

Testimony of David E. Black, President & CEO, Harrisburg Regional Chamber & CREDC
Senate Local Government Committee
RE: SB 1570
Thursday, October 18, 2012

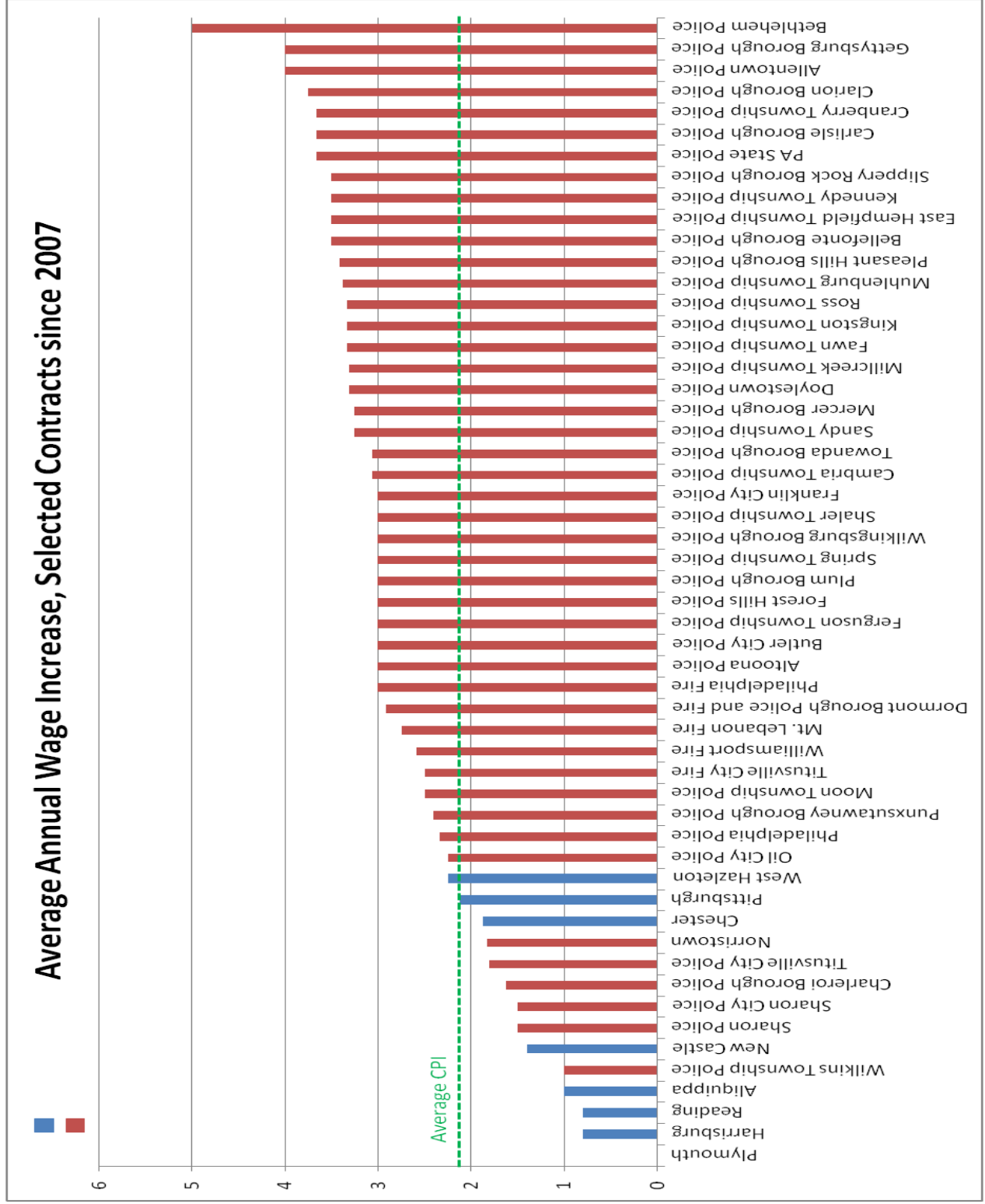
Good morning. We sincerely appreciate the opportunity to discuss SB 1570 which proposes some modest modifications to Act 111 of 1968. Let me say right up front, my colleagues and I have the utmost respect for first responders, those men and women who each and every day put their lives on the line for our families and our communities. It is our hope that today marks the beginning of a constructive dialogue between the General Assembly, the unions representing these brave men and women and interested taxpayers understanding that our goals are the same: keeping our communities safe and financially stable.

