



## State of Connecticut

### SENATE

STATE CAPITOL  
HARTFORD, CONNECTICUT 06106-1591

**SENATOR ROBERT J. KANE**  
THIRTY-SECOND DISTRICT

LEGISLATIVE OFFICE BUILDING  
SUITE 3400  
HARTFORD, CONNECTICUT 06106-1591  
CAPITOL: (860) 240-8875  
TOLL FREE: 1-800-842-1421  
FAX: (860) 240-8306  
E-mail: Rob.Kane@cga.ct.gov

DEPUTY MINORITY LEADER

**RANKING MEMBER**  
APPROPRIATIONS COMMITTEE

**MEMBER**  
PUBLIC HEALTH COMMITTEE

Testimony of Senator Rob Kane (R-32)

### ***HB 5238 AN ACT CONCERNING MUNICIPAL ARBITRATIONS AND A MUNICIPALITY'S RESERVE FUND BALANCE.***

Labor and Public Employees Committee

March 1, 2012

Senator Prague, Representative Zalaski, and members of the Labor and Public Employees Committee, I am here to testify in support of HB 5238, An Act Concerning Municipal Arbitrations and a Municipality's Reserve Fund Balance.

As a State Senator for ten towns, I am familiar with the challenges that face small towns and municipalities when constructing their yearly budgets. Crucial to ensuring fiscal stability in both the short term and long term, towns usually strive to maintain a healthy reserve fund balance.

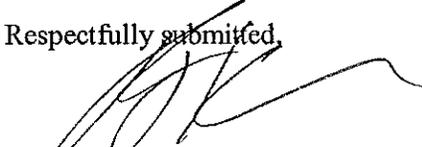
The purpose of this bill is to ensure that a municipality cannot be penalized in binding arbitration proceedings for possessing a robust reserve fund balance unless it exceeds ten percent of a municipality's total budget.

A reserve fund balance is used by towns to maintain a healthy bond rating, ensuring proper debt service and to provide a buffer to protect the municipalities against unplanned-for expenses. For such towns, the reserve fund balance is not intended to be available to be used for standard operating expenses, including salaries. For municipalities that do not carry debt, the reserve fund balance is often used to set aside monies that will be needed for upcoming capital projects.

A municipality's reserve fund balance displays prudent fiscal policy. In the current economic climate, towns that have accumulated strong fund balances by saving money should not be punished for being financially responsible. Rather than allowing their reserve funds to be counted in binding arbitration proceedings we should instead be encouraging all municipalities to have strong balance sheets and bond ratings. A healthy reserve fund balance leads to a healthy bond rating and gives towns fiscal flexibility and actively saves the taxpayers money – it should not be taken into account in binding arbitration proceedings.

This bill would provide some relief to the cash-strapped towns I represent. I urge the committee to vote favorably on HB 5238.

Respectfully submitted,

  
Rob Kane  
Deputy Minority Leader  
32<sup>nd</sup> District