



MAY 1, 2018
ELECTED OFFICIALS DEMAND PASSING OF
TAXPAYER CAP ON INTEREST ARBITRATION AWARDS

County and municipal officials from across the State are growing increasingly alarmed that State leaders have failed to act on renewing the 2% cap on binding interest arbitration awards, which has helped save over \$2.9 billion in property taxpayer dollars since 2011.

Since that time, the 2% cap on binding interest arbitration awards has allowed local governments to live within their limited means while making sure that we take care of and protect our most vulnerable residents. In fact, the fiscal reality is that the 2% cap on binding interest arbitration awards has kept public safety employee salaries and wages under control simply because parties have been closer to reaching an agreement from the onset of negotiations. Moreover, the 2% cap on binding interest arbitration awards has established clear parameters for negotiating reasonable successor contracts that preserves the collective bargaining process and takes into consideration the separate and permanent 2% tax levy cap on overall county and municipal government spending.

Failure to permanently extend the 2% cap on binding interest arbitration awards will inequitably alter the collective bargaining process in favor of labor at the expense of taxpayers. In addition to raising property taxes long-term, local elected officials will have no choice but to consider imposing employee furloughs; privatizing services; freezing salaries for non-affiliated employees; and, reducing or eliminating non-mandated services such as transportation for the aged and disabled, meals on wheels, mental health and addiction services, and more. Without question, the 2% cap on binding interest arbitration awards has proven to be a vital tool for controlling personnel costs; negotiating reasonable successor contracts; and, avoiding arbitration awards granted by third-party administrators who are not accountable to taxpayers.

Moody's Investors Services, Fitch Ratings, and Standard and Poor's all agree and have issued stern warnings about allowing the cap to expire. Of note, Moody's submitted *"that salary costs are among the largest of municipal expenditures, the cost implications are obvious and considerable,"* and that *"the effect of this is, in most cases, unlikely to be rapid, but ultimately, the loss of the arbitration cap is likely to cause the public sector's credit quality to deteriorate."* Fitch Ratings concluded that *"the arbitration cap is beneficial to local government credit quality as it helps to align revenue and spending measures and supports structural balance in the context of statutory caps on property tax growth."* Additionally, a broad-based coalition of public and private sector organizations support our efforts to permanently extend the cap at <https://nj-njslom.civicplus.com/DocumentCenter/View/6276/2017-Final-IA-Coalition-Letter-PDF>.

For these clear and convincing reasons, we're urging Governor Phil Murphy and the State Legislature to permanently extend the 2% cap on binding interest arbitration awards before it's too late for property taxpayers already struggling to make ends meet with the highest tax burden in the nation. Given the inaction on extending the cap, the sunseting of employee health benefit controls also implemented in 2011, and the restricting of SALT deductions on federal income taxes, county and municipal leaders are facing a perfect storm of uncontrollable property tax growth and substantial service cuts.

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