



Hartford, Connecticut Faces Default

As Hartford, Connecticut struggles to maintain its fixed costs, particularly its union liabilities, Moody's Investor Service [issued](#) a dire warning to lenders last Thursday that Hartford will likely default on its debt by November if it does not take drastic actions.

The city of Hartford has more than \$500 million in outstanding debt, some of which is the result of expensive benefits for government workers. Fox News reports, "The cash crunch is years in the making, and the latest example of local and state governments feeling the pinch from past political promises, including salary increases and benefits for government workers."

Moody's downgraded Hartford's bond rating into "junk" territory in October 2016 and has continued to downgrade the city's rating since then, including just last month. Moody's contends that Hartford could soon reach deficits of nearly \$80 million a year if the city does not make dramatic changes.

Moody's warned, "Revenues are not keeping up with the growth of these expenditures and highlight the need for concessions from three primary stakeholders — bondholders, the state and labor unions — to achieve financial sustainability."

According to Moody's, Hartford is bogged down by high labor costs resulting from "decades of contractual salary increases and employee benefits," which include health insurance, pension payments, and workers compensation.

Hartford Mayor Luke Bronin claims the city is now seeking "unprecedented" concessions from the unions and slashing personnel and services in order to prevent a debt default.

"Since taking office last year, I've made clear that I'm not willing to kick the can or raise taxes any higher, because it's time for us to fix the underlying problem, not fake it to buy some time — and the Moody's report reinforces why that's so important," Bronin told Fox News.

Unfortunately, public unions have used collective-bargaining privileges to hold cities and states over a barrel. In order for cities like Hartford to avoid a similar financial crisis, lawmakers must seek legislation that limits collective-bargaining privileges and punishes unions that participate in illegal strikes. Even progressive President Franklin D. Roosevelt [recognized](#) that limitations should be applied to public unions, having observed:

All Government employees should realize that the process of collective bargaining, as usually understood, cannot be transplanted into the public service. It has its distinct and insurmountable limitations when applied to public personnel management.

The very nature and purposes of Government make it impossible for administrative officials to represent fully or to bind the employer in mutual discussions with Government employee





organizations.

Particularly, I want to emphasize my conviction that militant tactics have no place in the functions of any organization of Government employees.

A strike of public employees manifests nothing less than an intent on their part to prevent or obstruct the operations of Government until their demands are satisfied. Such action, looking toward the paralysis of Government by those who have sworn to support it, is unthinkable and intolerable.

Moody's suggests that the Connecticut General Assembly write legislation that would open up the arbitration process and allow for contract renegotiations, the *Hartford Courant* reports.

Hartford's high taxes have failed to help the city remain afloat and, in fact, have served to worsen the city's financial situation. The city lost two major corporations that were crucial to Hartford's economy as a result of the city's high taxes: Aetna, Inc. and General Electric.

Mayor Bronin contends that the city has two options — dramatically reduce its fixed costs, or seek a partnership with the state to help pull Hartford out of dire straits.

"No matter what's in the state budget this year, any truly sustainable solution is going to require the participation of all of our stakeholders, including labor and bondholders — and that means we're going to have a lot of tough, important work left to do," Bronin told Fox News.

Unfortunately, Connecticut is not in a position to offer much assistance. According to Fox News, the state was also downgraded by S&P Global Ratings, Moody's, and Fitch this year. Connecticut's deficit has reached \$5 billion and it is considered to be the third worst-rated state in the nation.

Mayor Bronin has requested \$40 million from the state to help offset the city's deficit. But as noted by Moody's analyst Nicholas Lehman, turning to the state for help is a short-sighted answer devoid of long-term solutions.

In fact, Moody's asserts that the only viable long-term solution would be a restructuring of the city's costs, a point that has not been lost on Mayor Bronin.

"Any adequate and sustainable solution is going to require the partnership and participation of all of our stakeholders," Moody's wrote.

The Connecticut General Assembly is in the process of drafting a bipartisan budget that includes a bailout for Hartford to help the city avoid bankruptcy. But lawmakers recognize that a bailout will only serve to get the city over its immediate hurdle and that the city will have to correct its structural problems to prevent another crisis.

"Clearly there have been long-term system problems with its finances, and there needs to be greater accountability," said spokesman for Connecticut House Republicans, Pat O'Neil.

Photo of downtown Hartford, Connecticut



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