We are being asked tonight, to approve a new three-year labor contract, for our teachers.
I believe we are unanimous on four major points, although members of this body may disagree on which way to vote.

1. We are unanimous **in our commitment to do what is in the best long-term interests of Fairfield**;

2. We are unanimous **in our great appreciation and respect for what our dedicated teachers do for our children and for our town**;

3. We are unanimous **in the belief that great schools are essential to Fairfield's ability to continue to prosper and to attract new residents**; and

4. We are unanimous **that fiscal responsibility is <u>also</u> essential to Fairfield's future prosperity**, which means that we must balance the cost of our public services with the ability and willingness of our residents to pay for them.

No one loves and respects teachers more than their children. As many of you know, my father was a high school teacher in Fairfield for 40 years. Regrettably, I will be voting tonight to reject this contract because I feel strongly that we cannot continue to increase the town's labor costs faster than the growth in the ability of Fairfield residents to pay for them, **<u>particularly</u>** at a time when we face such great uncertainty because of the State's **anemic economic growth** and its **growing fiscal crisis**.

FIRST, a few important facts:

1. According to page 27 in Superintendent Jones' 2018-19 Proposed Budget, total labor costs in the current fiscal year (2017-18) will be **$131 million** ($106 million in salaries and $25 million in benefits), which represents **78%** of total school spending of **$168 million**.

2. Salaries and benefits covered by this contract represent **76%** of total labor costs, and so what we do for teachers **<u>sets</u>** the standard for all school employees.

3. That **$131 million** also represents **44%** of our Town's total budget for this year of **$298.5 million**, and so what we do with education labor costs is also very important to what happens to overall Town spending.

4. The proposed contract will raise teacher salary costs by **8.2%** over the next three years, representing a CAGR* of **2.65%.**

   *CAGR - Compound Annual Growth Rate. The average year on year growth rate of an investment over a number of years.

5. The Superintendent's 2018-19 Proposed Budget assumes that the cost of health insurance will increase **7%** next year.

6. If salaries (which are about 80% of total compensation) increase **2.65%** annually, and if benefits (20% of the total) increase **7%** annually, total labor costs will increase **3.5%** annually (or almost 11% over three years). If we are lucky and benefit costs only increase 5%

annually, the weighted average combined increase will still be 3.1% per year (or almost 10% over three years). **In either case**, the increases are much greater than the current rate of general price-level inflation at **1.5%-2.0%**.

Based on these facts and for the following reasons, I do not believe we can afford to continue to increase our labor costs faster than the rate of inflation at a time when we face draconian risks and challenges to our Town budget.

1. **Slow Personal Income Growth** – The incomes of the people who must pay for public services have been growing very slowly in Connecticut. According to a recent article in the CT Mirror*:[i] "***Personal income growth wasn't just poor over the past decade. During the last fiscal year, Connecticut's personal income fell 0.6% compared with the prior year – one of just 10 states to fall nationally and fifth-lowest overall***.

   * a non-profit, non-partisan on-line newspaper in Hartford

2. **Tax Reforms Have Increased the After-Tax Cost of State and Local Government** – The *after-tax costs* of state and local government for our taxpayers just increased because of new restrictions on the deductibility of state and local taxes for federal income tax purposes. Taxpayers who spend more in total on mortgage interest, state income taxes and local property taxes than the new standard deductions, will be affected, which includes many Fairfield residents because local taxes alone for the owner of a median Fairfield home (~$600,000) now exceed $11,000. According to our Tax Assessor, around 5,000 of our property owners paid their third and fourth-quarterly tax installments before the end of 2017. The 5,000 residents who just prepaid represent approximately 1⁄4 of all our residential taxpayers.

