



# Senate

General Assembly

**File No. 393**

February Session, 2018

Substitute Senate Bill No. 421

*Senate, April 10, 2018*

The Committee on Planning and Development reported through SEN. CASSANO, S. of the 4th Dist. and SEN. LOGAN of the 17th Dist., Chairpersons of the Committee on the part of the Senate, that the substitute bill ought to pass.

***AN ACT CONCERNING MUNICIPAL BUDGET RESERVES FOR THE BIENNIUM ENDING JUNE 30, 2019.***

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subdivision (9) of subsection (d) of section 7-473c of the  
2 2018 supplement to the general statutes is repealed and the following  
3 is substituted in lieu thereof (*Effective from passage*):

4 (9) In arriving at a decision, the arbitration panel shall give priority  
5 to the public interest and the financial capability of the municipal  
6 employer, including consideration of other demands on the financial  
7 capability of the municipal employer. There shall be an irrebuttable  
8 presumption that a municipal employer's budget reserve equal to  
9 fifteen per cent or less of the municipal employer's operating budget  
10 [reserve] is not available for payment of the cost of any item subject to  
11 negotiation or arbitration under this chapter. The panel shall further  
12 consider the following factors in light of such financial capability: (A)  
13 The negotiations between the parties prior to arbitration; (B) the

14 interests and welfare of the employee group; (C) changes in the cost of  
15 living; (D) the existing conditions of employment of the employee  
16 group and those of similar groups; and (E) the wages, salaries, fringe  
17 benefits, and other conditions of employment prevailing in the labor  
18 market, including developments in private sector wages and benefits.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage</i>	7-473c(d)(9)

**PD**      *Joint Favorable Subst.*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

**OFA Fiscal Note**

**State Impact:** None

**Municipal Impact:**

Municipalities	Effect	FY 19 \$	FY 20 \$
Various Municipalities	Potential Savings	Significant	Significant

**Explanation**

There is a potentially significant savings associated with the bill, which shields a portion of municipal reserve fund balances from consideration for payment resulting from an arbitration decision with municipal employees.

The savings associated with the bill would vary depending on the municipality's ability to pay such award based on other financial and labor factors an arbitration panel must take into consideration. The bill is expected to shield municipalities to the extent that arbitration awards are often significant sums (about 2% of wages on average), and the bill removes a significant factor from a municipality's ability to pay.

**The Out Years**

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation.

Sources: Department of Labor Office of Arbitration

**OLR Bill Analysis****sSB 421*****AN ACT CONCERNING MUNICIPAL BUDGET RESERVES FOR THE BIENNIUM ENDING JUNE 30, 2019.*****SUMMARY**

Current law establishes an irrebuttable presumption that 15% of a municipality's budget reserve is not available to pay the costs of any item subject to municipal employee contract arbitration. This bill instead establishes an irrebuttable presumption that a budget reserve equal to 15% or less of a municipality's operating budget is not available to pay the costs of any item subject to municipal employee contract arbitration. (The bill also applies this irrebuttable presumption to contract negotiation, but it is unclear if this has any legal effect.)

Under the municipal employee arbitration law, arbitrators must prioritize the public interest and the municipal employer's financial capacity, including other financial demands on the employer, when considering a union contract case. In effect, the bill requires the panel to ignore a budget reserve equal to 15% or less of a municipality's operating budget when considering the municipal employer's ability to pay an arbitration award. The bill does not change the other factors a panel must also consider (e.g., changes in the cost of living).

EFFECTIVE DATE: Upon passage

**COMMITTEE ACTION**

Planning and Development Committee

Joint Favorable Substitute

Yea 15 Nay 7 (03/26/2018)