



Testimony in **OPPOSITION** to H-7250 to Limit State Budget Growth

House Committee on Finance

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The **Economic Progress Institute** **opposes Representative Nardone's H-7250**, which would cap annual state budget expenditures by personal income or inflation growth.

In the complex process of designing the annual state budget, the members of the House Finance Committee and the General Assembly as a whole already have the power to limit state expenditures each year. There is no need to set in place an automatic restriction that will not allow necessary flexibility in this complex process.

Perhaps more importantly, the constitutional requirement of a balanced budget frames how much can be spent, and the **revenue sources are many, and do not come only from the personal income tax**. This means that personal income tax revenue could decline while overall revenue increases from other revenue sources, such as the lottery. Given this, it does not make sense to limit spending based upon personal income growth.

Furthermore, the proposed legislation does not specify how growth will be calculated. For example, the federal government's Bureau of Economic Analysis is often used as a source of wage data, but this does not include income from capital gains, an important source of income for some people.

Finally, this bill does not explain what would happen if revenue collections are above the identified growth cap, whether extra monies would be placed into a rainy day fund or refunded (and, if so, by what method).

Given these factors, we urge you not to send this bill out of committee to the House floor.