

## Budget Votes to Exceed the State Spending Cap

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### Issue

Briefly explain the (1) state's spending cap, (2) requirements to exceed the state spending cap, and (3) history of budget votes to exceed the state spending cap.

### Summary

Created in 1991, the state's constitutional spending cap limits the annual growth in state spending by restricting the legislature's authority to make appropriations. It generally bars the legislature from authorizing an increase in general budget expenditures for any fiscal year that exceeds the greater of the growth in personal income or increase in inflation.

The legislature may only exceed the cap if (1) the governor declares an emergency or extraordinary circumstance and (2) at least three-fifths of each house of the legislature approves the extra expenditure.

The legislature has voted to exceed the spending cap eight times since its creation. See Table 1 below for details of each vote to exceed the spending cap.

### The State's Spending Cap

The state's spending cap is established in the state constitution and statutes ([Conn. Const., art. III, § 18\(b\)](#) & [CGS § 2-33a](#)). It applies to appropriations from the state's 13 appropriated funds, with certain exclusions. The "non-capped" expenditures include (1) debt payments, (2) statutorily

required transfers of surplus funds, and (3) federal grants. The law temporarily excludes from the cap payments made toward unfunded pension liabilities.

The spending cap law also requires a base adjustment if any spending is shifted from an off-budget expenditure to a budgeted expenditure, or vice versa.

### ***General Budget Expenditures***

The spending cap applies to the state’s “general budget expenditures,” which are the expenditures from the state’s appropriated funds, subject to certain exclusions, such as (1) payment of principal and interest on bonds, notes, or other evidence of indebtedness and (2) expenditures of federal funds granted to the state or state agencies.

### ***Allowable Growth Rate***

In the absence of emergency or extraordinary circumstances, the spending cap restricts the annual growth in general budget expenditures by the greater of the percentage increase in personal income or inflation.

The “increase in personal income” is the state’s compound annual growth rate in personal income over the preceding five calendar years, based on U.S. Bureau of Economic Analysis data. The “increase in inflation” is the increase in the consumer price index for all urban consumers during the preceding calendar year (all items, except food and energy), calculated on a December over December basis using U.S. Bureau of Labor Statistics data ([CGS § 2-33a\(b\)\(1\) & \(2\)](#)).

### ***Base Adjustments***

The spending cap base for a given fiscal year is generally calculated by taking the prior year’s appropriated funds and subtracting the total “non-capped” spending. The base is then multiplied by the allowable growth rate (personal income or inflation), resulting in the total dollar amount by which the budget may grow in the fiscal year.

However, if any spending is shifted from one fiscal year to the next from an off-budget expenditure to a budgeted expenditure, or vice versa, the base must be adjusted accordingly. Specifically, the law requires a base adjustment in any fiscal year in which an expenditure’s funding source is converted from (1) an appropriation to state bonding, a revenue intercept, or a non-appropriated source; or (2) any of these three funding sources to an appropriation ([CGS § 2-33a\(c\)](#)).

# Requirements to Exceed the Spending Cap

The spending cap may be exceeded if the governor declares an emergency or extraordinary circumstances and a minimum of three-fifths of each house of the General Assembly concurs. The governor’s declaration must specify the nature of the emergency or circumstances.

Should these circumstances occur, the governor retains the sole authority to decide whether the amount of spending in excess of the cap will be included in the subsequent year’s budget base for purposes of future spending cap calculations.

# Budget Votes to Exceed the Spending Cap

The legislature has voted to exceed the spending cap eight times since its creation. The motivation to exceed the spending cap varied in each year. However, general fund expenditures and costs related to covering state programs and initiatives were typical reasons for voting to exceed the spending cap.

The purposes indicated in Table 1 below are taken from the governor’s declaration of extraordinary circumstances for each respective budget vote, compiled by the Legislative Library. The amounts listed correspond to the amounts referenced in the declarations and may differ from the actual amounts by which the cap was exceeded.

