Good afternoon Representative Rojas, Senator Fonfara, Senator Frantz and members of the Finance, Revenue and Bonding Committee. I am Lori Pelletier and I am proud to serve as President of the Connecticut AFL-CIO on behalf over 900 affiliated local unions who represent more than 220,000 working men and women in every city and town of our great state. Thank you for the opportunity to testify today on legislation proposed by the Governor.

**HB 7050 AN Act Concerning Enhancements to Municipal Finance and Accountability**

The Connecticut AFL-CIO opposes HB 7050.

Sixteen years ago, the General Assembly took action that eliminated municipal workers' rights and set in motion a process that had long-lasting negative impacts for city employees and their families. Special Act 01-1 created the Waterbury Financial Planning and Assistance Board and gave it broad powers to abrogate collective bargaining agreements and supersede collective bargaining rights. It also eviscerated the spirit and substance of binding arbitration. Both processes are essential for providing workers a voice on the job and developing meaningful and productive labor-management relations.

The Waterbury oversight board was ruthless and arbitrary in its efforts to inflict pain and conflict. Their actions were not consistent, nor were their targets uniform. It pitted workers against each other, all fearful they would pay increasingly higher prices for the mismanagement of their elected leaders. For five years, the board instituted a reign of terror felt by city and board of education employees.

Revisionist history suggests that Waterbury was saved by the oversight board. The reality is far from this perception. Property revaluation and debt restructuring is what rescued Waterbury’s incompetent management from bankruptcy.

Today, by considering HB 7050, you ponder reliving this nightmare. Sections 1-26 of this bill amount to a state power grab that would exert control over our poorest cities by disenfranchising voters and removing duly elected municipal representatives to be replaced by appointed overseers on the Municipal Accountability and Review Board. It provides the board with overly broad powers to eviscerate collective bargaining, abolish binding arbitration and silence workers’ rights, just as happened in Waterbury. In fact, the language in this bill is identical to Special Act 01-1.
City and Board of Education employees in so-called Tier III and IV towns, while acting in good faith, will be unfairly punished for the fiscal mismanagement of their municipality. It damages the mutual trust and respect that has been cultivated between city employees and different administrations over decades and will inevitably result in tense labor-management relations at a time when all stakeholders should be working together to capitalize on opportunities that benefit our cities.

It’s been widely reported that this bill was intended to apply exclusively to Hartford, yet HB 7050 does not actually offer thoughtful or creative measures to address Hartford’s financial troubles, other than to nullify collective bargaining agreements, eliminate binding arbitration, which are poor short-term solutions that will only lead to more financial instability for the city. Collective bargaining, mediation and binding arbitration can and should be used to identify cost savings, discuss potential concessions or any other scenarios in which workers may be part of the solution.

In addition to having the state fully fund PILOT and ECS payments, there are other alternatives to provide resources to Hartford and other struggling cities, including:

- **Controlling Healthcare Costs:** There are numerous different plan designs issued by more than one insurer among Hartford bargaining units. Significant savings could be derived by consolidating plans. Further savings might also be found if Hartford entered the state employee health insurance pool.

- **Raising Wages:** Increasing the minimum wage would yield numerous benefits to urban centers, as low-wage workers spend nearly all their income in the local economy, stimulating economic growth and increasing local tax receipts.

- **Penalizing Irresponsible Employers:** Holding large, profitable low-wage employers accountable that pay their employees wages so low that they qualify for housing assistance, heating assistance, SNAP and other safety net services. By charging them a fee, the state recoups costs associated with their exploitation of the public service safety net that taxpayers fund.

- **Employing Share Sacrifice:** Joining the Regional Compact to fairly tax highly-compensated hedge fund managers and raising rates on the wealthiest individuals that are in line with neighboring states would provide the state the additional revenue required to meet its commitments to cities and towns.

HB 7050 is a reckless, undemocratic proposal that circumvents representative government and allows the Governor to exert tremendous power over struggling cities with populations who are mostly poor, of-color, and frequently exploited. In any developing country, this power grab would be considered a coup d'état.

We urge the committee to reject this bill.

**SB 787 An Act Concerning Revenue Items to Implement the Governor’s Budget**

We are extremely disappointed with Gov. Malloy’s proposed budget, which heavily relies on cutting vital public services and limiting workers’ voices, yet asks nothing of the state’s corporations and extremely wealthy. Our budget should be based on investments in Connecticut’s workers, not austerity measures that further drag down an already struggling economy.

If enacted, SB 787 would generate $607 million in new revenue, largely by eliminating tax credits for working- and middle-class families like the property tax credit. In addition, a significant portion of the
Governor’s revenue proposal is financed on the backs of the working poor by reducing the Earned Income Tax Credit (EITC).

The EITC is designed to encourage and reward work by supplementing the incomes of low-wage workers. In 2015, the EITC lifted about 6.5 million people out of poverty nationwide, including more than 3 million children.¹ At a time when our minimum wage is just over half of the state’s living wage, we should be finding ways to expand EITC, not reduce it.

Instead, we should enact a fee on low-wage employers that abuse our social safety net and essentially steal from taxpayers, or reduce costly outsourcing schemes like the botched 3M job at the DMV that cost taxpayers millions more than it should have. We should also review and repeal tax expenditures that no longer make sense and cost the state over $7 billion.

Governor Malloy still does not understand the results of the 2016 election. Instead of closing loopholes and going after corporations that take advantage of the state and limit public services for individual taxpayers, Malloy wants the legislature to rubberstamp a budget that once again hurts working people.

We urge the legislature to learn from the mistakes of last year’s budget and reject Malloy’s second austerity budget. We strongly urge the General Assembly to hear the voices of those who are still struggling to get ahead, listen to their frustrations and create a fair budget that grows our economy for everyone in the state, not just the wealthy few.

Thank you for the opportunity to testify today.

¹ http://www.cbpp.org/research/federal-tax/policy-basics-the-earned-income-tax-credit