



Binding Arbitration is Strangling Pennsylvania Communities:

*Act 111 reform offers reasonable
solutions*

WHAT IS ACT 111/BINDING ARBITRATION?

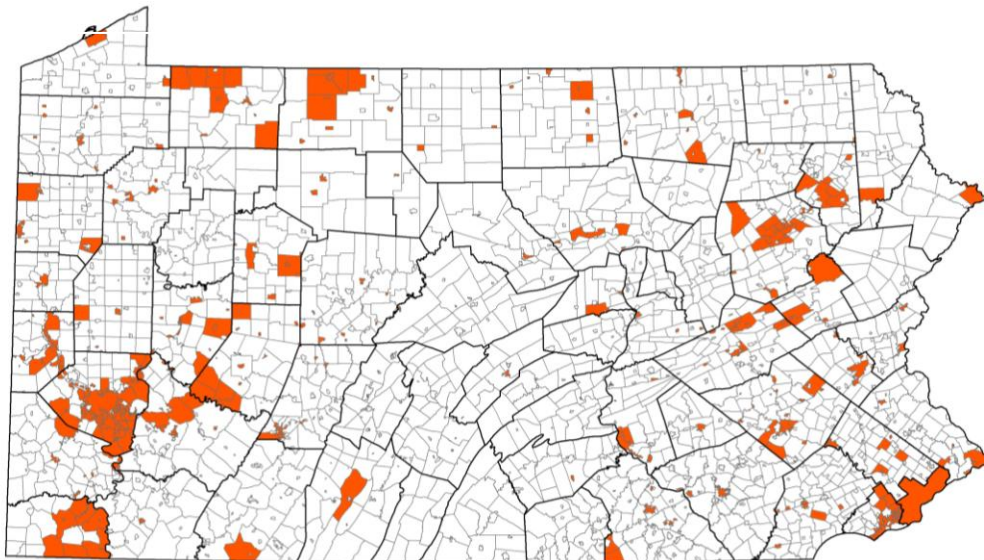
Act 111 is a state law that provides binding arbitration to police and fire fighters in exchange for a prohibition against strikes. The intent of Act 111 is good, and binding arbitration should remain part of the municipal/labor toolkit.

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 of Greater Pittsburgh study, municipal financial stress of all types is widespread and increasing.



PELGP, August 2012

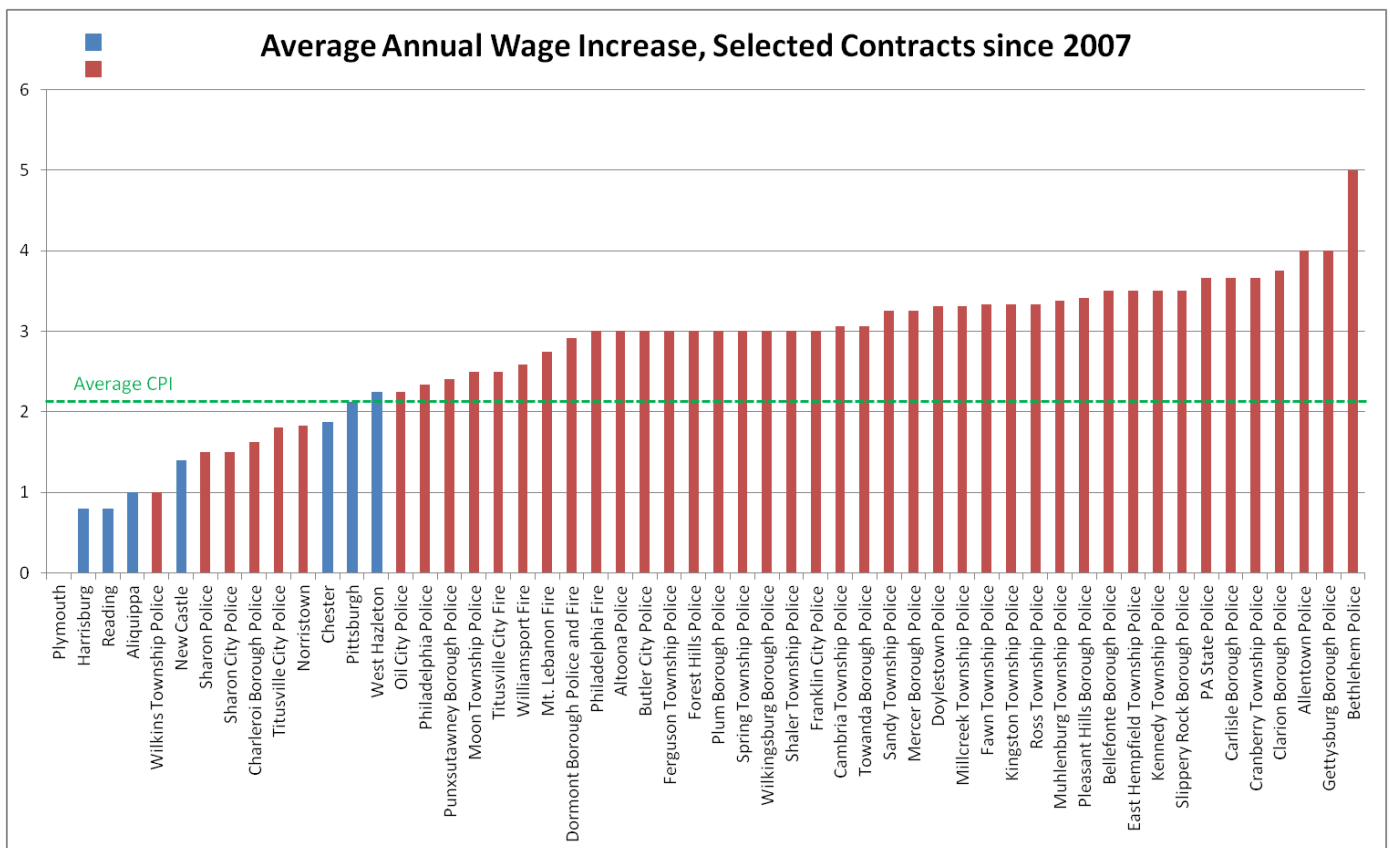
WHY NOW?

