed municipalities in FY 2002 includes a $68.8 million adjustment due to changes in the list of distressed municipalities.

TABLE 14

Estimated Effect of Excluding Education Equalization Grants

	FY00	FY01	FY02	FY03	FY04	FY05	FY06
Base Appropriated Funds	$11,074.8	$11,714.2	$12,328.8	$12,851.5	$13,461.8	$14,230.8	$14,943.1
Less Non-Capped Expenditures							
Debt Service	$1,237.5	$1,328.7	$1,417.2	$1,428.9	$1,496.3	$1,652.4	$1,816.7
Grants to Distressed Municipalities	$1,016.1	$1,091.0	$1,198.5	$1,215.8	$1,243.0	$1,299.6	$1,327.6
Education Equalization Grants	$1,300.0	$1,352.6	$1,395.0	$1,423.0	$1,453.0	$1,531.0	$1,561.6
Total Non-Capped Expenditures-Prior Year	$3,553.6	$3,772.3	$4,010.7	$4,067.7	$4,192.3	$4,483.0	$4,705.9
Net Base Capped Expenditures	$7,521.2	$7,941.9	$8,318.1	$8,783.8	$9,269.5	$9,747.8	$10,237.2
Times 5-year Avg. Growth in Personal Income	5.08%	5.48%	5.33%	5.53%	5.16%	5.02%	4.88%
Allowable Capped Appropriation Growth	$382.1	$435.2	$443.4	$485.7	$478.3	$489.3	$499.6
Net Capped Appropriation = Growth + Base	$7,903.3	$8,377.1	$8,761.5	$9,269.5	$9,747.8	$10,237.2	$10,736.7
Plus Non-Capped Expenditures: Current Year							
Debt Service	$1,328.7	$1,417.2	$1,428.9	$1,496.3	$1,652.4	$1,816.7	$1,874.9
Federal Mandates and Court Orders	$15.3	$10.3	$0.0	$0.0	$0.0	$0.0	$0.0
Grants to Distressed Municipalities	$1,074.2	$1,129.2	$1,238.1	$1,243.0	$1,299.6	$1,327.6	$1,356.6
Education Equalization Grants	$1,352.6	$1,395.0	$1,423.0	$1,453.0	$1,531.0	$1,561.6	$1,592.9
Total Non-Capped Expenditures	$3,770.8	$3,951.7	$4,090.0	$4,192.3	$4,483.0	$4,705.9	$4,824.4
Gross Spending Cap - Appropriation	$11,674.1	$12,328.8	$12,851.5	$13,461.8	$14,230.8	$14,943.1	$15,561.1
Actual Gross Appropriation / Current Services	$11,687.1	$12,360.6	$13,145.0	$13,742.8	$14,517.3	$15,277.3	$15,931.5
Over / (Under) the Spending Cap	$13.0	$31.8	$293.5	$281.0	$286.5	$334.2	$370.4

Source for Base #'s: FY02-FY06 General Fund, Transportation Fund and Spending Cap projections December 18, 2000, Office of Fiscal Analysis (FY01 adjusted based on revised figures in Governor's budget summary.)

Notes: 1. FY 2001 base appropriated funds include a $27.1 million adjustment for federal appropriation requirement for Workforce Investment Act.

2. Amount subtracted from base for grants to distressed municipalities in FY 2002 includes a $68.8 million adjustment due to changes in the list of distressed municipalities.

