



# State of Connecticut

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## Appropriations Committee Public Hearing

March 4, 2016

Senate Minority Leader Len Fasano

H.B. 5086 AAC The Constitutional Spending Cap

H.B. 5417 AA Creating an Office of Overtime Accountability

H.B. 5418 AAC Establishing the Anticipated Rate of Return for Investments in State Retirement Plans

Senator Bye, Representative Walker, Senator Kane, Representative Ziobron and members of the Appropriations Committee, thank you for the opportunity to testify today on three bills on your agenda House Bill 5086 An Act Concerning the Constitutional Spending Cap, House Bill 5417 An Act Creating an Office of Overtime Accountability and House Bill 5418 An Act Establishing the Anticipated Rate of Return for Investments in State Retirement Plans.

Republican lawmakers have been talking about the need to make structural changes to the state's budget for years. As you know, during the December deficit mitigation discussions, legislative Republicans jointly put forth a list of multiple proposals that we believed would put the state on better footing moving forward. But only one of our proposals, the Efficiency Planning Committee, was contained in the final budget bill that was passed. To continue the conversation about these proposals this year, we submitted our ideas to the Senator Bye and Representative Walker in a letter and requested that they be raised for a public hearing by the committee. Only three of the ten were chosen; two of which are before us today: one creating an Office of Overtime Accountability and one that modifies how the assumed rate of return is generated for our woefully ill-funded State Employees Retirement System. While we appreciate the opportunity to support some of these measures, our state needs to have a discussion about all of the proposals we have recommended.

We all know the dire fiscal position of our state. After already solving a \$350 million deficit we have another \$266 million to address in this fiscal year. Sadly the pain gets worse from here with a deficit of over \$900 million projected by our non-partisan Office of Fiscal Analysis for fiscal year 2017 and \$2 billion in deficits annually thereafter. The state's pattern of tax and spend which has been rampant over the past six years is clearly not the right path for our state. We need to fundamentally change how we view our expenditures and our state's ability to pay. In our opinion, the two initiatives on your agenda that we proposed, House Bill 5417 An Act Creating an Office of Overtime Accountability and HB 5418 An Act Establishing the Anticipated Rate of Return for Investments in State Retirement Plans, begin that transition.

### **House Bill 5417 An Act Creating an Office of Overtime Accountability**

In the current fiscal year over \$220 million is appropriated for overtime expenditures. Overtime should only be used in emergency situations. However, as we have seen in countless examples throughout state government, it is common to have huge spikes in one's base pay because of overtime. Overtime in our state government is

currently a system that is set up for abuse. State taxpayers deserve accountability of their tax dollars and currently no one is minding the store. HB 5417 would attempt to limit the wide discretion of the awarding of overtime by establishing a system of reporting and verifying the use of overtime. I fundamentally believe that if someone is paying attention and asking questions and pushing back on the utilization of overtime, then those expenditures will naturally reduce.

#### **HB 5418 An Act Establishing the Anticipated Rate of Return for Investments in State Retirement Plans**

Currently, the State Employees Retirement System Retirement Board sets the assumed rate of return for our pension system. I do not believe that the individuals that serve on the Board have the needed expertise to be setting such an important rate for our underfunded system. Currently, the assumed rate of return is 8.0%. What this means is that our actuaries are assuming that the state will realize 8.0% annually on the market with our investments as income for the retirement fund. This results in the state contributing less than it needs to since we believe that other income will make up for our reduced payment. While the outcome of reducing our rate of return means that the state will need to contribute more, it is fiscally prudent to have a realistic target so the state is not always playing catch-up with our retirement funds. HB 5418 will give the setting of our assumed rate of return to the Investment Advisory Council which currently sets the investment portfolio for all state funds. It makes perfect sense to have this council that has investment expertise set the state's assumption of what we can actually realize in the market for our retirement funds.

#### **HB 5086 An Act Concerning the Constitutional Spending Cap**

I would also like to take this opportunity to comment on HB 5086 An Act Concerning the Constitutional Spending Cap. I am obviously strongly supportive of the legislature actually doing what they promised they would do for taxpayers 24 years ago when voters overwhelmingly ratified the enactment of the spending cap. But for 24 years the legislature has not held-up its end of the bargain. Enough is enough. As we proposed, we believe that the Spending Cap Commission established in the December 2015 Special Session should report on recommendations by September 1, 2016. The Spending Cap is not a new concept and from what I can tell the only reason to delay a report to a December due date is to push a decision on the cap until after the upcoming elections. Such a delay would once again allow inaction on implementing the Constitutional Spending Cap. Coming up with recommendations should not be a difficult proposition if the members got into a room expeditiously and focus on their assigned task. Further delay and inaction is simply inexcusable. We believe that the General Assembly should be personally held accountable for their inaction and propose that if the General Assembly does not enact definitions in a special session by October 1, 2016 that legislators should experience a 10% reduction in salary, legislators should not receive transportation allowances, and further, no member of the General Assembly should be entitled to unsolicited mailings until such definitions are adopted and we actually fulfill the promise made so long ago.

The current Spending Cap Commission in place has yet to hold its first meeting, despite the fact that the deadline for the first meeting as designated in the legislation passed in December has already passed. I have reserved a room for the Commission here at the Legislative Office Building for March 15 and written to each member in the hopes that they can come together on that date and finally get the process moving. From what I have seen thus far, including extreme delays in the appointment of members and failure to appoint chairpersons, I fear that the current Commission will not aid us in reaching a resolution on the spending cap. These concerns make me even more motivated to pursue more stringent deadlines to define the cap.

I love our state and I want a bright future for Connecticut for our children and for future generations. These bills I have testified in support of are just the first step in what is needed to change our state's trajectory. The only controversies that may arise with regards to these concepts are from those that want to put politics over policy. I would suggest that it is high-time for this legislative body to put policy and people first.

Thank you for the opportunity to testify today.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Len Fasano', with a stylized flourish extending to the right.

Len Fasano  
Senate Minority Leader