



Hon. Gina M. Raimondo
Governor of the State of Rhode Island
Rhode Island State House, 222
Providence, RI 02903

May 8, 2019

Re:

- S. 372 – Municipal Police Contracts
- S. 376 – Firefighters' Arbitration
- S. 512 – Continuance of Contractual Provisions
- S. 747 – Relating to Labor and Labor Relations – Minimum Wages
- S. 748 – Relating to Labor and Labor Relations

Dear Governor Raimondo,

The undersigned members of the Rhode Island Business Coalition would like to express our opposition to the legislation listed above and their companion bills, some of which we anticipate will pass the General Assembly and be transmitted to you in the coming days. We respectfully urge you to veto this legislation which will, once enacted, create significant pressure to raise property taxes across the state. In doing so, the legislation will threaten any progress that has been made during your tenure as Governor to create a more business-friendly environment for Rhode Island.

The first three bills and their companions would provide for collective bargaining contracts with municipal police officers, firefighters, municipal employees, and certified school teachers to continue until a successor agreement has been reached or an interest arbitration award has been rendered. The last two bills would prohibit cities, towns, and fire districts from setting the regular work hours for firefighters at longer than 42 hours per week and would require that firefighters be paid at a rate equal to 1.5 times their regular rate if their workweek exceeds 40 hours. S. 748 would remove the overtime exemption for municipal firefighters and rescue service personnel from law.

The argument against the contract extension bills is clearly stated in your veto message of this legislation in 2017:

“Never-ending contracts [...] will lead to higher costs to taxpayers, as they would make it more difficult for municipal leaders to deal with changing economic circumstances, rising costs or large deficits, and employees would have no incentive to renegotiate a contract if they expected significant concessions on wages, health care or working conditions...Current Rhode Island law prohibits a municipality from signing a labor contract that extends for more than three years. There is good reason why this is our current practice. This law protects the taxpayers from being obligated indefinitely for contract provisions that, in the future, may not be affordable.”

Nothing has changed since then. Like the legislation you vetoed in 2017, the contract continuance proposals would severely undermine the ability of municipalities to modify their cost structures, especially given that personnel costs make up the bulk of municipal budgets. If these bills were to become law, a substantial portion of municipal budgets would be controlled not only by the arbitration process, but also held up by contract continuance without any modifications, regardless of the fiscal needs or conditions in the community.

While the flaws in this legislation are clear and extremely damaging, the package also fails to make any substantive changes, a condition you set in vetoing the practically identical predecessor bill in 2017. If anything, the subsequent changes have made this year’s legislation even worse. Under this year’s legislation it could take months, if not years, to resolve a contract dispute, during which time municipal management would be impotent to impose necessary and appropriate modifications in furtherance of the taxpayers’ expectation of rational, fiscally sound public employment practices.

S. 747 and S. 748 and their companions would seriously undermine the ability of municipalities to modify their cost structures. Municipalities would not be able to employ a three-platoon system, in which a 56-hour workweek is standard. In contrast to a four-platoon system (42 hours per week), a three-platoon system ensures that a greater number of firefighters are on duty at any given time, while also helping mitigate overtime expenses. Without the ability to employ a three-platoon system, overtime expenses easily balloon. For instance, two months into FY 2019 East Greenwich had a four-platoon system in place and was spending an average of over \$20,000 each week on overtime pay that was spread primarily among thirteen firefighters.¹ A recent *Providence Journal* article similarly noted that Providence spent roughly 30.0 percent of its overall firefighting services expenditures on overtime pay last year. The costs of overtime pay thus present a significant challenge to balancing municipal budgets. Significantly, personnel costs make up the bulk of municipal budgets, and unlike the state, municipalities do not have diverse revenue streams to support government administration.²

It is also significant that Rhode Island already spends more on fire protection than any other state. Out of all 50 states, Rhode Island ranked number one in fire protection expenditures in FY 2016,

¹ East Greenwich Archived [Press Release](#), August 13, 2018.

² Katherine Gregg, “[Overtime swells municipal cost of firefighters in Rhode Island](#),” *Providence Journal*, April 23, 2019.

the latest year for which national data are available. In fact, at \$228 per capita, the Ocean State spent twice as much as the national average of \$114 on these expenditures.³

In the face of rising pension obligations, the ability to control spending on services and administrative costs becomes crucial. Any financial strain on municipalities could result in an increase in property tax rates on both businesses and residents. Unlike the state budget, municipalities do not have diverse revenue streams to support government administration. Therefore, when revenue needs to be raised, it primarily comes from property tax increases. For most Rhode Island municipalities, property taxes represent 51.0 percent of revenue available to provide government services, more than double the U.S. average of 24.0 percent.⁴

Property tax burdens in Rhode Island are already among the highest in the nation. Rhode Island's FY 2016 property tax collections of \$47.54 per \$1,000 of personal income were the fourth highest in the nation and 52.2 percent higher than the national average of \$31.23. Property taxes as a share of personal income increased by 4.9 percent between FY 2006 and FY 2016, compared to a decrease of 2.6 percent nationally.⁵ According to the Tax Foundation's 2019 State Business Tax Climate Index, Rhode Island's property tax collections are the 8th highest in the nation. Approving the legislation being considered today would only exasperate this problem by further restricting the ability of management to control labor costs and avoid tax increases.

Allowing this legislation to become law is contradictory to controlling the cost of local government and detrimental to the state's business climate. With these thoughts in mind, the Rhode Island Business Coalition respectfully urges you to veto this legislation.

Sincerely,

Newport County Chamber of Commerce – Erin Donovan-Boyle, Executive Director

Northern Rhode Island Chamber of Commerce – John C. Gregory, President/CEO

Rhode Island Association of REALTORS® – Philip Tedesco, CEO

Rhode Island Small Business Economic Summit – Gary Ezovski, Regulations Committee
Chairman

Rhode Island Small Business Economic Summit – Grafton Willey, Tax and Budget Committee
Chairman

Rhode Island Society of Certified Public Accountants – Melissa Travis, President

Southern Rhode Island Chamber of Commerce – Elizabeth Berman, Executive Director

³ Rhode Island Public Expenditure Council, "[How Rhode Island Expenditures Compare: 2018 Edition](#)," 22-23.

⁴ MacFarland, C. & Hoene, C., Cities and State Fiscal Structure, http://www.nlc.org/sites/default/files/2017-02/NLC_CSFS_Report_WEB.PDF

⁵ RIPEC, 2018. How Rhode Island Revenues Compare, 2018 Edition.