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**Testimony before the Labor Committee
March 10, 2011
In Support of Senate Bill 989
"An Act Concerning Reserve Fund Balances and
Changes to Municipal Binding Arbitration"**

Chairs Prague and Zalaski, Ranking Members Rigby and Guglielmo and members of the Labor Committee, I am here to testify in support of Senate Bill 989 "An Act Concerning Reserve Fund Balances and Changes to Municipal Binding Arbitration."

As legislative Republicans, we believe very strongly in the Common Sense principle, "Spend No More Than You Make", and fundamental to this principle is planning ahead so that you have the necessary funds in place to meet future needs. This planning is especially important during tough economic times like the ones we're going through right now. Every town that budgets wisely has a Budget Reserve Fund for this purpose. In fact, bonding agencies use the balance of a town's reserve fund to help determine a town's credit rating, typically preferring a fund balance of between six and eight percent. Therefore, having a healthy reserve fund is a critical component of town budgeting and creditworthiness.

Unfortunately, while the whole point of such a fund is to have enough money to pay for the town's future needs during critical times, it is all too often considered a pot of money to be tapped into in order to pay binding arbitration awards. Recognizing how important it is to protect these funds, the Program Review and Investigations Committee, in their latest full report on this issue, recommended that a portion of a town's budget reserve fund not be considered as part of a town's ability to pay an arbitration award. Likewise, many members of the general assembly have put forth similar proposals because they also recognize our towns, like the state, are in trouble and need our help. Now more than ever, our towns need to be flexible in order to best meet the challenges of our current fiscal crisis. Allowing the money they've set aside to meet those challenges to be raided further ties their hands at the worst possible time.

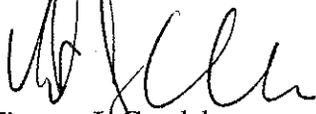
Senate Bill 989 prohibits **any** town budget reserves from being counted in the town's ability to pay an arbitration award and also reduces the membership on arbitration panels from three to one in order to reduce the towns' costs of arbitration.

While we appreciate that SB 989 gets this conversation started, we would like to see something more complete. Legislative Republicans' Proposed Bill 362, which this committee chose not to hear, would:

- 1) Prohibit town budget reserves of ten percent or less from being counted in the town's ability to pay an arbitration award. Unlike the provision in SB 989, this proposal recognizes that some portion of a town's budget reserve may be counted, but it prevents the fund from being depleted to dangerously low levels;
- 2) Authorize towns to reject an arbitration award by a two-third's vote of its legislative body and go back to negotiations rather than have to go through a second arbitration. Every state, ours included, is requiring towns to do more with less. We should at least give them the ability, through their legislative body, to renegotiate an award that could have devastating implications to their budgets; and
- 3) Require parties to submit to binding arbitration if no agreement is reached within forty-five days of rejection. This part of our proposal recognizes that sometimes parties cannot reach an agreement. We hope those times are few, but when there is an impasse, we believe binding arbitration should be an absolute last resort.

I strongly urge this committee to consider incorporating these proposals into SB 989 when this bill comes to a vote. Doing so will go a long way toward giving our towns the flexibility they need to confront these difficult times.

Respectfully submitted,



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Deputy House Republican Leader