

Statement by Eldridge Hawkins, Jr., Mayor, City of Orange and Chair of the League of Municipalities Management Reform Committee

S-2937

**Presented to Senate Budget and Appropriations Committee
Thursday, June 16, 2011**

Mr. Chairman and Members of the Senate Budget and Appropriations Committee thank you for the opportunity to appear before you today.

The League of Municipalities has long advocated for pension and health benefit reforms. While pension and health benefit costs are one of the main cost drivers for municipal budgets, they are generally outside the municipality's control. These costs serve to drive up local costs which in turn force cuts elsewhere in the budget, often to valued and vital public services.

We believe that pension and health benefit reform must be done together.

Since the passage of the 2% hard cap last July, nearly every municipality in the State has undergone a budget process without the overwhelming majority of the management reforms tools that were promised. Many have been forced to severely reduce vital services including public personnel reductions and make other difficult and often draconian budget choices.

Pension and Health Care reforms are very difficult issues to tackle in a manner that ensures the financial solvency of the pension so it will exist in the future without over burdening municipalities and tax payers. We applaud the bipartisan efforts of those who can craft such legislation which would accomplish this while protecting our current retirees and grandfathering those eligible for retirement by not breaking our commitment to them.

Local governments over the course of recent history have negotiated health benefit cost savings through collective bargaining. They implemented employee co-pays, premium cost sharing, caps on obligations and restricted post-retirement health benefits by ending coverage at age 65, at which time Medicare takes over. There are many direct savings which local governments have realized. However, without legislation these savings are not across the board.

We believe that S-2973 is the comprehensive reform for which we have long advocated.