



CITY OF PROVIDENCE

Jorge O. Elorza, Mayor

February 2, 2022

The Honorable Anastasia Williams
Chair, House Committee on Labor
Rhode Island State House
82 Smith Street
Providence, RI 02903

Dear Chairperson Williams and Members of the Committee on Labor,

On behalf of the City of Providence, I must respectfully oppose House Bill 7198, which would expand bargaining arbitration for 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 would give unelected arbitrators even greater control over municipal budgets, with no recourse for taxpayers. Municipal leaders are best equipped to work with their employee unions to determine wages, schedules, pension and healthcare contributions, and other changes to work conditions, not an outside arbitrator.

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.

There are practical implications to how binding arbitration would work in this case. If a town and its municipal employees cannot come to agreement on wages or other monetary matters, a panel of unelected arbitrators would decide. The bill states that arbitrators should look to the pay scales in other cities and towns "of comparable size." However, it does not require the arbitrators to consider the specific budgetary outlook of the city or town. As a result, some "comparable" cities and towns may not be so comparable. Rhode Island has a lower per capita income than Massachusetts, Connecticut or New Hampshire. If an arbitrator uses these comparisons, cities and towns would be providing wages that their tax bases cannot afford.

Unfortunately, the greatest impact of expanded binding arbitration would ultimately be increases in property taxes. Rhode Island cities and towns raise about two-thirds of their revenues from local taxes and fees, with the remainder coming from the state -- primarily for schools. Of the locally raised revenues, about three-quarters comes from the property tax, and the rest from various fees. As a result, if costs go up because of arbitrator awards, cities and towns would be forced to raise property taxes. Rhode Island



CITY OF PROVIDENCE

Jorge O. Elorza, Mayor

communities already have the eighth highest property tax burden per capita, and we cannot afford to go any higher.

Arbitration should be a last resort, not automatically built into the negotiation process. For these reasons, the City of Providence opposes House Bill 7198.

I am grateful for your consideration.

Sincerely,

Mayor Jorge O. Elorza