

CORNELL STUDY GUIDE TO BINDING ARBITRATION

*Prepared by John Black,
Chair of the Labor Department at Hinman Straub P.C.*



TABLE OF CONTENTS

Statute and Memo on Binding Arbitration	1-9
2009 Cornell Study on Binding Arbitration.....	10-51
2012 Cornell Study on Binding Arbitration.....	52-59
Fiscal Stress Monitoring System Report from New York State Comptroller Thomas DiNapoli.....	60-98
Letter from IAFF President Harold Schaitberger to Governor Andrew Cuomo in Opposition to Binding Arbitration Proposal.....	99
Letter from New York State AFL-CIO President Mario Cilento to Governor Andrew Cuomo in Opposition to Binding Arbitration Proposal.....	100
Letter from New York State AFL-CIO President Richard Trumke to Governor Andrew Cuomo in Opposition to Binding Arbitration Proposal.....	101-102
Maintain binding arbitration in New York, Feb. 26, 2013 Rochester Democrat and Chronicle Op-Ed from NYSPFFA President Michael McManus.....	103
Binding Arbitration Helps Ensure Public Protection, Op-Ed from NYSPFFA President Michael McManus.....	104-105
Arbitration creates no burden, Feb. 28, 2013 Newsday Letter to the Editor from NYSPFFA President Michael McManus.....	106
Modified Letter from Assemblyman Peter Abbate, Jr. to Assembly Speaker Sheldon Silver in Opposition to Governor Andrew Cuomo’s Binding Arbitration Proposal	107
Letters in Support of NYSPFFA’s Opposition to Governor Andrew Cuomo’s Binding Arbitration Proposal.....	108-135

Increasing the minimum wage leads to greater economic growth. Evidence suggests that an increase of \$1 in the minimum wage generates approximately \$3,000 in household spending per year. At a time when Federal and State budgets are constrained by a long economic recovery, increasing the minimum wage is one of the few tools that will grow the economy without increasing government spending. Most importantly, this bill puts more money back into the pockets of working New Yorkers without raising their taxes.

Budget Implications:

Enactment of this bill has broad budget implications as it increases the standard of living for workers, reduces poverty, and incentivizes fair and more efficient business practices.

Effective Date:

This bill would take effect immediately upon enactment.

Part Q - Reform Interest Arbitration awards for fiscally distressed local governments, and extend current provisions expiring July 1, 2013.

Purpose:

This bill would extend mandatory interest arbitration and reform the arbitration process by limiting awards imposed upon fiscally distressed local governments.

Statement in Support, Summary of Provisions, Existing Law, and Prior Legislative History:

When public employers and their represented police and fire employees are at an impasse in their contract negotiations, current law provides the terms by which an interest arbitration panel can make awards and settle the dispute. While current law requires an arbitrator to consider a local government's "ability to pay", this concept is not defined.

This bill would extend the current statute mandating interest arbitration from July 1, 2013 to July 1, 2017. It was last extended in 2009. It would also establish criteria by which a local government (a county, city, town or village subject to the tax cap in General Municipal Law § 3-c) could be deemed fiscally distressed and would subsequently limit future arbitration awards involving such "distressed" local government.

For purposes of this bill, a local government would be "fiscally distressed" if one of the following two fiscal tests are met: (1) the local government's average full value property tax rate is above the 75th percentile of all municipalities statewide, as averaged over the

most recent 5 fiscal years; or (2) if the local government's five-year average general fund balance equals less than five percent of its budget.

For any fiscally distressed local government entering interest arbitration, the arbitration panel would be barred from increasing the cost of the employees' collectively bargained compensation package by more than two percent per year. Existing contractual step and longevity increases would not be affected nor would payments due to the relevant pension systems. Within this computation, the arbitration panel must also take into account the rising costs of health insurance for distressed local government employers and further reduce the amount awarded by the value of the increasing health insurance costs which exceeds two percent growth.

Budget Implications:

Enactment of this bill is necessary to implement the 2013-14 Executive Budget, because current provisions governing interest arbitration are set to expire within the upcoming State fiscal year. In addition, the limitations set forth in the bill will assist fiscally distressed local governments by helping to control their rising costs.

Effective Date:

The bill would take effect immediately upon enactment and shall be effective for all collective bargaining agreements and interest arbitration awards that expire on or after April 1, 2013.

Part R - Effectuate phase one of casino development

Purpose:

This bill would commence the process necessary to effectuate phase one casino development.

Statement in Support, Summary of Provisions, Existing Law, and Prior Legislative History:

This legislation would authorize the development of up to three casinos but would, among other things, exclude development of casinos in downstate New York. It would also establish an office of casino gambling regulation within the Gaming Commission and provide for the manner of gaming regulation, selection of casino developers, including the issuance of a formal request for information from prospective developers, and require local governmental and community support where a facility is to be located.