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.

While certainly not a good situation for virtually any municipality, at least the Commonwealth's fiscally weakest municipalities were largely sheltered from these effects. Arbitrators could not grant labor awards that were out of compliance with Act 47 recovery plan provisions. That Act 47 shelter disintegrated in October 2011 when the Pennsylvania Supreme Court ruled (Pennsylvania Supreme Court decision in *City of Scranton v. Firefighters Local Union No. 60*) recovery plans did not hold primacy over Act 111 decisions. Fortunately, the Coalition for Sustainable Communities was able to successfully advocate for the implementation of Act 133 of 2012, which restored the provision that required arbiters to consider a municipality's fiscal condition. However, this situation is a good example of why there is a need for more comprehensive binding arbitration reform.

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.



ACT 111 REFORM LEGISLATION

Pennsylvania badly needs to reform and modernize Act 111, something that has not been done since it was first enacted in 1968. In 2012, Senator Earll introduced SB 1570, which aimed to 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. We hope to introduce similar legislation in the 2013 session that will again aim to:

- Ensure that standards for awards include a justification of the award based on the evidence presented and a calculation of new costs – a municipality’s ability to pay;
- Prohibit post-retirement health care and pension benefits not required by statute from being the subject of collective bargaining;
- Penalize either party for failing to engage in good faith bargaining;
- Start the collective bargaining process earlier in the year and require arbitration to be requested earlier;
- 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;
- Require arbitration sessions be open to the public; and
- Broaden avenue for appeal process and for municipal relief when the Auditor General identifies an illegal pension benefit.

COALITION MEMBERS

Allegheny Conference on Community Development • Allegheny Valley Chamber of Commerce • Blair County Chamber of Commerce • Clinton County Economic Partnership • County Commissioners Association of Pennsylvania • Delaware County Chamber of Commerce • Erie Regional Chamber & Growth Partnership • Greater Johnstown Cambria County Chamber of Commerce • Greater Lehigh Valley Chamber of Commerce • Greater Philadelphia Chamber of Commerce • Greater Pittsburgh Chamber of Commerce • Greater Reading Chamber of Commerce • Greater Scranton Chamber of Commerce • Greater Wilkes-Barre Chamber of Commerce • Harrisburg Regional Chamber & CREDC • Huntingdon County Chamber of Commerce • Lancaster County Chamber of Commerce • Lebanon Valley Chamber of Commerce • Mon Valley Progress Council • Monroeville Area Chamber of Commerce • Pennsylvania Business Council • Pennsylvania Chamber of Business & Industry • Pennsylvania Economy League of Central Pennsylvania • Pennsylvania Economy League of Greater Philadelphia • Pennsylvania Economy League of Greater Pittsburgh • Pennsylvania Institute of Certified Public Accountants • Pennsylvania Manufacturers’ Association • Pennsylvania Municipal League • Pennsylvania State Association of Township Commissioners • Pennsylvania State Association of Township Supervisors • Schuylkill Chamber of Commerce • Westmoreland Chamber of Commerce • Williamsport/Lycoming Chamber of Commerce • York County Chamber of Commerce...and growing!