

**Testimony from Brian M. Daniels, Executive Director
In Opposition to Expansion of Binding Arbitration (H5406)
House Committee on Labor
March 1, 2021**

Thank you, Madam Chair and members of the committee, for the opportunity to testify. The League of Cities and Towns strongly opposes H5406, 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.

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 several concerns with expanding binding arbitration rights to wages and monetary issues. The scope of this legislation includes not only municipal employees, but also school system employees who are not certified teachers. Combined with binding arbitration for public safety officials, a substantial component of municipal budgets could be locked in by binding arbitration awards, which means city and town councils would lose authority over the budgets that the residents elected them to manage.

There are also 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 communities already have the 9th highest property tax burden per capita, and we cannot afford to go any higher.

The League's members believe that the current binding arbitration process is lengthy and expensive. We should be reforming it instead of expanding it and giving more power to unelected arbitrators. For these reasons, the League and its members are opposed to H 5406. Thank you for your opportunity to testify.