TESTIMONY BEFORE PLANNING AND DEVELOPMENT

MONDAY FEB 2 – 2PM – ROOM 1D

MANDATE RELIEF

PROVIDED BY MICHAEL GUARCO

CHAIRMAN – BOARD OF FINANCE – TOWN OF GRANBY
ON BEHALF OF THE CONNECTICUT MUNICIPAL
CONSORTIUM FOR FISCAL RESPONSIBILITY

I THANK THE MEMBERS OF THIS COMMITTEE FOR THE OPPORTUNITY TO PARTICIPATE IN THIS FORUM. MANDATE RELIEF IS ESSENTIAL TO HELP GOOD PROGRAM...AND STAFF... SURVIVE AT THE LOCAL LEVEL...AND CAN BE EFFECTED AT NO COST TO THE STATE BUDGET. AS YOU YOURSELVES FACE WHAT IS NEARING A 20% HOLE IN YOUR OWN STATE BUDGET, IT IS ONE OF THE FEW THINGS YOU CAN DO TO HELP THE MUNICIPALITIES IN THESE HARD TIMES.

MY NAME IS MIKE GUARCO, AND I CHAIR THE BOARD OF FINANCE IN THE TOWN OF GRANBY, AS I HAVE FOR 20 YEARS. I AM HERE BECAUSE I AM ONE OF MANY FOUNDING MEMBERS OF THE CONNECTICUT MUNICIPAL CONSORTIUM FOR FISCAL RESPONSIBILITY – A BROAD ALLIANCE OF 205 MUNICIPAL BOARDS AND THEIR CHAIRMEN FROM 117 MUNICIPALITIES STATEWIDE – RANGING FROM TOWN COUNCILS AND BOARDS OF SELECTMEN TO THOSE OF EDUCATION AND FINANCE. OVER FOUR YEARS, ALL HAVE JOINED IN ENDORSING A COST-MANAGEMENT PLATFORM THAT REVOLVES AROUND PLANKS THAT ARE COMMON TO THE LEGISLATIVE AGENDAS OF CABE, COST, AND CCM.... MY BRETHREN ADDRESSING YOU HERE TODAY.

MANY OF THEIR TOWNS FACE THE SAME SPECTER WE DO IN MY TOWN..... EITHER RECOMMENDING A FLAT BUDGET WITH A MODEST TAX INCREASE.... OR PERHAPS EVEN A LOWER BUDGET THAN THE CURRENT YEAR'S.....BUT STILL WITH A TAX RATE INCREASE....AND WHAT DRIVES THAT?

TO SOME DEGREE, ANY REDUCTIONS IN MUNICIPAL AID AND ECS; ..... BUT, ALSO, THE COST OF OPERATING..... AND THE PREMUM DUE TO UNFUNDED AND UNDERFUNDED MANDATES. WHETHER LARGE OR SMALL, THEY ALL ADD UP..... REQUIRING DOLLARS THAT TAX PAYERS DO NOT HAVE... AND NIXING PROGRAM AND JOBS THAT WE NEED TO KEEP.

MANY ITEMS YOU TAKE UP CAN HELP, SUCH AS HB5456 AND 5379.... . WHICH ELIMINATE THE MANDATE TO STORE EVICTED TENANTS GOODS AS WELL AS THAT FOR MUNICIPAL WEBSITE POSTINGS. WE ALSO RECOMMEND HB5956 – REINSTATING MANDATE OVERSIGHT, AND HB5869 – REQUIRING A TWO THIRDS MAJORITY IN EACH CHAMBER TO CREATE OR ENLARGE A MANDATE.

WE ALSO RECOMMEND, DESPITE THE HACKLES IT WOULD RAISE, INCREASING THE THRESHOLDS UNDER THE SO-CALLED PREVAILING WAGE BE ENACTED. THE

