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**Testimony
Bart Russell, Executive Director
Connecticut Council of Small Towns
Before the
Insurance Committee
February 21, 2012**

COST's 2012 Legislative Platform focuses on ensuring that municipalities have the financial resources needed to provide critical services to residents and business without shifting more costs onto already overburdened local property tax payers. In addition to maintaining current levels of state aid, we are asking lawmakers to take steps to reduce municipal costs.

COST therefore strongly supports SB-96, An Act Exempting Municipalities from the Health Insurance Premium Tax and appreciates your committee's support for the bill again this year.

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 SB-96, 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 continues to face difficult budget issues, 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 insurance contracts.

We urge your strong support for SB-96.