Table 1: History of Budget Votes to Exceed the Spending Cap

| Budget Adoption Date (Budget Act)            | Purpose   | Affected FYs | Vote Tally |         |
|--|---|--------------|------------|---------|
|  |   |              | House      | Senate  |
| May 2, 1998<br>( <a href="#">SA 98-6</a> )   | Tax Rebate program (\$115 million)  | 1999         | 145 to 4   | 36 to 0 |
|  | Year 2000 conversions for state IT systems (\$79.5 million)   |              |            |         |
| June 4, 1999<br>( <a href="#">SA 99-10</a> ) | Various General Fund expenditures (\$396.1 million)   | 1999         | 144 to 1   | 35 to 1 |
|  | State Department of Education: to avoid the issuance of debt for school construction interest subsidy grants (\$55 million)     |              |            |         |
|  | State Employees Health Service Cost account for Blue Cross claims run-out and rate stabilization reserve account (\$60 million) |              |            |         |
|  | Department of Motor Vehicles: to convert to fully reflective license plates (\$12.92 million)                                   |              |            |         |

**Table 1 (continued)**

| Budget Adoption Date<br>(Budget Act)                                     | Purpose  | Affected FYs  | Vote Tally |          |
|--|--|---------------|------------|----------|
|  |  |               | House      | Senate   |
| May 2, 2000<br>( <a href="#">SA 00-13</a> )                              | <p>Various General Fund expenditures (\$176.4 million)</p> <p>UConn Health Center (\$20 million)</p> <p>Department of Transportation: grant to Tweed New Haven Airport Authority (\$1.8 million)</p> <p>Department of Transportation: transit equipment (\$35 million)</p> <p>Department of Information Technology: school wiring (\$10 million from General Fund surplus funds)</p> <p>State Department of Education: to avoid the issuance of debt for school construction interest subsidy grants (balance of any remaining General Fund surplus funds)</p> | 2000          | 151 to 0   | 36 to 0  |
| June 26, 2001<br>( <a href="#">SA 01-1, June Special Session (JSS)</a> ) | Various General Fund expenditures (\$377.9 million for FY 02 and \$230.2 for FY 03)  | 2002 and 2003 | 144 to 0   | 32 to 1  |
| June 7, 2005<br>( <a href="#">PA 05-251</a> )                            | <p>Stem Cell Research Fund (\$20 million for FY 05) (<a href="#">PA 05-149</a>)</p> <p>Various General Fund expenditures (\$546.8 million for FY 05)</p> <p>Private provider increases (up to \$15.9 million of General Fund surplus funds in excess of \$76 million for FY 05)</p> <p>Expenditures related to the nursing home user fee (\$244 million for FY 06)</p>   | 2005 and 2006 | 100 to 50  | 25 to 11 |
| May 1, 2006<br>( <a href="#">PA 06-186</a> )                             | <p>Teachers' Retirement Fund (\$245.7 million)</p> <p>Various General Fund expenditures: to fund projects that are one-time in nature and to provide one-time funding to municipalities (\$63.3 million)</p>   | 2006          | 138 to 9   | 35 to 1  |

Table 1 (continued)

| Budget Adoption Date<br>(Budget Act)              | Purpose   | Affected FYs  | Vote Tally |          |
|---|---|---------------|------------|----------|
|   |   |               | House      | Senate   |
| June 25, 2007<br>( <a href="#">PA 07-1, JSS</a> ) | Various General Fund expenditures (\$613.7 million of surplus appropriations for FY 07)<br><br>Various unspecified appropriations (\$690.4 million for FY 08) | 2007 and 2008 | 134 to 5   | 33 to 1  |
| May 20, 2025 ( <a href="#">PA 25-12</a> )         | Medicaid deficiency (\$284 million for FY 25)   | 2025          | 98 to 46   | 24 to 10 |

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