

TESTIMONY

**IN OPPOSITION OF SB 989, and
IN OPPOSITION OF HB 6409**

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**BEFORE THE LABOR AND PUBLIC EMPLOYEES COMMITTEE OF THE
CONNECTICUT GENERAL ASSEMBLY**

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Ladies and Gentlemen of the committee, thank you for giving me the opportunity to speak **in opposition of Senate Bill 989** today -- AN ACT CONCERNING RESERVE FUND BALANCES AND CHANGES TO MUNICIPAL BINDING ARBITRATION; and **in opposition of House Bill 6409** - AN ACT REQUIRING NEUTRAL MUNICIPAL ARBITRATORS BE MEMBERS OF THE AMERICAN ARBITRATION ASSOCIATION.

I am staff counsel for the Connecticut Council of Police Unions, AFSCME Council 15, AFL-CIO, representing close to 4000 police officers from 60 municipalities in the state of Connecticut.

Each of the bills are no doubt attempts by interested groups to reform a binding arbitration system which they believe is broken. The fact is, the binding arbitration system in this state works, and the changes proposed are simply cosmetic, unnecessary, or represent a fundamental misunderstanding of the binding arbitration process and the means by which arbitrators perform their functions.

Senate Bill 989 represents a fundamental misunderstanding of binding arbitration practice. As you know, Conn. Gen. Stats. Section 7-473c(d)(9) requires arbitrators to consider the factors as set forth below:

In arriving at a decision, the arbitration panel shall give priority to the public interest and the financial capability of the municipal employer, including consideration of other demands on the financial capability of the municipal employer. The panel shall further consider the following factors in light of such financial capability: (A) The negotiations between the parties prior to arbitration; (B) the interests and welfare of the employee group; (C) changes in the cost of living; (D) the existing conditions of employment of the employee group and those of similar groups; and (E) the wages, salaries, fringe benefits, and other conditions of employment prevailing in the labor market, including developments in private sector wages and benefits.

S.B. 989 proposes to add the following language: except that the arbitrator panel shall not consider the municipality's reserve fund balance in determining the financial capability of the municipal employer.

However, without an understanding of an employer's reserve fund balance, no arbitration panel can have a clear understanding of the municipality's financial capability.

It is generally accepted in arbitration practice that municipalities are expected to have a reserve fund balance of five percent. All of the bond rating agencies demand such a balance in order for a municipality to secure a quality bond rating.

Therefore, when evidence is presented at arbitration hearings, all of the parties present, including the arbitrators, the union representatives, and the municipal representatives know that a reserve fund balance up to five percent is virtually untouchable for purposes of paying for contractual improvements. It is a widely accepted standard which has evolved over the last decade.

However, the existence or non-existence of fund balances is a necessary component for an arbitration panel to consider in assessing evidence in light of all of the statutory factors which must be considered. As written, this bill would prohibit presentation of any evidence regarding a municipality's fund balance, whether that fund balance was at 20 percent of budget, or 1 percent of budget.

There is no question that fund balances are an important factor to consider in assessing evidence, and there should be no preclusion in considering that factor in order to resolve union/labor differences at arbitration.

As for HB 6409, this proposal is merely cosmetic and unnecessary. The majority of neutral arbitrators who are members of the interest arbitration panels are members of the American Arbitration Association. However, this bill does not set forth any standards necessary for membership in AAA, nor does it confirm that membership in AAA necessarily makes one qualified to sit as a neutral arbitrator.

We agree that there should be minimal standards and competencies met for persons to sit as neutral arbitrators. But membership in AAA is not necessarily the standard.