

# Higher Education and Employment Advancement Committee

## JOINT FAVORABLE REPORT

**Bill No.:** SB-8

AN ACT CONCERNING THE UNFUNDED PENSION LIABILITY PORTION OF THE FRINGE BENEFIT COST FOR EMPLOYEES OF THE CONSTITUENT

**Title:** UNITS OF THE STATE SYSTEM OF HIGHER EDUCATION.

**Vote Date:** 3/3/2022

**Vote Action:** Joint Favorable Substitute Change of Reference to Appropriations

**PH Date:** 2/17/2022

**File No.:**

***Disclaimer:** The following JOINT FAVORABLE Report is prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and does not represent the intent of the General Assembly or either chamber thereof for any purpose.*

### SPONSORS OF BILL:

Higher Education and Employment Advancement Committee

### REASONS FOR BILL:

To allow the State Comptroller to alleviate difficulties associated with debt in higher education by funding the unfunded pension liability portion of fringe benefit costs.

Substitute language:

- Lines 11-15: added to expand funding to retiree pension and health care

### RESPONSE FROM ADMINISTRATION/AGENCY:

[Terrence Cheng, President, Connecticut State Colleges and Universities \(CSCU\)](#): President of the Connecticut State Colleges and Universities, Terrence Cheng, submitted testimony in support of [S.B. 8](#) by contending that it "would have a significant positive impact on the Connecticut State Universities, as well as UConn and UConn Health Center." Mr. Cheng described how in fiscal year 2020, "the schedule for amortizing unfunded pension liability required the total payment of \$1.38 billion to increase by almost 30% to \$1.79 billion in 2023 and thereafter," and thus would mean an increase in unfunded liability payments. Concluding his testimony, Mr. Cheng described how [S.B. 8](#) would provide relief to this issue, especially for students, as it would "strengthen public higher education across the state, and allow us to dedicate our resources more fully to student success."

[Jeffrey Geoghegan, Chief Financial Officer, UConn Health](#): Jeffrey Geoghegan submitted testimony in support of [S.B. 8](#), explaining how Connecticut's "unfunded pension and healthcare liabilities (legacy costs)" are becoming an issue at institutions of higher education

across the state. Specifically, this issue is impacting the University of Connecticut's competitiveness and the costs are resulting in budget deficiencies. Not only would passing [S.B. 8](#) provide a comprehensive solution to these issues, but it would also help alleviate the debts associated with additional fringe costs. Mr. Geoghegan asked for an amendment to be made that would recognize "the total unfunded legacy costs are those costs above and beyond the normal fringe costs for our current employees charged to public higher education institutions and covered by the state for all other state agencies." Due to the projected increase in legacy costs in the future, [S.B. 8](#) would "fulfill [UConn Health's] public mission to our state residents."

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

[Michael Bailey, Executive Director, UConn-AAUP](#): Michael Bailey submitted testimony in support of [S.B. 8](#) while discussing the issues surrounding "accrued unfunded liability" by outlining two major problems. High fringe rates are causing an (1) increase in costs in educating students, as well as (2) an increase in costs for professors to conduct research at the University of Connecticut, thus making these "researchers less productive and less competitive for federal grant money." In Connecticut, higher education institutions are in a unique position because they are not supported by the state itself, but are relying "increasingly on non-state support." To conclude his testimony, Mr. Bailey stated that "Through a combination of bad luck and bad policy," the State of Connecticut has managed to accumulate a substantial amount of pension debt, and that while [S.B. 8](#) is only "one small step, it will have a significant impact" on higher education in Connecticut.

[Thomas Bontly, Associate Professor of Philosophy and Past President, UConn-AAUP](#): Thomas Bontly submitted testimony in support of [S.B. 8](#) by expressing that it is "possibly Connecticut's 'last best chance' to solve the unfunded liability problem." Due to the amount of debt that has grown in previous years, this has had a noticeable effect on the University of Connecticut, evident by the "larger class sizes, bigger tuition increases, and a general drag on [its] researchers' ability to compete for federal grant support." With Connecticut's projected surplus, a portion of this money should be directed to higher education, and especially towards the issue of unfunded liabilities. One problem for UConn, in particular, is the difficulty in attracting and retaining researchers due to the incorporation of unfunded liability charges onto the fringe rates. These "Inflated fringe rates" result in less grant revenue, and overall, "generally less capacity for UConn to serve as an economic engine for the state." Mr. Bontly concluded his testimony by maintaining that [S.B. 8](#) could accomplish a great deal by shifting "the burden of the state's unfunded liability off of the University [of Connecticut] and its students and onto the general fund."

