



Distinctive Communities  
Powerful Alliance

May 9, 2019

The Honorable Gina M. Raimondo  
Governor  
State of Rhode Island  
State House  
Providence, RI 02903

Dear Governor Raimondo:

Thank you for taking the time yesterday to meet with municipal leaders and hear their strong opposition to contract continuation legislation (H5437A / S0512A) and firefighter overtime legislation (H5662, H5663 / S0747, S0748). They appreciated the opportunity to explain the dire operational and fiscal impacts on their communities and local property taxpayers if these bills became law. Because we had a wide-ranging discussion, I wanted to reiterate the key points made by those present, particularly with regard to contract continuation.

First, our members are clear that the current legislation in no way represents an improvement over the version you vetoed in 2017, as reported in today's Providence Journal. Nothing stated in yesterday's meeting should be interpreted in that way. The new legislation clearly states, "While the parties are engaged in negotiations and/or utilizing the dispute resolution process as required [in law], all terms and conditions in the collective bargaining agreement shall remain in effect." Only at the end of a lengthy mediation and arbitration process would the "wages and benefits" provision take effect. In other words, a city or town would be forced to honor all previous contract terms for as much as a year or longer, spend tens of thousands of taxpayer dollars on legal fees for mediation and arbitration, and still lack leverage at the end of the process to gain concessions on wages and benefits. While the wording of the legislation makes a gesture towards satisfying your stated desire for a "different" bill, there is no substantive difference.

Second, as you heard from several members, there is no dispute that personnel costs will increase during the contract continuation period even if wages remain flat. As with the state budget, spending on health care, pension and retiree health benefits is a major and growing component of personnel costs in our communities. Rising health care costs and increasing pension and retiree health plan contributions will mean higher personnel spending even if wages are flat. If employees do not come to the table to increase cost-sharing or reduce benefits, the taxpayer will bear that growing burden during the contract continuation period.

As you know, cities and towns face significant and increasing pension and other legacy costs that threaten to crowd out spending on important services such as schools, public safety and roads. Cities and towns with locally administered pension plans face \$2.5 billion in unfunded liabilities, while communities also face \$2.5 billion in other post-employment benefits (OPEB) obligations, such as retiree health. These benefits – many of which were promised decades ago – were

established through the collective bargaining or arbitration processes, making them very difficult to change. As you heard, our municipal leaders have steadily worked to reduce that liability through the negotiation process, but contract continuation will make their work even harder.

Finally, the current legislation does not meet the conditions you established in your 2017 veto message. As previously noted, the legislation does not apply only to wages and benefits, as the bill's advocates have claimed. In your veto message, you cited Massachusetts' contract continuation law as a model to emulate:

“This session, a compromise bill was passed that allows for the continuation of firefighters' contracts by mutual agreement of the parties. I signed that bill into law. Notably, Massachusetts has this same compromise language for teachers and municipal employees that we just adopted for firefighters – contracts continue by agreement of the parties.”

The League has supported this approach to contract continuation because nearly all municipal leaders and employee union representatives already agree to temporary contract extensions while finalizing negotiations. Your veto message also mentioned Connecticut's law, which allows only wages and certain benefits to continue. Unfortunately, H5437A and S0512A do not follow those models. We recognize that your office has worked assiduously to improve the legislation, but public sector unions have successfully advocated to the General Assembly that all terms and conditions should continue automatically.

In our meeting, you recognized the challenges that cities and towns face in balancing their budgets. Like you, our local officials are working to deliver government services efficiently while protecting the taxpayers. Because of careful municipal fiscal management, the average annual property tax increase has been about 2% for the last five years – well below the annual 4% cap authorized by law.

It is clear that this contract continuation legislation poses a grave threat to that progress. If a recession occurs, it will be harder to gain concessions from employees. Your 2017 veto message specifically noted that a contract continuation law in New York led to a majority of labor contracts not being renegotiated during a period of fiscal distress. You wrote, “Labor had little incentive to come to the bargaining table and negotiate in earnest, and as such municipalities were forced to find cuts elsewhere and raise taxes. With a similar law on our books, how could we expect any different result?” We agree. You heard from our members about the challenges they already face in negotiations. Contract continuation will only make that work harder, and the burden on the taxpayers even greater.

Again, we appreciate your ongoing support for cities and towns and thank you for taking the time to understand the serious concerns of our municipal leaders.

Sincerely,



Brian M. Daniels  
Executive Director