



## **Testimony on Senate Bill 464**

Submitted by Suzanne Bates, Policy Director

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Good morning. My name is Suzanne Bates, and I am the director of policy and legislative outreach at the Yankee Institute for Public Policy, a free market think tank based in Hartford.

I am here today to offer our thoughts on Senate Bill 464. The city of Hartford, much like the state of Connecticut, is facing a budget crisis. The budget problems facing Hartford and the state have many of the same root causes.

Our taxes in Connecticut are too high – they are a burden for both families and businesses. This slows our economic growth and leads to families leaving our state. In the case of Hartford, prohibitively high property taxes – particularly on commercial property – has led to very little private investment in the city.

The reason our taxes are high is because of the cost and size of our governments – whether at the municipal or state level.

Hartford's leaders have asked for some help in this regard. They would like to have greater control over contract negotiations with the public sector labor unions.

The problem for Hartford – and for other municipalities across the state – is the threat of binding arbitration. According to a report by the Legislative Research Office, Connecticut has the broadest binding arbitration laws among all the states in our region. One of the biggest differences in Connecticut is the “last best offer” rule – which means arbitrators have to choose between the proposals by the municipality and union, they cannot split the difference.

The binding arbitration system gives “neutral” arbitrators – one person, chosen from a list provided by the state – a significant amount of power. This person has power over our municipal budgets, and by extension our state's property tax payers.

The late Coleman Young, a former mayor of Detroit, sponsored Michigan's binding arbitration law as a state senator. But then, in 1981, he told the National Journal: "We know that compulsory arbitration has been a failure. Slowly, inexorably, compulsory arbitration destroys sensible fiscal management." These awards, he said, "have caused more damage to the public service in Detroit than the strikes they were designed to prevent."

Hartford's leaders are asking for help from the state because they need to put the city's elected officials – and taxpayers – back in control of city finances.

Hartford's cry for help shines a spotlight on the laws and processes that need to change for all of Connecticut's municipalities, as well as for the state, and especially for its taxpayers.

As Senator Beth Bye recently pointed out at the public hearing on the University of Connecticut contract that was later withdrawn, binding arbitration awards can come in even higher than earlier negotiated contracts. The capricious nature of these awards makes it very difficult for elected officials to be responsive to the needs of state, city or town residents.

The best move in response to Hartford and Connecticut's fiscal woes would be to address one of the root causes, and get rid of binding arbitration altogether.

Thank you.