[Ibrahim Elali, President, UCHC-AAUP](#): Ibrahim Elali, an Assistant Professor of Medicine at UConn Health, submitted testimony in support [S.B. 8](#) by specifying that UConn Health is required to fund fringe costs through clinical and federal research grant revenue, as well as tuition. In other agencies throughout the state, however, "the state covers 100% of the salary costs." In concluding his testimony, Mr. Elali offered an amendment to [S.B. 8](#), specifically to the first section, in which "the fiscal year ending June 30, 2023, and for each fiscal year thereafter, the Comptroller shall fund the retiree pension and retiree health care liability portion of the fringe benefit costs for all employees of the constituent units of the state system of higher education."

[Bill Garrity, President, University Health Professionals AFT](#): Bill Garrity offered testimony in support of [S.B. 8](#) by claiming that the "burden being placed" on UConn Health, as well as other institutions of higher education in Connecticut, "is not sustainable." Because grant awards are not increased to cover Connecticut's high fringe rates, the funds must come out of the researcher's budget, and thus leads to "post-doctoral fellows, Research associates and Research assistants not having jobs." Mr. Garrity also requested that the Comptroller expand funding to retiree pension and health care and concluded his testimony by adding that, "State employees...have, over the years, kept up our end of the bargain. We ask that you do the same."

[Laura Haynes, Professor at the Center on Aging, Department of Immunology, UConn Health](#): Laura Haynes submitted testimony in support of [S.B. 8](#) by illustrating that her research is funded by grants from the National Institute of Health, but due to "the high fringe benefit rates for employees at UConn Health," there has been a decrease in the amount of experiments proposed for each grant. High fringe benefit rates put Connecticut colleges and universities at a disadvantage because "our competitors do not have to deal with this issue." The result of these costs is that the research that is done "is not as robust and cutting edge when compared to our competitors," and the chances of receiving funding from the National Institute of Health in the future is diminished. In concluding her testimony, Ms. Haynes offered an amendment to [S.B. 8](#), specifically to the first section, in which "the fiscal year ending June 30, 2023, and for each fiscal year thereafter, the Comptroller shall fund the retiree pension and retiree health care liability portion of the fringe benefit costs for all employees of the constituent units of the state system of higher education."

[John Malfettone, Chairman, UConn Strong](#): John Malfettone offered testimony in support of [S.B. 8](#), explaining that as Chairman of UConn Strong, which is "an organization committed to ensuring the continuation of UConn's positive contribution to the state's economy," the issue of high fringe rates is "perhaps the most important budget issue facing" the University of Connecticut "in 2022 and beyond." The issue of unfunded pension and healthcare liabilities being charged to UConn is "a serious problem," and these costs are preventing the University from "reaching its full potential as an economic engine for the state." In order to fund these costs, UConn uses tuition and fee dollars, which is "money that should instead be going directly to funding our students' educations." This affects students, families, and researchers, and has a detrimental affect on funding for grants. Therefore, [S.B. 8](#) would allow UConn to "maximize their impact on the state's economy, beyond the \$5.3 billion already injected into the state's economy, as noted in the UConn Impact Report, released in 2020."

[Ion Moraru, Professor of Cell Biology, UConn Health](#): Ion Moraru, Principal Investigator and Co-Director of the Center for Reproducible Biomedical Modeling, submitted testimony in support of [S.B. 8](#). The Center for Reproducible Biomedical Modeling "is a National Biotechnology Resource Center funded by a six-year grant" from the NIH. According to Mr. Moraru, a salaried position, which was funded by this grant, was initially supposed to be hired through UConn Health, but because of the high fringe benefit rates that are imposed on research, UConn Health "could not meet the dollar cap on the grant award and the position was moved from the UConn Health budget to the Mount Sinai budget." As a result of this, both UConn Health and the State of Connecticut "lost approximately \$1.4 million in federal funds...to Mount Sinai and the State of [New York]." In addition to this, had the State of Connecticut funded fringe costs appropriately, "in this particular case it would increase state expenditures only by about \$165,000 (total over the five-year period)." This example shows

how high fringe benefit rates place the State of Connecticut in "a losing position." In concluding his testimony, Mr. Moraru offered an amendment to [S.B. 8](#), specifically to the first section, in which "the fiscal year ending June 30, 2023, and for each fiscal year thereafter, the Comptroller shall fund the retiree pension and retiree health care liability portion of the fringe benefit costs for all employees of the constituent units of the state system of higher education."

[Colena Sesanker, Professor of Philosophy, Gateway Community College](#): Colena Sesanker submitted testimony in support of [S.B. 8](#) by expressing that as a graduate of the University of Connecticut, there are significant financial challenges that are imposed on students and professors due to legacy costs. In concluding her testimony, Ms. Sesanker maintained that although institutions of higher education "have had significant relief from the state in the last few years," she wishes to see this trend continue into the future.

#### **NATURE AND SOURCES OF OPPOSITION:**

None Expressed for Senate Bill 8.

**Reported by: Austin Hyatt**

**Date: 3/7/2022**