

# Planning and Development Committee JOINT FAVORABLE REPORT

**Bill No.:** SB-421

AN ACT CONCERNING MUNICIPAL BUDGET RESERVES FOR THE

**Title:** BIENNIUM ENDING JUNE 30, 2019.

**Vote Date:** 3/26/2018

**Vote Action:** Joint Favorable Substitute

**PH Date:** 3/16/2018

**File No.:** 393

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## **SPONSORS OF BILL:**

Committee on Planning and Development

Representative Tami Zawistowski

Representative Craig C. Fishbein

Representative Scott A. Storms

Representative John K. Hampton

Representative Noreen S. Kokoruda

Representative Mitch Bolinsky

Representative Holly H. Cheeseman

Representative Tom Delnicki

Representative Pam Staneski

Representative Adam Dunsby

Representative Laura M. Devlin

Representative Bill Simanski

## **REASONS FOR BILL:**

This bill revises local budget reserve language passed as part of the state budget for the biennium ending June 30, 2019. The bill prohibits arbitration panels from considering municipal fund balances of 15% or less when calculating the financial capability of a municipality.

The bill is intended to address an issue where arbitration panels calculate a municipality's ability to pay based on its budget reserves which incentivize municipalities to have low reserves a practice which is considered irresponsible due to irregular state municipal aide.

## **RESPONSE FROM ADMINISTRATION/AGENCY:**

None Expressed.

## **NATURE AND SOURCES OF SUPPORT:**

### **Representative Craig Fishbein:**

Representative Fishbein stated in written testimony that the concept of the bill is not new and had been in discussion since the 1975 Municipal employers relation act. He clarified that the bill would provide clarifying language to provisions passed in last year's implementer. He further stated that the bill would provide municipalities additional financial stability ratings by and allow them to prepare for unforeseen fiscal crises.

### **Connecticut Conference of Municipalities:**

CCM provided testimony in support of SB 421. They stated in written testimony that municipalities should keep a robust budget reserve. They noted that when state aid was cut to municipalities by the state, many municipalities with budget reserves of less than 15% found their bond ratings downgraded. This bill would incentivize municipalities to hold robust budget reserves to better deal with financial uncertainty in the future.

**Betsy Gara, Executive Direction COST:** COST provided testimony in support of SB-421 as they are in favor of municipalities fund balance of 15% or less should not be considered in determining costs associated with collective bargaining agreements. COST explains that union representation has exploited the fund balance to argue that a municipality can afford an award, negligent of arbitrator obligation to consider a municipality's ability to pay upon determining a binding arbitration award. COST further emphasizes that requiring towns to lower their fund balance to accommodate increased employee benefits will adversely impact a municipality's bond rating, which is costly to both the municipality as well as the tax payer.

### **Carl Fortuna, First Selectman, Town of Old Saybrook:**

Carl Fortuna provided testimony in support of SB 421.

He stated that municipalities are required to by state law to hold budget reserves, but that

Union representatives occasionally point to these fund balances as indicators of a town's ability to pay for increases in employee salaries and benefits as part of negotiations under binding arbitration. However, if a town is forced to draw down its fund balance, its bond rating will be adversely impacted, resulting in high borrowing costs. Given the recent cuts in municipal aid and the state's failure to release the second installment of the Town Aid Road funds, local budgets have already been significantly impacted. Higher borrowing costs will further undermine efforts to move forward with critical capital building and infrastructure projects.

### **Leo Paul, First Selectman, Town of Litchfield:**

First Selectman Leo Paul, stated in testimony that Towns make an effort to have responsible budgeting practices and maintain reserve balances. He stated that for some municipalities the budget reserve is used as savings for expected large capital projects. If these funds are calculated to determine municipalities' ability to pay by arbitration panels, this practice undermines the responsible budgeting practice of the municipality.

**Other sources of Support:**

**Francis Pickering Executive Director, Wester Connecticut Council of Governments:**

**John Elsesser, Town Manager, Town of Coventry:**

**House Republican Office:**

**Rudy Marconi, First Selectman, Town of Ridgefield:**

**Derrylyn Gorski First Selectman Town of Bethany:**

**NATURE AND SOURCES OF OPPOSITION:**

**Stephen Anderson, President, CSEA SEIU Local 2001:**

Stephen Anderson on behalf of CSEA SEIU Local 2001, provided testimony in opposition to SB 421. He stated in written and spoken testimony that this bill would provide an artificial limitation to contractual agreements between two parties. He stated that the bill provides unnecessary oversight and restrictions on professional arbitrators that best understand the nuances of municipal budgeting. They argue that this is an attack on organized labor's ability to negotiate with their employers.

**Lori Pelletier, President, AFL-CIO:**

Lori Pelletier on behalf of AFL-CIO provided testimony in opposition to SB 421. She stated

This bill attempts to expand what already was a significant concession was provided to municipal employers in the 2017 bipartisan budget. By expanding the irrefutable presumption to apply to negotiation in addition to arbitration, municipal employers again are hiding behind their own failed management practices and scapegoating workers for their lack of budget reserves. They would be wise to discontinue this attack on workers and instead engage in meaningful regionalization efforts.

**Reported by: Wade Packer**

**Date: 04/16/17**