

Testimony from Brian M. Daniels, Executive Director
In Opposition to Expansion of Binding Arbitration (H5260)
House Committee on Labor
February 6, 2019

Thank you, Madam Chair, and members of the committee. The League of Cities and Towns strongly opposes H5260, which would expand bargaining arbitration for teachers and municipal employees to include monetary issues. Personnel is the largest component of municipal budgets, representing more than 75% of budgets in some communities. Passing this legislation could give unelected arbitrators significant control over municipal budgets, with no recourse for taxpayers.

As the committee is likely aware, most cities and towns require local councils to approve collective bargaining agreements. This protection is intended to ensure that contractual promises do not exceed available dollars. It also provides an important balance between the needs of employees and taxpayers. However, an arbitration decision does not need to be ratified by a city or town council, which means that arbitration awards on wages or benefits could blow a hole in local budgets, increasing the likelihood of higher taxes or service reductions.

The League's members believe that the current binding arbitration process is lengthy and expensive. We should be reforming it instead of expanding it. Binding arbitration was intended to be a rapid way of resolving impasses in contract negotiations. Instead, it has become a lengthy process that is inefficient and costly to taxpayers. And though the law states that an arbitration board must consider a community's ability to pay, that designation is often in the eye of the beholder.

- Nothing in current law requires a fiscal impact statement telling the public or local officials what the cost of an arbitration decision is to taxpayers.
- Nothing in law requires an arbitration panel to remain within budgeted levels. For that reason, an arbitration award could place a town's budget in deficit in the middle of a fiscal year.
- Nothing in law prevents arbitrators from requiring that a community use its accumulated surplus to pay for awards. The municipal fund balance is an important reserve to protect communities in emergency situations. It is considered by bond rating agencies as an indicator of fiscal health and should not be used for ongoing personnel or operations.

I have heard the argument that relatively few contract negotiations actually go to arbitration and so that we should not worry about this legislation. Ironically, that is a reason to oppose the bill. In reality, when negotiating police and fire contracts, municipal leaders are often between a rock and

a hard place. They may need to choose between two bad options: a tentative contract agreement that is more generous than the community can afford – or possibly an even worse outcome if they go to binding arbitration, which can take months and entail significant legal fees. This dilemma shows us that the current system is broken and is not operating as originally intended.

We should not be expanding a broken system and, for that reason, we strongly oppose H5260. The League expects to put forth a proposal to address some of the binding arbitration concerns we have raised, and we hope to continue this conversation with the Committee. Thank you for your consideration of our views.