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TESTIMONY
BART RUSSELL, EXECUTIVE DIRECTOR
CONNECTICUT COUNCIL OF SMALL TOWNS (COST)
BEFORE THE
INSURANCE COMMITTEE
JANUARY 27, 2009
LEGISLATIVE OFFICE BUILDING

The Connecticut Council of Small Towns (COST) strongly ***supports*** **HB-5670, AN ACT EXEMPTING MUNICIPALITIES FROM THE INSURANCE PREMIUM TAX, which is aimed at addressing escalating health care insurance costs for Connecticut's towns.**

The skyrocketing costs for local employee and retiree health insurance represent one of the most serious fiscal challenges facing small towns. Double digit increases in health insurance costs have begun to dominate budget growth in many communities resulting in fewer resources available for other critical services, including education. In fact, between 8% – 15% of a town's budget is attributable to municipal employee health care costs.

Moreover, towns are restricted in their ability to manage these health care costs by state laws and practices. The need to negotiate employee health coverage makes it difficult for municipalities to respond to changing budgetary constraints or new plan offerings in a timely manner. The insurance premium tax, which is a 1.75% tax on fully insured municipal premiums, is particularly onerous for Connecticut's small towns because they cannot afford to self-insure to avoid the premium tax and other mandated health insurance costs.

COST therefore applauds the Insurance Committee for raising HB-5670, which will help save towns an estimated $7-7.5 million in revenue each year, according to a 2008 fiscal note prepared by the Office of Fiscal Analysis. While we understand that the state is grappling with a severe budget crisis, towns are also facing grim economic circumstances. We must therefore work together to provide mandate relief to towns, including repeal of the insurance premium tax on municipal health insurance contracts.

This bill takes a positive step toward addressing the need for affordable health insurance for Connecticut's small towns and their employees. We thank the committee for its introduction of this bill and urge your continued support.

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