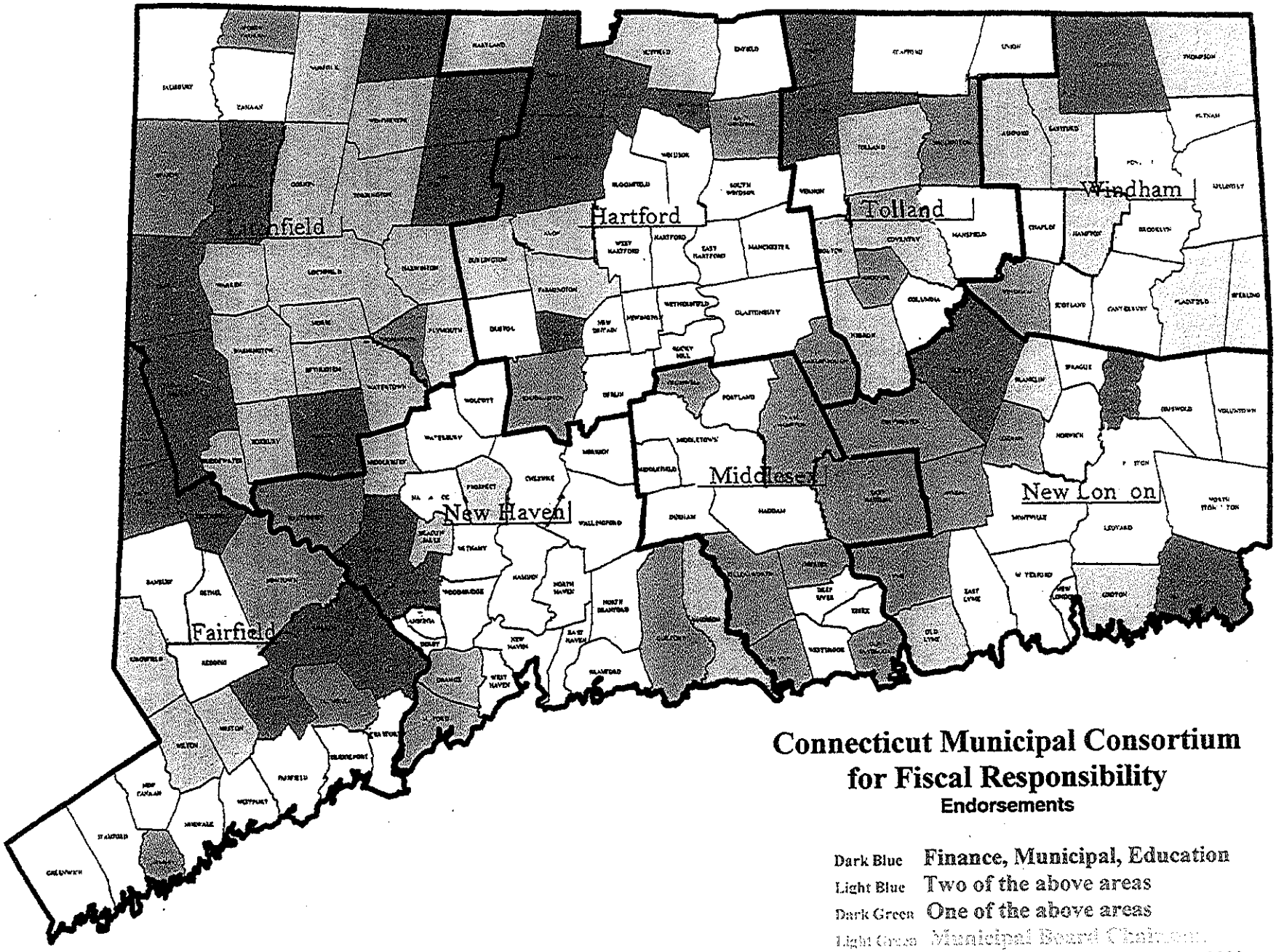
THRESHOLDS HAVE NOT BEEN TOUCHED IN NEARLY 20 YEARS, AND SIMPLY ADJUSTING FOR INFLATION IN CONSTRUCTION (AS IS DONE FOR MINIMUM WAGE AND NUMEROUS OTHER PROGRAMS) WOULD PROVIDE SIGNIFICANT TAXPAYER SAVINGS...AND ALLOW MORE SMALLER PROJECTS TO GET DONE. THESE TEND TO BE THE ONES THAT BIG LABOR DOESN'T GET INTO ANYWAY....BUT ARE ALSO THE ONES WHERE THE LARGEST PERCENTAGE IN SAVINGS WOULD OCCUR....AS OUR MEMBERSHIP WILL TELL YOU. WE ASK THAT YOU TAKE UP AND SUPPORT HB5616 – CREATING A SINGLE THRESHOLD OF $1MM WITH INDEXING GOING FORWARD.