TABLE 15

Estimated Effect of Excluding Pension Contributions

	FY00	FY01	FY02	FY03	FY04	FY05	FY06
Base Appropriated Funds	$11,074.8	$11,714.2	$12,345.9	$12,914.6	$13,582.2	$14,361.0	$15,134.2
Less Non-Capped Expenditures							
Debt Service	$1,237.5	$1,328.7	$1,417.2	$1,428.9	$1,496.3	$1,652.4	$1,816.7
Grants to Distressed Municipalities	$1,016.1	$1,091.0	$1,198.5	$1,215.8	$1,243.0	$1,299.6	$1,327.6
Pension Contributions	$543.5	$547.5	$562.9	$591.6	$629.4	$668.5	$710.3
Total Non-Capped Expenditures-Prior Year	$2,797.1	$2,967.2	$3,178.6	$3,236.3	$3,368.7	$3,620.5	$3,854.6
Net Base Capped Expenditures	$8,277.7	$8,747.0	$9,167.3	$9,678.3	$10,213.5	$10,740.5	$11,279.6
Times 5-year Avg. Growth in Personal Income	5.08%	5.48%	5.33%	5.53%	5.16%	5.02%	4.88%
Allowable Capped Appropriation Growth	$420.5	$479.3	$488.6	$535.2	$527.0	$539.2	$550.4
Net Capped Appropriation = Growth + Base	$8,698.2	$9,226.3	$9,656.0	$10,213.5	$10,740.5	$11,279.6	$11,830.1
Plus Non-Capped Expenditures: Current Year							
Debt Service	$1,328.7	$1,417.2	$1,428.9	$1,496.3	$1,652.4	$1,816.7	$1,874.9
Federal Mandates and Court Orders	$15.3	$10.3	$0.0	$0.0	$0.0	$0.0	$0.0
Grants to Distressed Municipalities	$1,074.2	$1,129.2	$1,238.1	$1,243.0	$1,299.6	$1,327.6	$1,356.6
Pension Contributions	$547.5	$562.9	$591.6	$629.4	$668.5	$710.3	$750.8
Total Non-Capped Expenditures	$2,965.7	$3,119.6	$3,258.6	$3,368.7	$3,620.5	$3,854.6	$3,982.3
Gross Spending Cap - Appropriation	$11,663.9	$12,345.9	$12,914.6	$13,582.2	$14,361.0	$15,134.2	$15,812.4
Actual Gross Appropriation / Current Services	$11,687.1	$12,360.6	$13,145.0	$13,742.8	$14,517.3	$15,277.3	$15,931.5
Over / (Under) the Spending Cap	$23.2	$14.7	$230.4	$160.6	$156.3	$143.1	$119.1

Source for Base #'s: FY02-FY06 General Fund, Transportation Fund and Spending Cap projections December 18, 2000, Office of Fiscal Analysis (FY01 adjusted based on revised figures in Governor's budget summary.)

Notes: 1. FY 2001 base appropriated funds include a $27.1 million adjustment for federal appropriation requirement for Workforce Investment Act.

2. Amount subtracted from base for grants to distressed municipalities in FY 2002 includes a $68.8 million adjustment due to changes in the list of distressed municipalities.

Sec. 2-33a. Limitation on expenditures authorized by General Assembly

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 percentage increase in personal income or the percentage increase in inflation, unless the governor declares an emergency or the existence of extraordinary circumstances and at least three-fifths of the members of each house of the general assembly vote to exceed such limit for the purposes of such emergency or extraordinary circumstances. Any such declaration shall specify the nature of such emergency or circumstances and may provide that such proposed additional expenditures shall not be considered general budget expenditures for the current fiscal year for the purposes of determining general budget expenditures for the ensuing fiscal year and any act of the general assembly authorizing such expenditures may contain such provision. As used in this section, "increase in personal income" means the average of the annual increase in personal income in the state for each of the preceding five years, according to United States Bureau of Economic Analysis data; "increase in inflation" means the increase in the consumer price index for urban consumers during the preceding twelve-month period, according to United States Bureau of Labor Statistics data; and "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 the principal of and interest on bonds, notes or other evidences of indebtedness, expenditures pursuant to section 4-30a of the general statutes, 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, provided expenditures for program or service components which are optional under federal law or regulation shall be considered general budget expenditures.

1991, June Special Session, P.A. 91-3, Section 30, effective August 22, 1991

ARTICLE XXVIII.

Limit on state expenditures. Maximum authorized increase; "emergency or extraordinary circumstances"; definitions to be defined by general assembly.

