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February 15, 2012
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Proposed Spending Cap Would Lock in Recession-level Spending Cuts for a Decade or More

CONCORD – The constitutional amendment CACR6 approved by the Senate today would likely lead to legislative gridlock and result in lower levels of state spending for a decade or more, even as the economy rebounds.

“This would ensure the state continues to feel the effect of this recession and all future downturns long after they pass,” said Jeff McLynch, executive director of the New Hampshire Fiscal Policy Institute.

“It would prevent the state from making investments in education, infrastructure and other public services that are critical to making New Hampshire an attractive place for businesses to locate and expand and for people to live, work and visit,” he said.

An analysis by NHFPI found that passing a spending cap tied to inflation would force state spending to remain at recession-driven levels through the 2022-2023 biennium, based on inflation estimates of 1.5 to 2.3 percent per year over the next decade.

The analysis raised several other concerns as well, including the danger of more frequent legislative stalemates, since any effort to override the spending cap would require approval of 60 percent of the House and Senate. Under the spending cap, lawmakers would have greater incentive to try to extract concessions on other, unrelated matters in exchange for their vote on the state budget.

“Putting an inflexible cap on spending in the constitution will not make state government more responsive to the voting public or more efficient in its use of their tax dollars,” McLynch said. “It could end up achieving just the opposite.”

He also observed that this type of change to the state’s constitution would have a negative impact on the state’s bond rating and future borrowing costs.

A NHFPI Issue Brief that fully outlines these and other concerns about the Senate version of CACR 6 is available on the NHFPI website at www.nhfpi.org.