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**To the Planning and Development Committee
PUBLIC HEARING Monday, March 2, 2009
11:00 AM in Room 2B of the LOB**

**Statement in Support of Governor's Bill No. 6388
Regarding Binding Arbitration Reform**

AN ACT PROVIDING MANDATE RELIEF TO MUNICIPALITIES

I am Susan Kniep, former Mayor of East Hartford and President of the Federation of Connecticut Taxpayer Organizations. The goals of the Federation are to promote fiscal austerity on all levels of government thereby constraining the tax burden on local and state taxpayers.

As I offer this statement today in support of Binding Arbitration reform, the stock market at 6830 has suffered another day of decline, losing 232 points. Deteriorating stock prices and a troubled housing market have reduced a family's net worth by 20%. Yet, Connecticut taxpayers live in one of the highest taxed states in the nation, paying 85% of their property taxes to support the wages and benefits of Town and Board of Education employees.

We have recently witnessed the effect of contracts going to binding arbitration with the recent award of \$86 million to a state union with 5200 employees. The failure of the State legislature to vote on this contract allowed it to go into effect. The \$86 million bill will be paid for by Connecticut taxpayers. Some of the 5200 employees under this contract will receive wage increases as high as 6%. This contract will also set precedent for other state and municipal contracts which follow.

As such, The Federation urges your support of Governor Rell's proposals relating to Binding Arbitration reform as incorporated within Bill No. 6388 which will in turn provide your constituents with the tax relief they so urgently need.

Mandates such as State binding arbitration are driving up the cost of state and local budgets. In addition to arbiters ruling on wages and benefits, property taxes are also driven by their decisions on public sector union contracts relating to management controls.

The reforms to Binding Arbitration as proposed by Governor Rell are urgently needed. Suspending binding arbitration requirements for two years will provide elected officials with the necessary tools to manage their budgets. Limiting arbiters to decisions on wages and benefits will restore management rights to those whom we elect to serve us.

Let me provide you with an example of the impact of binding arbitration on local budgets when decisions are made outside the realm of wages and benefits. When elected Mayor in 1989, I refused the Mayor's car. I also instructed all town employees to cease driving town cars and trucks home. As this benefit was not contained in any union contract, I felt confident I would win the grievance that the unions had filed against me. I was wrong. I lost my case due to a seldom-referenced term called "past practice." If the union is doing something outside the realm of their contract, arbiters have ruled they have earned the right to do it. For the towns to get the vehicles back, the towns have to give something in return to the unions. A few months ago, during a presentation I offered to taxpayers in another town, I learned that the grievance won in the early 90s has standing today, as that town was unsuccessfully attempting to take control of their town owned vehicles. I suggest that Governor Rell's proposal to limit arbiters to wage and benefits will restore management rights so that town officials can control the size of their classrooms, their employee work schedules, and the right to take back town owned cars from town employees, and much more.

The majority of your constituents work in the private sector where 5 million have been relegated to the unemployment line. Nationally, our economy is in a freefall and spiraling out of control. Our country is in crisis.

Recently released national unemployment figures reveal that 1.77 million private sector workers were thrust onto the unemployment line in the last three months. This equates to 591,000 jobs lost monthly. In the past year, manufacturing lost more than 1 million jobs, with the auto industry alone giving up 197,000.

On the home front, Connecticut's unemployment rose to 7.6 percent, while Connecticut officials continue to predict a loss of 60,000 to 80,000 jobs during this recession.

Our state is facing budget deficits of over \$1 billion in 2009. Deficits could reach \$8 billion for 2010-11.

The majority of Connecticut taxpayers work in the private sector under "at-will" conditions wherein they can be terminated at any time, for any legal reason, or for no reason at all by their employer. They work in a state of flux knowing that their employer on any given day can demand that they pay a greater share of their health-care premium, take on a greater workload, or eliminate their job. There will be no debate, no bargaining, no arbitration, and no elected official waiting to defend them.

State binding-arbitration laws have left taxpayers powerless as state and municipal government workers exercise their state-given right to force negotiations and push their agendas, behind closed doors. Unions vote to accept or reject their contracts. Taxpayers have no vote. Instead, taxpayers are presented with their tax bills to fund these lucrative union contracts with some employees retiring with pensions greater than their base pay as overtime is factored in.

As we review our tax standing in Connecticut, it is apparent that adding more taxes will overburden the overtaxed taxpayers of our State.

According to the U. S. Department of Commerce, Connecticut has one of the highest tax burdens in the U.S. on a per capita basis. For fiscal year 2007, we ranked fifth highest in the nation at \$3,668 for every man, woman, and child in the state.

When federal and local taxes are combined with state taxes, Connecticut residents pay the largest portion of their income to taxes of any state in the entire country at \$17.80 per \$100 of income versus \$12.80 for the U.S. or \$15.20 for New England. As we rank number 1, we are followed by New York, Massachusetts and Maryland respectively.

When county and local taxes are added to state taxes and adjusted for Personal Income, Connecticut ranks 8th highest in the nation at 12.2% which is higher than the national average at 11%.

So you have a choice. You can support the public sector unions who are aggressively lobbying you to denounce the binding arbitration proposals by Governor Rell or you can support you constituents who are crying out for tax relief as they live in one of the highest taxed states in the nation.

It is our hope that you vote in support of your constituents who if they do not pay their property taxes will have a lien placed on their home which could ultimately result in them losing their home to a tax lien sale.

Again, we urge you to reform State Binding Arbitration Laws are proposed by Governor Rell.

