



Senate Bill 211 (Eichelberger)

Needed reforms for municipalities...
Fair solutions to improve Act 111

WHAT IS ACT 111/BINDING ARBITRATION?

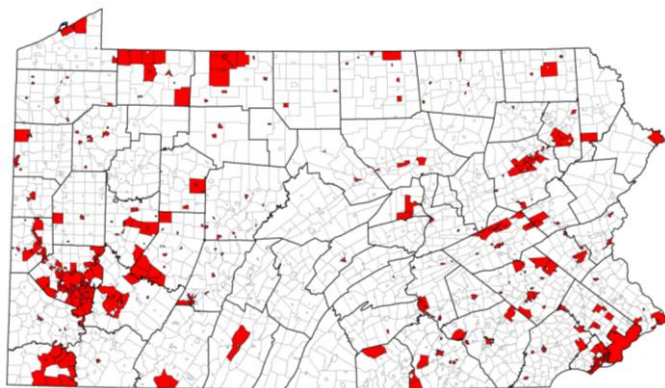
Act 111 is a state law that provides binding arbitration to police and fire fighters in exchange for a prohibition against strikes. The intent of Act 111 is good, and binding arbitration should remain part of the municipal/labor toolkit. But after 47 years, Act 111 needs to be modernized.

WHY BINDING ARBITRATION REFORM MATTERS

Pennsylvania needs Act 111 just as it did in 1968 when it was enacted. What began as a fair and neutral process, however, has become one of frequent adverse arbitration awards depleting municipal financial health. Today, 41% of Pennsylvanians live in financially stressed municipalities.

Binding arbitration is one of the primary causes for escalating costs. Even the best managed municipalities are not immune from adverse arbitration awards. And this is not just a city problem – Act 111 awards have injured municipalities across Pennsylvania.

According to a 2011 Pennsylvania Economy League Southwest study, municipal financial stress of all types is widespread and increasing.



WHY NOW?

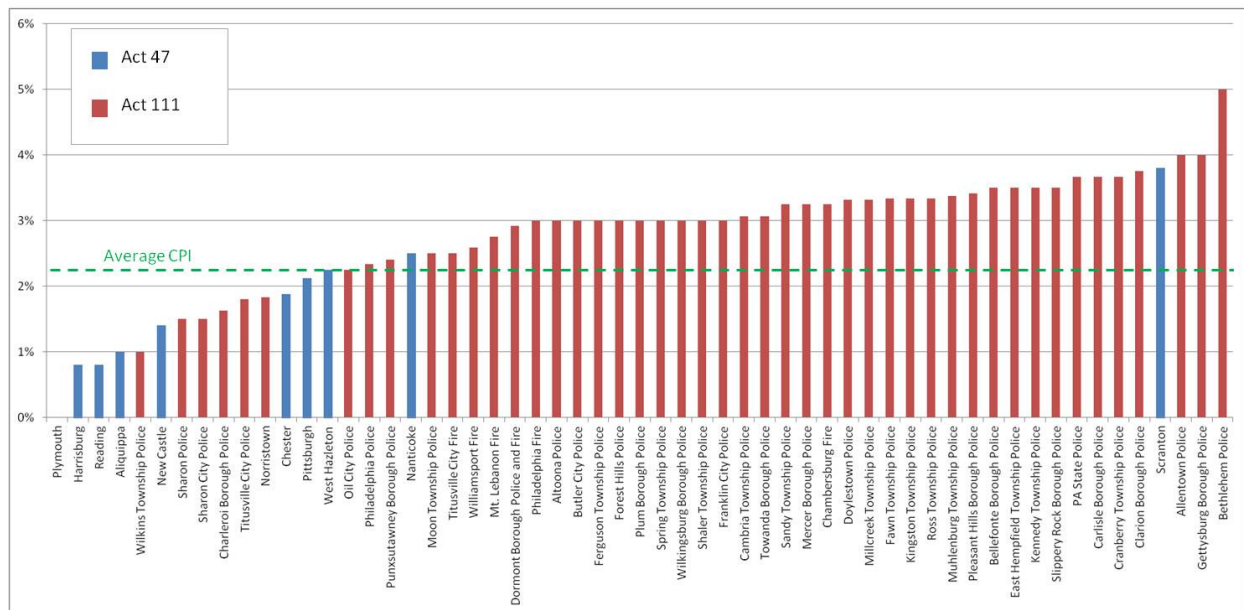
Municipalities have seen binding arbitration decisions go against them for many years. An arbitration ruling in a given municipality sets the bar for successive arbitration awards in other municipalities: the bar has been steadily raised to fiscally unsustainable heights.

While certainly not a good situation for virtually any municipality, at least the Commonwealth's fiscally weakest municipalities have been largely sheltered from these effects. Arbitrators may not grant labor awards that were out of compliance with Act 47 recovery plan provisions. Although Act 47's shelter briefly disintegrated in October 2011 when the Pennsylvania Supreme Court ruled recovery plans did not hold primacy over Act 111 decisions, the General Assembly reaffirmed Act 47's standing by passing corrective legislation, signed into law by Gov. Corbett as Act 133 of 2012.

HOW DO WE KNOW ARBITRATION DECISIONS ARE COSTLY?

The chart below reflects the average annual police and fire wage increases from selected Act 47 plans and Act 111 awards in the period beginning in 2007 (displayed averages are for police *and* fire, except where specifically noted otherwise). Act 47 plan coordinators held down cost increases in financially distressed municipalities. Without cost control reforms to Act 111, everyone can expect to see their labor costs continue to soar and more communities will be forced into distressed status.

Average Annual Percentage Wage Increase Police and Fire Contracts Beginning 2007*



Pennsylvania Economy League of Great Pittsburgh, September 2013

*Based on review of available contracts

SEN. EICHELBERGER'S REFORM LEGISLATION

Pennsylvania badly needs to reform and modernize Act 111, something that has not been done since it was first enacted in 1968. This proposal will level the playing field for employers and employees, making the process more fair for municipalities, less costly to taxpayers and ensure arbitration rights are retained for future generations of police and fire fighters.

- Penalize either party for failing to engage in good faith bargaining;
- Must show ability to pay through justification and consideration of new costs;
- Start arbitrator selection process between both parties by coin toss;
- Expand the list from which a neutral arbitrator is selected from 3 to 7;
- Require the cost of arbitration be shared equally between both parties;
- Start collective bargaining earlier in the year and require arbitration be requested earlier;
- Require evidentiary hearings to be open to the public (sunshine the proceedings);
- Clarify avenue for appeal process and municipal relief;
- Prohibit post-retirement healthcare and pension benefits within collective bargaining.

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