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Moody’s Raises Concerns over R.I. Continuing-Contracts Law.

PROVIDENCE — A warning from one of the nation’s largest credit-rating agencies, Moody’s Investors Service, has revived the debate over the union-backed continuing-contract legislation that Governor Raimondo signed last month over the objections of city and town leaders.

The new continuing-contract law indefinitely locks in wages and benefits in expired public-employee contracts. The teacher union lobbyists who took the lead in pushing the bill said it was aimed at preventing cities and towns from unilaterally slashing pay or making employees pay more for their health insurance during deadlocked negotiations.

“The law has the potential to provide collective bargaining units with advantages in negotiations,″ Moody’s public-finance division wrote in a special report out Thursday that echoed one of the biggest concerns raised by Rhode Island mayors and town administrators.

Among the report’s observations: Impact can vary from one city and town to another. Those that “budget conservatively and plan for wage growth” are best positioned to get through a contract dispute. And the fact that the new law does not impede the ability of cities and towns to lay off employees during any such standoff gives them an option if locked-in wages and benefits put them in a financial bind.

If, however, “the law proves to be a significant impediment to local governments’ ability to negotiate labor contracts, therefore making expenditure management more difficult, it would be credit negative,″ the Moody’s report says.

The headline over an accompanying chart says: “Education and public safety costs drive expenditure growth for Rhode Island cities and towns. New legislation regarding collective bargaining has potential to limit expenditure management flexibility.”

“Rhode Island is not the only state with a version of continuing contract legislation,″ the report says. New York has a similar law, and “we believe that the law generally limits New York local governments’ expenditure flexibility,″ Moody’s says.

There was no immediate response from Democrat Raimondo, who vetoed an earlier version of the continuing-contract legislation in 2017. She signed this year’s version after winning an endorsement for her 2018 reelection bid from a former political antagonist, the National Education Association of Rhode Island, and other public employee unions.

Among the unanswered questions: Did state Treasurer Seth Magaziner seek advice from the credit-rating agencies as the high-profile legislation was moving through the General Assembly, and before Raimondo signed it?

In answer to that same question, Raimondo spokesman Josh Block said: “No. She spoke with a wide array of stakeholders, including municipal leaders, union leaders and members of the General

Assembly. This bill preserves what has already been the status quo in most instances, is standard practice in the private sector, and is existing policy in our neighboring states."

Rhode Island is currently rated "Aa2" stable.

In her 2017 veto message, Raimondo said:

"Current Rhode Island law protects the taxpayers from being obligated indefinitely for contract provisions that, in the future, may not be affordable. … The proposed legislation before me extinguishes this existing protection, hurting the public's position in contract negotiations, and placing taxpayers at risk of being forever locked into contractual provisions they can no longer afford."

In a statement explaining her turnaround, Raimondo said the more recent bill differs from the one she vetoed, which "went too far in automatically extending all provisions in collective-bargaining agreements for municipal employees and teachers until a successor agreement has been reached."

This version only locks in wages and benefits, she said.

Brian Daniels, executive director of the R.I. League of Cities and Towns, and Thursday: "This Moody's report echoes the exact concerns that our municipal leaders made to the General Assembly and the Governor.

"With personnel the largest component of a municipal budget, the contract continuation law will make it much harder to negotiate labor contracts, balance competing local budget needs and control spending. Now Moody's is saying that it could also harm a community's bond rating, making it more expensive to borrow money for infrastructure and school improvements. It is unfortunate that the General Assembly and the Governor ignored local officials, and now property taxpayers will bear the burden of the new law."

newportri.com

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Jun 6, 2019 at 2:52 PM