Topic:
STATE BUDGETS; LEGISLATIVE INTENT; CONSTITUTIONAL AMENDMENTS;
Location:
BUDGET, STATE;
Scope:
Background; Connecticut laws/regulations;

OLR RESEARCH REPORT

February 19, 2002 2002-R-0170

LEGISLATIVE HISTORY OF BALANCED BUDGET LAW

By: Lawrence K. Furbish, Director

You asked for a legislative history of the law requiring a balanced budget, including legislative intent and a brief description of the political circumstances surrounding its passage.

SUMMARY

Article XXVIII of the Amendments to the Connecticut Constitution specifies that "general budget expenditures authorized for any fiscal year shall not exceed the estimated amount of revenue for such fiscal year. " This amendment was adopted by the General Assembly in August of 1991 (House Joint Resolution 205) and approved by the voters in November 1992. It has been in effect since that date.

The General Assembly debate on this resolution barely mentions the balanced budget provision. Members spent most of the time discussing a provision of the resolution that established a spending cap prohibiting increases in general budget expenditures above the previous year's level plus an amount equal to the percentage increase in either per capita income or inflation, whichever is greater. The resolution allowed expenditures to exceed the cap whenever the governor declared an emergency or the existence of "extraordinary circumstances. "

Passage of the Constitutional Amendment was inextricable linked with the adoption of a state income tax law during the 1991 Special Session. The General Assembly had passed three budgets (one during the regular session and two during the special session. Governor Weicker vetoed all three of these budgets before the General Assembly finally adopted the income tax on August 21. The balanced budget provision was most likely intended to prohibit the General

Assembly from adopting a budget with a built-in deficit, but nowhere in the legislative debate does any legislator actually say anything to that effect. The spending cap provisions were seen as ways to keep the state from overspending once the anticipated revenue from the new income tax began flowing into state coffers.

BACKGROUND

Connecticut's economy prospered in the mid 1980s and from 1984 to 1987 large budget surpluses allowed expansion of state programs. By 1988 the economy began to contract quickly and from 1989 to 1991 some program expansions were reversed and more than $ 2 billion in tax increases were imposed. In his campaign for governor, Lowell Weicker opposed an income tax. But after taking office and examining the situation as laid out by his Office of Policy and Management secretary William Cibes, he changed his mind and concluded that an income tax was the best way to deal with Connecticut's budget deficit.

In April 1991, stating that the state faced a $ 2. 4 billion budget gap, Governor Weicker laid off over 2,500 state employees (in addition to almost 1,000 who would have been laid off pursuant to the budget he presented to the General Assembly in February). He also ordered two-day-a-month state agency shutdowns commencing in July.

The General Assembly was reluctant to enact an income tax, and the budget it passed during the regular session (PA 91-409) established an income tax only on people working in Connecticut who did not live here (the commuter tax). Governor Weicker vetoed this act and the General Assembly was not able to pass another before the end of the regular session.

In June the General Assembly went into Special Session and passed its second budget June 30, the last day of the fiscal year (PA 91-1, June Special Session). This was one of the so-called "coalition" budgets passed by a group of republicans and democrats who opposed the income tax. It expanded the sales tax and included the commuter tax. Governor Weicker vetoed this act and on July 2 announced implementation of an essential services plan to curtail executive department services until a budget was enacted. Using his emergency powers he shut down all but essential state services.

On August 4, the General Assembly adopted another "coalition" budget (PA 91-2, June Special Session). This budget also expanded the sales tax and included a commuter tax. Governor Weicker vetoed it.

On August 21, the House, by a vote of 75 to 73, and the Senate, by a vote of 18 to 18 with the tie broken by the lieutenant governor, passed SB 2010 which established a state income tax (PA 91-3, June Special Session). The governor signed the bill that day ending the long confrontation over the budget and tax package. The bill contained a spending cap provision, and the House and Senate on the same day took final action on HJR 205, the constitutional balanced budget amendment.

BALANCED BUDGET AMENDMENT

House Joint Resolution 205 was sponsored by House Speaker Richard Balducci and Senate President Pro Tempore John Larson. It was introduced in the House on July 1 under a rules suspension. Representative Shaun McNally brought out the resolution. He observed that the General Assembly had been talking about the concept of statutory spending controls during its budget deliberations over the proceeding weeks but that now it was ready "to 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 expenditures. "

McNally described the proposed amendment as consisting of three sections. The first "will require for the first time in our State Constitution a balanced budget. " The second established the spending cap mechanism to control increases in state spending, and the third required unappropriated surplus to be used to create a rainy day fund, reduce bonded indebtedness, or for other purposes authorized by at least three-fifths of the members of each house of the General Assembly.

McNally went on to say that it was "critical to try to revise some of the spending habits in the State of Connecticut. " He characterized the amendment as providing "the potential for future spending control" not any "guarantees. " Representative Maddox expressed the view that "this item is probably the single most important item that we will be taking up this session. "

The remainder of the debate concerned the definition of certain terms used in the spending cap section of the resolution. McNally responded to questions by explaining that these definitions would have to be adopted by a three-fifths vote of the General Assembly at some future time. He said that later that night the House would take up a budget and tax package that would include "a temporary statutory spending cap with definition language. " On a roll call vote the House passed the resolution by a vote of 141 to 7 with 3 absent and not voting.

The Senate did not take up the resolution until August 21 when the next budget was being debated. Senator Herbst brought out the resolution, and Senator Spellman offered Senate Amendment "A". The amendment related to the spending cap provision and changed the word "greater" to "lesser," which had the effect of decreasing the amount of possible spending increase. After some debate, the Senate adopted the amendment by a vote of 22 to 14 and then passed the resolution 36 to 0.

When the House took up the amended resolution, Representative McNally moved to reject the amendment. Representative Maddox spoke against rejection and asked for a roll call. Without further debate, the motion to reject passed 81 to 63 with 7 members absent and not voting.

Back in the Senate, Senator Spellman moved for passage in concurrence with the House. Senator Hale then moved for readoption of Senate A. Senators Hale, Freedman, and Munster spoke in favor of readoption, but the Senate voted 22 to 14 against readoption. It then passed the resolution 34 to 2.

The same day that the constitutional amendment was passed, the House and Senate adopted SB 2010 (PA 91-3, June Special Session), which contained not only the state income tax, but also a statutory spending cap (Section 30, codified as CGS § 2-33a). Apparently this spending cap provision was intended to be temporary until the General Assembly adopted the necessary definitions to implement the constitutional spending cap. PA 91-3, June Special Session did not contain any balanced budget provisions.

SUBSEQUENT EVENTS

In November 1992 the voters overwhelmingly approved the constitutional amendment, which took effect on November 25. The General Assembly never adopted definitions to implement the spending cap provisions in the constitutional amendment. No definitions are required for the balanced budget provision, so it has been in effect since 1992.

On January 11, 1993, House Minority Leader Edward Krawiecki asked for a formal Attorney General's opinion on several issues regarding the spending cap and one regarding the balanced budget provision. The latter question was whether the balanced budget provision prohibits the passage of deficiency legislation after the start of the fiscal year. The Attorney General, in a letter dated April 14, 1993, responded that the balanced budget amendment "limits" the enactment of such legislation. Because deficiency legislation involves expenditures above the originally budgeted appropriations, it is only appropriate when there are additional revenues above the originally budgeted amounts.

The gist of his responses concerning the spending cap were that the statutory spending cap remains in effect until the General Assembly properly adopts the definitions necessary to implement the constitutional spending cap.

LKF: eh