LASTLY.....THE TWEAKING OF BINDING ARBITRATION. ASK MOST ANY MUNICIPAL LEADER...AND THEY WILL TELL YOU IT IS UNBALANCED.....AND A COST DRIVER FOR LOCAL GOVERNMENT. WHY...SOME 20 YEARS AFTER THE EDUCATION ENHANCEMENT ACT...HAVE WE STILL SEEN EDUCATION CONTRACTS AVERAGING – WITH STEPS – A BIT

UNDER 5% PER YEAR AND EVERY YEAR IN THIS DECADE? AND, WHY HAVE WE STILL SEEN, EVEN OVER THE PAST FEW MONTHS AS THE ECONOMY IMPLODED, RECENT SETTLEMENTS STILL AVERAGING OVER 4% ANNUALLY GOING FORWARD..AS REPORTED IN THE PRESS BY CABE?

A COUPLE OF YEARS AGO, THIS COMMITTEE ADVANCED A MEASURE THAT WOULD HAVE PROTECTED MORE OF A MUNICIPALITY'S UNDESIGNATED FUND BALANCE UNDER TNA...INCREASING IT FROM 5 TO 6%. WHILE THE CREDIT RATING AGENCIES MAY BE OK WITH CITIES HOLDING ONLY A 5% RESERVE, THE TOWNS ARE TOLD TO HOLD BETWEEN 10 AND 15% IN RESERVE. WHEN THE 5% PROTECTION WAS PUT INTO PLACE A DECADE AGO, IT CAME FROM THE NUMBER WE WERE EXPECTED TO HOLD IN RESERVE...AND, THEREFORE, NEEDS ADJUSTMENT NOW TO REFLECT THE HIGHER STANDARD.

A COUPLE OF YEARS AGO – WHEN CHAIRMAN SHARKEY HEADED UP PROGRAM REVIEW WITH SENATOR COOK – SOME ADDITIONAL MODIFICATIONS WERE LOOKED AT. MANY OF THEM WOULD HELP……AND SHOULD BE INTRODUCED. HB 5250 WOULD HELP…. STRENGTHENING THE MUNICIPAL HAND. WITH ABOUT 75% OF MOST BUDGETS BEING COMPENSATION RELATED…AND THE GROWING DIVERGENCE OF PUBLIC VS PRIVATE SECTOR… IT IS IMPERATIVE THAT THE PLAYING FIELD BE LEVELED. THE TRUTH IS THAT IN THE NEXT COUPLE OF YEARS, THE REAL IMPACT OF BINDING ARBITRATION; UNBALANCED AS IT IS, WILL BECOME VERY EVIDENT AS LOCAL GOVERNMENT JOBS AND PROGRAM FALL BY THE WAYSIDE……. VICTIMS OF UNBRIDLED COMPENSATION….AND THE TAXPAYERS WHO JUST CANNOT AFFORD IT BEING THAT WAY ANYMORE.



Connecticut Municipal Consortium for Fiscal Responsibility

Endorsements

Dark Blue	Finance, Municipal, Education
Light Blue	Two of the above areas
Dark Green	One of the above areas
Light Green	Municipal Board Chairman

January, 2009

Resolution in Support of the Consortium Group

Whereas state interventions into traditionally local budgetary affairs have negatively impacted the delicate balance between a municipality's capacity to provide services and the local taxpayers' ability to pay for said services,

and whereas, such interventions have effectively reduced the municipalities' ability to manage major components of a typical town budget

and whereas, COST, CABE, CCM and other municipal advocacy agencies have all traditionally called for repeal or reform of prevailing wage and binding arbitration laws that currently apply to and negatively impact the municipalities across Connecticut

and whereas, the state legislature in Connecticut continues to force new mandates upon the towns while reneging on it's own statutory municipal aid commitments to said towns.

Therefore, be it resolved, that said board body in said Town join and support the CT Municipal Consortium for Fiscal Responsibility in its effort to bring about changes beneficial to the municipalities and taxpayers across Connecticut.

Said changes include:

1) raising the cost thresholds under the prevailing wage statute from the current $100 K/$400 K levels to the $1 million level, minimally, with indexing.

2) leveling the playing field in binding arbitration by allowing an arbitrated settlement, if rejected by the local legislature body, to then be sent back into negotiations, rather than directly into the last round of appellate review, and

3) a prohibition on new mandates upon the towns from the state until the legislature meets its own funding commitment already existing on the books.