With me here today are Al Bienstock, Hampden Township Commissioner, a township of the first class in Cumberland County and George Wolfe, Manager of Lower Paxton Township, Dauphin County, a township of the second class. I am here today in my capacity as President & CEO of the Harrisburg Regional Chamber. We work with businesses covering three plus counties in the capital region, which has over 103 municipalities within those three counties, including the City of Harrisburg which as you know is an Act 47 Municipality. I am also here as a representative of the *Coalition for Sustainable Communities*, a coalition of 33 members from around the Commonwealth, including chambers of commerce, local government associations and other organizations such as the PA Institute of Certified Public Accountants, who recognize there is a problem in need of solution.

The Coalition started with a few Chambers looking at the commonalities of their core cities who were in or near various stages of fiscal distress. It took little time to discover that each of our municipality's problems were not unique, in fact the core problems for fiscal imbalances were nearly identical and are directly linked in the various state codes established for municipalities and counties.

I have a very brief power point I would like to start with today to help frame our testimony and then specifically get into SB 1570 and proposed amendments to Act 111.

Average Annual Wage Increase, Selected Contracts since 2007



The slide above has been prepared by the Pennsylvania Economy League's Western Pennsylvania group within the Allegheny Conference; blue columns represent uniformed union wage increases in Act 47 communities, while red columns represent the same in Act 111 communities. It helps to demonstrate what has prompted today's hearing on SB 1570.

The chart clearly shows that many arbitration awards under Act 111 exceed reasonable cost of living increases over the past few years. The chart shows the average increase of the CPI at about 2.2%, while many arbitration awards have exceeded annual increases of 3%, 4%, 5% and even 6%. Under current economic conditions these are unsustainable and unaffordable increases, yet there are no brake mechanisms in Act 111.

What the coalition discovered in our research is most alarming - arbitration decisions reached under Act 111 are under no obligation to consider a municipality's ability to pay. If we think about when this legislation was written back in 1968, it makes sense. The economy was generally healthy; we were enjoying the post-World War II growth economically and population wise. The federal government was making huge investments in the war on poverty in urban centers. While urban flight had begun, we failed to realize how it would re-shape municipalities in Pennsylvania. After 44 years, it's not a bad idea to take a look at any legislation that impacts Pennsylvania municipalities the way Act 111 does.

I should also note that major corporations and unions representing workers in the private sector were generally enjoying prosperity back in 1968. The auto industry was strong and as profits grew so did contracts, salaries and benefits. Today the auto industry is still wrestling with those legacy costs; however we do see some very positive trends in collaborative relationships between labor and management in today's business climate.

Locally we have seen collaborative efforts between labor and management result in major investments in ArcelorMittal Steel in Steelton and the Hershey Company's new manufacturing facility in Derry Township. That cooperation in Steelton resulted in a \$54 million investment in steel rail production and retention of over 600 steel production jobs. Similarly, cooperation in Hershey resulted in a \$300 million investment in chocolate making in Derry Township and the retention of 600 jobs. Conversation, compromise and pragmatism between organized labor and the private sector are enabling U.S. manufacturing to compete on the basis of quality and have helped create the term "reshoring."

In our opinion, we need to re-think our relationships in the public sector as well. I reiterate, we have the deepest respect for our first responders and we are not saying they are not deserving of wage increases, however taxpayers need to have a say in this as well and as we all know taxpayers are more cost-conscious than ever before. Elected municipal officials can no longer simply pass on continuous cost increases to their taxpayers. It is a time that we need to think about balance and pragmatism that SB 1570 introduces.

In addition to a municipality's ability to pay, the legislation makes changes in the way arbiters are chosen, giving more choice and attempting to get arbiters more familiar with local labor costs. The legislation asks that the costs of arbitration be shared equally and that transparency be brought to the process, requiring certain arbitration sessions be held in sun shined (public) sessions – open to the public for more public understanding of the process and the issues.

In our opinion, these are modest changes in the best interests of those who live and work in Pennsylvania municipalities, including our first responders. Any characterization of this legislation otherwise would be disingenuous.

We realize that this is a first step in a long process and we are very appreciative of this committee for holding this hearing today. We look forward to constructive dialogue in the months ahead, both with policy-makers in Harrisburg as well as our respected friends representing the uniformed officers here today.