

Higher Education and Employment Advancement Committee

JOINT FAVORABLE REPORT

Bill No.: HB-6564

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: 3/7/2023

Vote Action: Joint Favorable Change of Reference to Appropriations

PH Date: 3/2/2023

File No.:

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SPONSORS OF BILL:

Higher Education and Employment Advancement Committee

REASONS FOR BILL:

This bill will require the State Comptroller to fund the unfunded pension liability portion of fringe benefit costs for employees of the state system of higher education. State universities currently bear responsibility for funding this portion of fringe benefit costs for non-block granted employees, and proponents of this bill argue that these costs negatively impact Connecticut's institutions of public higher education and their students. This bill aims to remove this financial burden by shifting responsibility for funding these costs to the State Comptroller.

RESPONSE FROM ADMINISTRATION/AGENCY:

[Connecticut State College and University System, President, Terrence Cheng](#): CSCU is in favor of this bill because the costs associated with the unfunded pension liability portion of fringe benefits drive up tuition and fees for students and their families and operational costs for the institutions. This year, \$68 million in student tuition and fees will go towards paying these fringe benefits within the CSCU system. Higher fringe rates make CSCU institutions less competitive for grant opportunities and result in a significant portion of outside funding going toward these unfunded pension liability costs rather than toward instruction, research, or support services. This bill would reduce CSCU's burden in paying for these costs, which will help maintain tuition and fees at current rates and avoid staffing or other spending cuts.

[University of Connecticut, CFO, Jeffrey Geoghegan](#): Supports this bill as it will remove undue the financial burden that these legacy fringe costs place on UConn, increase research grant and clinical competitiveness, and ensure that students tuition wholly goes towards supporting academics rather than helping to cover fringe costs. It was stated that these legacy state liabilities are not costs that UConn created or have any control over and that UConn cannot afford to pay anymore. These fringe costs are estimated to charge UConn and UConn Health \$108.7M in FY24 and \$113.2M in FY25. Shifting responsibility for these costs to the State Comptroller will alleviate these financial burdens as well as having positive effects on the university's research grant and clinical competitiveness by reducing budget and operational costs, respectively. It was suggested that the bill be amended to have the State Comptroller cover unfunded retiree health care liability as well.

NATURE AND SOURCES OF SUPPORT:

[UConn American Association of University Professors, Executive Director, Michael Bailey](#): states these fringe benefit costs are largely due to the legacy of decades of underfunding of pension and retiree healthcare plans, and that UConn and UConn Health are estimated to pay \$108.7M in FY24 and \$113.2M in FY25 to cover these legacy costs. Inflated fringe rates drive up the cost of students' education and the cost of research, which makes our institutions less competitive in attaining grants. The UConn research fringe rate is, in some cases 30% higher than peer institutions who we compete with for grants; this has resulted in UConn continually losing grant-funded scientists who have left for competing institutions. He further stated that although he supports this specific bill, he does not support the Governor's proposal which would swap UConn's responsibility in paying for legacy costs with other fringe benefit costs, which would benefit competing for research grants but merely makes it a net-neutral exchange of costs.

[Connecticut Employees Union Independent, President, Carl Chisem](#): Mr. Carl Chisem states that shifting responsibility for these fringe benefit costs to the State Comptroller will help protect workers from universities using arbitrarily calculated fringe rate numbers as justification to privatizing service job. He referenced an incident where UConn used fringe rate numbers that were 40.6 percentage points higher than the State Comptroller's suggested rate, as justification to privatize numerous custodial positions at UConn's athletic facilities.

Several speakers spoke on how universities bearing the responsibility for high fringe rates places undue financial burden Connecticut's institutions of public higher education and makes them less competitive for research grants.

- [Elizabeth Cowles, Professor, ECSU](#)
- [Ed Hawthorne, President, Connecticut AFL-CIO](#)
- [Stan Kurkovsky, Professor, CCSU](#)
- [Sarah Maurer, Professor, CCSU](#)
- [Jennifer Piatek, Professor, CCSU](#)
- [Haoyu Wang, Professor, CCSU](#)

NATURE AND SOURCES OF OPPOSITION:

[JiongDong Pang, Chemistry Department Faculty, SCSU](#): Ms. JiongDong Pang states that moving responsibility for fringe benefits to the State Comptroller while simultaneously cutting the general operating budget of the state's universities puts CSCU at a disadvantage when faculty apply for external funding and research grants. It was further stated that this approach will result in unintended negative consequences.

[Yankee Institute, Frank Ricci, Fellow](#): Mr. Frank Ricci states that Connecticut taxpayers cannot afford to repeatedly bailout and increase funding to UConn and UConn Health, and that doing so will only incentivize the behaviors that has made Connecticut unaffordable to begin with. He further stated that UConn has an appetite for tax dollars with no desire to enact cost controls to better their financial situation. He suggested that the legislature repair the pension system by amending the law to prohibit "supercedence," which allows state union contracts to override state laws, and to increase transparency in decisions related to state union contracts.

Reported by: Arthur Newberg

Date: 3/23/2023