

Hartford Mayor Luke Bronin

Finance, Revenue, and Bonding Committee Public Hearing - March 28, 2016

Testimony in Support - An Act Establishing the Hartford Financial Sustainability Commission (SB 464)

Chairman Fonfara, Chairman Berger, Ranking Members Frantz and Davis, and members of the Finance, Revenue, and Bonding Committee:

Thank you for the opportunity to testify before you today to express my strong support for Senate Bill 464, titled "An Act Establishing the Hartford Financial Sustainability Commission."

Our Capital City is in Fiscal Crisis

Since taking office less than three months ago, my team has been "under the hood," examining the city's budget numbers and testing every assumption. Hartford's fiscal situation is worse than we could have imagined, with a deficit of at least \$48.5 million in FY 2017 on our \$250 million non-education budget.

A large portion of that \$250 million non-education budget is fixed, including \$30 million in debt service, more than \$40 million on payments into the pension fund, and more than \$20 million on costs that are largely fixed, including utilities. When you consider that the remaining "unfixed" costs includes essential services like fire, police, and public works, a nearly \$48.5 million deficit represents a massive, catastrophic gap.

Yet as bad as it is, the FY 2017 deficit of \$48.5 million is not the number that should concern us the most.

For one thing, the problem does not get better after 2017, but gets worse. A few years down the road, the projected deficit is so big that even eliminating the entire police department and the entire fire department would not close the gap.

Additionally, at 74 mills the City of Hartford's property taxes are already so high that it makes it hard to grow our way out of this crisis. Rather than looking at the gap between current revenues and expenses, we should ask what our deficit would be if Hartford had a competitive mill rate — say 45, which is still higher than nearly any other town in the region. At that mill rate, our deficit would be over \$100 million.

In short, the City of Hartford is in a full-blown fiscal crisis.

SB 464 will help

To help us address this crisis, I am advocating for the passage of Senate Bill 464 because it will help us to make the changes Hartford needs to get our own house in order.

The bill establishes a financial sustainability commission, which would serve as the arbitration panel or "referee" if we are unable to reach agreements with our municipal unions. The language regarding the role of the commission, as it relates to arbitration, is based on the legislation that helped the City of Waterbury restructure its costs a decade ago. The commission would include city council members, me as mayor, representatives of small business owners, labor, residents, large employers and the state.

The bill would also give us greater authority to determine what the taxpayers can afford to pay into the pension fund; would require coalition bargaining on health care; would ensure that Hartford's schools aren't punished by the state if we're unable to make the full education payment currently required by state law; and would give us greater ability to obtain assistance from our largest companies and from tax-exempt institutions.

What has been proposed in SB 464 would not eliminate collective bargaining, would not affect any existing contracts, would not provide any legal authority to diminish pensions already earned and vested, and would not diminish the authority of the Hartford City Council. Rather, it would give the City Council and the Mayor additional tools to determine the size and cost of Hartford's government, at a time when our city is in crisis.

Acknowledging the Concerns of Labor

I understand and respect the opposition of those in labor who oppose this bill. I have long supported organized labor and deeply respect all public employees, and it is not easy to propose a bill opposed by many friends and allies. But my highest obligation is to the city I was elected to serve, and to the taxpayers of Hartford.

If this bill passes, the next step would be negotiation. I am ready to negotiate and am hopeful that negotiation would yield agreement. But where contracts have been in negotiation since before I took office, we simply cannot afford to be bound by the offers made by the last administration. And if negotiations reach an impasse, the final referee must be a body that has the financial sustainability of our capital city as its primary obligation.

Our budget gap is so big that, even if we are able to obtain substantial savings from contract negotiations, and even if we are able to get help from Hartford's largest institutions, we will have no choice but to make deep cuts in a city where staffing is already lean. If we are *not* able to find substantial savings through contract negotiations, we will be forced to make unconscionable cuts that are too deep to sustain.

Let's be very clear: SB 464 will help, but it's not the whole answer

There are many reasons why Hartford faces this fiscal crisis. Part of the problem can be attributed to mistakes of the past. Hartford refinanced its debt multiple times, and that bill is now coming due. Past administrations also promised benefits and embarked on pet projects that Hartford's tax base cannot support.

Facing big deficits in recent years, Hartford relied on one-time revenues — selling parking garages, taking employee benefit reserves. And, of course, past administrations raised taxes, producing revenue in the short term, but making it harder and harder for Hartford to grow.

So yes, part of the problem is the result of Hartford's past mistakes. But a far larger part of the problem is that Connecticut's cities face nearly insurmountable obstacles.

The city of Hartford is less than eighteen square miles. Property taxes are our only meaningful source of local revenue, yet more than half of our property is tax-exempt. We are home to state government and to non-profit institutions that serve the region and the state, but which pay no taxes to the City of Hartford. We house a vastly disproportionate share of the region's social service providers, halfway houses, shelters, and clinics. And our population is among the poorest in the nation.

Hartford's property tax base is simply not sufficient to support the services the City of Hartford must provide. The deepest cuts, the most painful concessions, the elimination of services, and even the most generous help from institutions and other stakeholders in Hartford — all of that will only get us part of the way toward closing the gap in the years ahead. The problem is structural, and it cannot be fixed by Hartford alone.

SB 464 will help us do as much as we can to get Hartford's finances in order. I ask you to support SB 464, because in this time of statewide fiscal crisis, we know we must do everything we possibly can to fix the problem at a local level — and without this bill, it will be difficult to find a way forward in the near term. But I want to make very clear that SB 464 will only buy us time. Without a new model for sustaining cities in Connecticut, our capital city — and the entire greater Hartford region — will be condemned to a future of reversible decline.

I refuse to accept a future of decline for Hartford. And no matter what district you represent, neither should you.

Please, give us the tools we are asking for in SB 464. And then let's have the bigger conversation about how we can build Connecticut's cities into vibrant, strong urban centers — cities that will help us keep our young people close to home; cities that will attract the next generation of innovators and entrepreneurs; cities that will help Connecticut compete for the biggest employers in the world, not lose them.