The Towns seek to be better able to live within their own means, as well should the government of our state of Connecticut.

Connecticut Municipal Consortium for Fiscal Responsibility

Mission

The mission of the Connecticut Municipal Consortium for Fiscal Responsibility is to:

Enhance lines of communication between and among local municipal, finance, and education officials on issues affecting them before the Legislature.

Educate and advise members of the Connecticut Legislature and Executive branch as to the significant challenges posed to local government by State actions past, present, and contemplated.

Advocate for legislative changes to permit Connecticut communities to live within their means without negatively impacting needed services, education, and property tax rates.

Facts

Municipal budgets are built to meet taxpayer demand for services and to comply with state and federal mandates.

Local communities rely upon property taxes, fees, and state aid to fund their operations. While all 169 towns and cities rely upon local property taxes to finance public services including education, less affluent communities also receive significant revenues from state and federal sources sometimes reaching well over 50% of total local expenditure.

Statewide, about 65% of local budgets are funded by property taxes.

The bulk of local school and municipal expenditure is for salaries and benefits.

Almost all school capital projects are partially funded through state reimbursement for a portion of bonded debt.

The Challenges

In Congress

The Individuals with Disabilities Education Act, (IDEA) funding was committed at 40% of local expense when the law was enacted in 1976. Nationwide the current funding level is under 20% and under 6% in Connecticut.

Funding for the No Child Left Behind initiative is approximately half that initially determined as necessary by the Executive and Congress.

In the Connecticut Legislature

The State has a chronic structural operating deficit. The Hartford Courant reported on December 8, 2004 that the governor's office is forecasting a $1.3 *billion* shortfall in a $14.3 billion budget for fiscal 2006. It also reported that the entire $240M projected surplus for 2005 comes from approximately $400 million in one-time revenues.
State funding for mandated programs is far below the amounts promised when the mandates were imposed. Examples include: PILOT reimbursement, IDEA, ECS, Pequot-Mohegan grants, and local veteran's tax exemptions. State funding for mandated programs is not increasing to keep pace with inflation or mandated increases in expenditure. Some State revenue sources (e.g., PILOT, Pequot-Mohegan, Town Aid Roads) have actually been cut in recent years.

Connecticut's bonded debt is the highest per capita in the nation.

Locally

Districts are not serving their client populations as well as they are capable. This has been caused in part by archaic work rules and impediments to the manner of direct classroom instruction. Similar challenges exist in local law enforcement and municipal employee segments. Causes include a broadly interpreted and comprehensive list of mandatory topics of bargaining and last best offer arbitration provisions of the Municipal Employee Retirement Act (MERA) and Teacher Negotiation Act (TNA).

Local expenditure is growing at rates well in excess of anticipated revenue. Grand list growth has proven insufficient to cover increased expense in most communities. In many cities, grand lists are actually shrinking. Recent legislative changes requiring more frequent property revaluation have introduced additional uncertainties, especially in communities with significant commercial/industrial bases.

Most communities have been forced to propose annual property tax increases. It has become increasingly difficult to get local budgets approved by voters at levels sufficient merely to maintain current services

Voter perceptions of government employees are hardening. Whether justified or not many local taxpayers believe that municipal employees are very adequately compensated. Some claim to see salary increases coming more regularly and generously than in the private sector, that job security is greater, and that the level of benefits, especially those for health care, far exceed the private sector norm both in level of benefits and employee cost.

Construction costs continue to escalate. Contributing factors include additional State mandated changes in building design that sometimes inappropriately drive up local costs In some communities, capital projects are either failing at referendum or are being scaled back to fit within available funding

The Consortium's Legislative Priorities

Terms of MERA and the Teacher Negotiation Act limit the ability of local governments to manage labor expense within available resources. We request action to modify these statutes to permit no more than that which the State affords itself, the right to modify or reject arbitrated settlements that cannot be supported from available revenues. This would allow local government to live within its means without excess dependence upon the Legislature. It would also permit modification to inefficient work rules over time.

Modifications to the prevailing wage statute to more realistically reflect competitive costs.

A commitment to live within Connecticut's means:

- ✓ A statutory prohibition upon any legislation that would impose new state mandates upon municipalities and requirements for an impact assessment and funding plan for such proposals.
- ✓ No new mandates until the existing ones are funded to the levels promised by the original enabling legislation.