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. 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 percentage increase in personal income or the percentage increase in inflation, unless the governor declares an emergency or the existence of extraordinary circumstances and at least three-fifths of the members of each house of the general assembly vote to exceed such limit for the purposes of such emergency or extraordinary circumstances. 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. The enactment or amendment of such definitions shall require the vote of three-fifths of the members of each house of the general assembly.

c. 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-fifths of the members of each house of the general assembly.

Adopted November 25, 1992.

Created in July of 1999, the mission of Connecticut Health Foundation (CHF) is to improve the health status of the people in Connecticut. With this mission, the Connecticut Health Foundation aims to make qualitative and measurable differences in the health and well being of individuals and families. The Foundation actively strives to serve the unmet needs of the State and its communities and to be responsive to unserved and underserved populations. A statewide organization with a broad health care agenda, CHF has a diverse board and has, from its inception, sought the input of those concerned about local and statewide health issues. Collaboration is essential to CHF's philosophy of how best to make an impact on the quality of life for individuals and families.

The Connecticut Health Foundation aspires to be a model of philanthropy that makes a difference in the quality of life for individuals and families in the State of Connecticut. It sees its role as a catalyst, building consensus and coalitions to create sustainable improvements in health services so that people can pursue and enjoy optimum health in body, mind and spirit.

CHF's core principles:

- To hold as paramount the health interests of the people of Connecticut.
- To aspire to the highest standards of accountability to the public.
- To ensure that a cross section of views is solicited, represented and considered.
- Whenever possible, to leverage resources through community partnerships.
- To assess and to improve continually the foundation's performance in meeting its mission.

CHF believes strongly that “health” includes mental, physical and spiritual well being, and that the health of individuals, the health of families, and the health of communities are intertwined. Further, no matter how good existing health care systems may appear to be, they are not much help if they are not truly accessible. Supporting programs to improve health and access to health care means going beyond a medical model and looking at ways to support people to be the best that they can be.

During our first year, CHF not only provided grants to the community, but spent several months assessing and responding to health care needs of Connecticut citizens. Three programmatic areas have been identified in which our foundation is committed to making a difference. These three areas are:

- Children's mental health
- Oral health
- Reduction of racial and ethnic disparities in health outcomes.

CHF looks forward to a long and productive partnership with the people of Connecticut, and welcomes your questions and comments.

THE STATE FISCAL PROJECT OF THE CENTER ON BUDGET AND POLICY PRIORITIES

Founded in 1981, the Center on Budget and Policy Priorities has emerged over the past two decades as one of the leading organizations in the country working on fiscal policy issues and issues affecting low- and moderate-income families and individuals. The Center specializes in research and analysis oriented toward policy decisions that policymakers face at both federal and state levels. The Center examines data and research findings and produces analyses designed to be accessible to public officials, other non-profit organizations, and the media.

The State Fiscal Project of the Center on Budget and Policy Priorities was established in 1992 to analyze and to assist others in analyzing budget and tax policies at the state level, particularly state and local governments' increasingly important role in addressing the social and economic problems of moderate and low-income households. The State Fiscal Project has two primary goals. The first is to make the case, through research and analysis, for broadening public resources to enable states to address social and economic problems. The second goal is to serve as a catalyst for the evolution of state-based policy organizations that can conduct research and analysis on state fiscal issues.

The Project offers training and policy briefing sessions for national, regional and state organizations; policy and strategy reports on a range of budget and tax issues important to states across the nation, and critical analysis of state fiscal trends. The Project also offers hands-on technical assistance to selected state organizations and coalitions seeking new approaches to address budget crises, improve long-term fiscal conditions, and develop promising anti-poverty initiatives. The Project makes background materials available to state organizations and policy makers and assists state groups in using national databases.

On the national level, the State Fiscal Project provides information to Congress and the executive branch on potential impacts of federal policies on the states, and provides state-based organizations with information they need to interpret and respond to federal policies.

The State Fiscal Project was founded by Center Deputy Director Iris Lav. It has worked in states across the country, written reports on a host of state fiscal issues, and provided training to hundreds of state-level advocates and organizations on budget and tax issues. It currently is directed by Elizabeth C. McNichol.

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