



## Written Testimony of State Treasurer Denise L. Nappier

SUBMITTED TO THE FINANCE, REVENUE AND BONDING COMMITTEE

MARCH 28, 2016

Senator Fonfara, Representative Berger and members of the Finance, Revenue and Bonding Committee, thank you for the opportunity to submit testimony concerning **Raised Bill 464, *An Act Establishing the Hartford Financial Sustainability Commission***.

At the outset, I'd like to acknowledge the multiple perspectives that I bring to bear in considering this proposal: I am a native daughter of the City of Hartford; a lifelong resident of the City; a former elected official of the City; and, a beneficiary of the City's pension fund. However, it is my experience as a fiduciary of public funds for nearly 30 years that prompts my comment on one of the most striking aspects of the proposed bill before you: the implication this bill would have for the sanctity of home rule in Connecticut.

Hartford is confronting a grim financial situation, one that will require the concerted efforts of its elected officials and the community that elected them. To this point, Hartford Mayor Luke Bronin is to be commended for his leadership in confronting the harsh realities of the City's fiscal issues that he inherited, and his resolve to fix them. The course of action contemplated by this bill, however, is to secure state authority to empower a predominantly local board to override specific elements of the City's charter – a charter enacted by a vote of Hartford's electorate that should only be revised by a vote of the electorate. To override this framework may very well undermine the will of the citizens of the City.

Specifically, if this proposal is enacted, the City would be allowed to fund less than the actuarially required contribution to its municipal employees retirement fund, so long as the funding ratio is not less than sixty-five percent – a provision squarely in conflict with the City's charter that vests sole discretion with a pension commission for determining the annual contribution to the pension fund. Other provisions would allow for the assessment of tax surcharges and other levies on tax-exempt organizations, notwithstanding the provisions of the City's charter and state law.

The underfunding of the pension plan is a particularly sensitive point, and deserves utmost caution. We need only point to the State's own challenges with historic underfunding to know how perilous this path can be. Such an action would be a blow to Hartford's relatively well-funded pension plan.

To be sure, there have been situations in the past -- notably in the cases of Waterbury, West Haven and Bridgeport -- where State involvement with municipal finances was warranted. In contrast with the proposal before you, in those instances state action came with state oversight, with governing boards comprised of members appointed by state authorities. This proposal would create a board with four local officials and four appointed by the City's mayor. Other than the ex officio role of the Secretary of Policy and Management, no other state involvement appears contemplated by the bill.

There is an inevitable slippery slope should the State choose to allow for erosion of certain aspects of a municipal charter, particularly as those provisions relate to the priorities placed by local residents on the management of its fiscal affairs. If this legislature grants this extraordinary power for Hartford, and does so without any standard or benchmark that would give cause to the State's response in this manner, then which one of our State's towns will be next?

At the end of the day, where a charter specifically empowers an independent fiduciary entity to determine the City's actuarially required contribution, and the State endorses any compromise of the process, then the State must bear responsibility for the consequences.

We all have a stake in ensuring the recovery of our State's capital city. The plan of action for doing so -- by supplanting the will of the City's electorate -- should be a last resort following rigorous consideration by the state legislature of alternative responses when a municipality faces structural budget problems.