3. **The State's Deepening Fiscal Crisis** – Connecticut still faces a serious and deepening financial crisis, the consequences of which are likely to include:

   - Higher state taxes in one form or another, on **income**, on **purchases**, on **property** and/or on **users**, including highway tolls;
   - Continued weak growth in the economy, jobs and incomes;
   - The loss of municipal aid from the state for both operations and school construction;
   - The increasing possibility that towns will have to bear directly some of the cost of teacher retirement benefits; and
   - Further downward pressure on home values, which reality is causing many town residents to flee this Town and our State.

4. **Our Tax Base is Eroding** – We have just lost approximately $2 million ($1.7) in real estate taxes when GE left Fairfield. In addition, the market value of all the taxable property in Fairfield is down **10%** from its 2011 peak (to $15.4 billion from $17.2 billion), and home values remain under pressure, particularly at the higher end of the market. A recent Moody's Analytics report estimates that **Connecticut's** average home values are likely to decline **5.6%** this year because of the federal tax reform, and **Fairfield County**, with an expected **7.9%** impact, ranked **#21** on Moody's list of all U.S. counties most affected by the tax changes. Meanwhile, with a **23%** office vacancy rate in Fairfield County[ii] (Stamford is at

27%) and retailers downsizing due to e-commerce, there is little hope that we can significantly increase our commercial tax base in the near future.

For all of the aforesaid reasons, I believe it is irresponsible to approve continued increases in wages and benefits for public employees at 3%-4% annually. Unless we exercise fiscal restraint now, **<u>and share the pain in dealing with this financial crisis</u>**, we are putting the long-term interests of the Town at risk along with the quality of all our public services.

Finally, I will briefly respond to some of the counter-arguments that have been offered.

1. Some argue that **we should ignore the salary increases due to so-called "step increases" because they would have happened anyway.** For those not familiar with the term, these "step increases" pay teachers more in each of their first 20 years on the job based solely on longevity. My response is that "***an increase is an increase***" no matter what you call it, and both "steps" and "general wage increases" are open to negotiation, as is obvious in the terms of the contract we are being asked to approve.

2. Some argue that **we have no choice because other towns pay teachers more and we are not competitive**. My response is that no evidence has been offered that FPS has greater employee turnover than other school districts due to compensation issues. It may be true that we will lose a physics teacher or a math teacher to another school district, however that possibility does not warrant an overall general increase across the board in compensation to all teachers.

3. Some argue that **we have no choice because if we go to binding arbitration we will lose.** We have even been warned that the cost of binding arbitration could be twice the $90,000 it cost us last time. My response is that this may be true, but if no representative town body in Connecticut has the courage to say "stop," the unions will continue to ratchet up compensation by demanding that Fairfield pay more, because Weston, paid more because Redding paid more, because Branford paid more, and so on, forever. **Passing the buck must stop somewhere.**

4. Some argue that **we should assume that actual labor costs will probably increase less than the rates we are being asked to approve**. My response is that although this may be true, we have no idea what the cost to our children will be of the need to find offsetting savings, and that the possibility of offsetting savings does not justify granting compensation increases that are not affordable or sustainable. Will we have to cut classes in music or sports programs?

5. Some argue that **we are allowed to reopen this contract if the State makes us pay teacher pension costs**. My response is that although this may be a good provision in the contract, unfortunately, we are not allowed to reopen this contract if the State imposes higher education costs on towns like Fairfield in any other way, which is more likely.

In conclusion, I will not be voting in favor of this contract because it is too rich and is not in the best long-term interests of our Town . . . of our great school system . . . and of all our other great public services. Connecticut is in trouble because it has allowed spending to grow faster than what taxpayers were able and willing to pay, including overly generous compensation for state employees. Let's not make **the same mistake here** in Fairfield by locking in higher labor costs for the next three years at a time of great economic uncertainty. Thank you.

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i https://ctmirror.org/2018/01/15/report-personal-income-in-ct-long-lagging-fell-last-fiscal-year/

ii http://www.cushmanwakefield.com/~/media/marketbeat/2018/01/Fairfield_Americas_MarketBeat_Office_Q42017.pdf

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