

**Testimony from Brian M. Daniels, Executive Director**  
**In Opposition to H5437, Continuing Contract Legislation**  
**House Committee on Labor**  
**February 27, 2019**

Thank you, Madam Chair and members of the committee, for the opportunity to testify. On behalf of the League of Cities and Towns, I would like to reiterate our strong opposition to any legislation mandating contract continuation for municipal employees. As I said in the hearing in January for police and firefighters, contract continuation would limit the control of municipal leaders over their budgets and ultimately lead to higher property taxes. With personnel costs as much as 75% of municipal expenditures in some communities, the General Assembly should not be making it harder for local officials to balance their budgets.

To underscore those earlier points – contract continuation legislation would tie the hands of local elected officials when negotiating in the best interests of their taxpayers. The expiration date of collective bargaining agreements is important – it motivates the parties to come together and resolve their issues prior to the close of the contract. In nearly all cases in Rhode Island, when the parties do not complete negotiations prior to the contract expiration, they mutually agree to extend the existing contracts temporarily – a gesture by both sides to maintain dialogue and good working relations. Supporters have cherry-picked a few high-profile examples in the last decade to justify the need for this bill, but it is worth reiterating that these are the exceptions and not the rule. In the vast majority of municipal contract negotiations, management and employee unions mutually agree to extend the existing agreement for a limited period of time to complete negotiations.

If employee unions are concerned that they do not have the legal authority to extend contracts voluntarily, then we support legislation that allows temporary contract continuation at the agreement of all parties. Two years ago, the League supported legislation allowing that voluntary extension authority for firefighter contracts (H5973 / S0288). The Governor signed those bills into law, and we would support similar legislation for municipal employees and teachers.

Supporters have cited a decision by the East Providence School Committee to reduce employee compensation during the Great Recession as a justification for this bill. However, that decision was made when the school district was facing a massive deficit – which is prohibited by state law – and the city was in dire fiscal straits. The Superior Court later upheld that decision because of the unique circumstances. If the General Assembly expects cities and towns to live within their

budgets and not to exceed the property tax cap – particularly during a recession – then it needs to allow communities to make difficult decisions when necessary.

In the Governor's veto message of this same bill in 2017, she noted the adverse impact of perpetual contract continuation in places like New York. During the Great Recession, a majority of labor contracts expired but were not renegotiated, with labor unions deciding to stall negotiations instead of making concessions. This impasse forced municipalities to cut services and raise taxes. Rhode Island already has one of the highest property tax burdens in the country, and local leaders have been working to use taxpayer dollars responsibly. Statewide, property taxes have grown at just around 2% annually for the last five years, even while personnel and health care costs have grown. However, when the next recession comes, if current contract provisions are locked in indefinitely, municipal leaders will have very few options to control costs. Again, with personnel costs totaling as much as 75% of municipal budgets, perpetual contracts leave precious few options for local officials other than service cuts or property tax increases.

It is worth reiterating that most municipal leaders have good working relationships with their employees and support harmonious labor negotiations. We understand that contract negotiations often need additional time, which is why the League supports temporary contract continuation when agreed to by both sides. Unfortunately, the bill today would go too far and provide an advantage to employees at the expense of taxpayers. We urge the committee to oppose H5437.