

**Joint Hearing
Senate Local Government Committee
and
House Local Government Committee
June 12, 2014**

**Testimony in Support of SB 1111 and HB 1845: Act 111 Reform
J. Richard Gray
Mayor, City of Lancaster**

Thank you, Chairmen Eichelberger and Teplitz, Chairwoman Harper, and members of the Senate and House Local Government Committees for examining options for modernizing the Police and Firemen Collective Bargaining Act, commonly known as Act 111.

Municipalities that rely on full time police and fire personnel have long-recognized that failure to update the Act 111 arbitration process adopted nearly half-a-century ago, severely undermines the fiscal health and autonomy of local governments. Let me be clear. We support the right of public and private sector workers to unionize and engage in collective bargaining. Senate Bill 1111 and House Bill 1845 do nothing to restrict these rights. Instead, these bills propose reasonable, common sense reforms to the Act 111 contract arbitration process.

Police and Fire contracts determine roughly 65 percent of the City of Lancaster's annual operating budget. Moreover, Act 111 arbitration awards, combined with defined pension mandates have caused police and fire budgets to increase in spite of reductions in force levels. From 2007 to 2012, police personnel expenses in Lancaster increased by more than 8 percent, despite a 14 percent reduction in the number of sworn officers. During the same time period, Fire personnel expenses increased by 13 percent while the number of firefighters declined by 15 percent. This trend will continue until the General Assembly addresses the problems inherent to the Act 111 contract arbitration process.

Problems inherent to the arbitration process are easily remedied by common-sense measures proposed in SB 1111 and HB 1845.

1. First, the Act 111 process for resolving contract disputes discourages meaningful negotiations between City management and uniformed bargaining units. In fact, the arbitration process actually serves as an incentive for public safety unions to declare an impasse in contract negotiations. Senate Bill 1111 establishes a requirement that both parties engage in good faith negotiations or be subject to unfair labor practice charges before the Pennsylvania Labor Relations Board. Thus, providing both sides with an incentive to present more reasonable demands during the negotiation process so that contracts can be resolved without arbitration.

2. In the current Act 111 process, the so-called “neutral” arbitrator is chosen from among three candidates. The proposed legislation allows parties to choose from among seven arbiters. In addition, currently the cost of the neutral arbitrator is borne by the municipality. For Lancaster, direct expenses related to Act 111 arbitrations have averaged between 55 and 75 thousand dollars. These bills would require that costs be shared equally by both parties.
3. Act 111 arbitrators too often do not take into account the ability of a municipality to pay when awarding salaries and benefits. The average annual salary for Lancaster's uniformed Police and Fire personnel is \$65,000 -- two times the median household income of just under \$33,000 a year. These bills would mandate that arbitration awards contain findings of fact, and would place a limit on the ability of the arbitrator to impose new costs.
4. Arbitrators must be held accountable for meeting deadlines for the issuance of arbitration rulings. An arbitration award for Lancaster’s current police contract was issued nearly eighteen months after the contract had expired. Keep in mind, arbitration awards are retroactive to the start of the contract period. Thus, like other municipalities, Lancaster has been forced to prepare successive budgets with no information as to the costs of public safety personnel.
5. Finally, the Act 111 arbitration process is not transparent. We absolutely support confidential and private contract negotiations. That said, we believe that contract arbitration hearings should be open to the public and subject to Right-to-Know requirements. These proposed reforms would ensure a transparent process in which public sector employers and employees are accountable to the public. As a matter of fairness and common sense, taxpayers should have access to these proceedings, the outcome of which will determine how more than two-thirds of their tax dollars are spent.

Across the nation and the Commonwealth, local governments struggle under the weight of crushing financial burdens, finite sources of revenue, and increasing demand for services. At the same time, we can agree that Police and Fire personnel deserve all the financial and moral support we can muster. Their service is critical; their courage is commendable; and their commitment to this community is unquestionable. The same can be said of our taxpayers. The reforms proposed in this legislation offer a reasonable balance between the value we place on our uniformed public safety professionals and the finite resources of taxpayers.

I appreciate the opportunity to speak to the Committee today and I welcome any questions members of the Local Government Committees may have.

###