The Gaming Commission would also study and report on systems of casino gaming regulation, taxation structures and capital investment and consult directly with the Regional Economic Development Councils in preparing such study.

Finally, the bill would direct revenues derived from casino gambling and allocate them to a casino revenue fund established within the State Finance Law which would allocate ninety percent of such revenues for elementary and secondary education and ten percent for local government relief.

The laws of the State of New York presently do not address the development or regulation of commercial casino gambling activities.

This bill is necessary to prepare the State for casino development should the State Legislature approve second passage of a resolution to amend the State Constitution to authorize casino gambling and the voters of the State concur. Advance preparatory work by the state gaming commission is necessary for the State to maximize the potential benefits achievable following the ratification of the amendment.

Budget Implications:

Although this bill has no revenue impact in the near-term, casino revenue, if realized, would become part of future Financial Plans and therefore this bill should be considered as part of the 2013-14 Executive Budget process.

Effective Date:

This bill would take effect immediately upon enactment.

The provisions of this act shall take effect immediately, provided, however, that the applicable effective date of each part of this act shall be as specifically set forth in the last section of such part.

wage payable under the Fair Labor Standards Act (29 United States Code Sec. 203 (m), as amended), is increased after enactment of this subdivision, the cash wage payable under this subdivision shall automatically be increased by the proportionate increase in the cash wage payable under such federal law, and will be immediately enforceable as the cash wage payable to food service workers under this article.

5. Notwithstanding subdivisions one and two of this section, meal and lodging allowances for a food service worker receiving a cash wage amounting to three dollars and thirty cents per hour on or after March thirty-first, two thousand; three dollars and eighty-five cents on or after January first, two thousand five; four dollars and thirty-five cents on or after January first, two thousand six; [and] four dollars and sixty cents on or after January first, two thousand seven; and at least six dollars and three cents on or after July first, two thousand thirteen, shall not increase more than two-thirds of the increase required by subdivision two of this section as applied to state wage orders in effect pursuant to subdivision one of this section.

§ 2. This act shall take effect immediately.

PART Q

Section 1. Paragraph (d) of subdivision 4 of section 209 of the civil service law, as amended by section 9 of part A of chapter 504 of the laws of 2009, is amended to read as follows:

(d) The provisions of this subdivision shall expire [thirty-six] forty years from July first, nineteen hundred seventy-seven, and hereafter may be renewed every four years.

§ 2. Section 209 of the civil service law is amended by adding a new subdivision 6 to read as follows:

6. (a) For disputes concerning an impasse pursuant to subdivision four of this section that involve a county, city, town, or village subject to section three-c of the general municipal law, a public arbitration panel shall make a determination as to whether such county, city, town, or village, is a distressed public employer as part of its analysis of the financial ability of the public employer to pay.

(b) In evaluating whether a public employer covered by this subdivision is a distressed public employer, such public arbitration panel shall consider the average full value property tax rate of such public employer and the average fund balance percentage of such public employer.

i. For purposes of this subdivision, "full value property tax rate" shall mean the amount to be raised by tax on real estate by a local government in a given fiscal year divided by the full valuation of taxable real estate for that same fiscal year as reported to the office of the state comptroller.

ii. For purposes of this subdivision, "average full value property tax rate" shall mean the sum of the full value property tax rates for the five most recent fiscal years divided by five.

iii. For purposes of this subdivision, "fund balance percentage" shall mean the total fund balance in the general fund of a local government in a given fiscal year divided by the total expenditures from the general fund for that same fiscal year as reported to the office of the state comptroller.

iv. For purposes of this subdivision, "average fund balance percentage" shall mean the sum of the fund balance percentages for the five most recently completed fiscal years divided by five.

(c) If the average full value property tax rate of such public employer is greater than the average full value property tax rate of seventy-five percent of counties, cities, towns, and villages, with local fiscal years ending in the same calendar year as of the most recently available information, the public arbitration panel must find that such public employer is fiscally distressed. The office of the state comptroller shall make publicly available the list of counties, cities, towns, and villages, that have an average full value property tax rate that meets such criteria in each local fiscal year. If a public employer has not reported to the office of the state comptroller the information necessary to calculate its average full value property tax rate, the public arbitration panel may not use the average full value property tax rate as a basis by which to find that such public employer is fiscally distressed.

(d) If the average fund balance percentage of such public employer is less than five percent, the public arbitration panel must find that such public employer is fiscally distressed. The office of the state comptroller shall make publicly available the list of counties, cities, towns, and villages, that have an average fund balance percentage that meets such criteria in each local fiscal year. If a public employer has not reported to the office of the state comptroller the information necessary to calculate its average fund balance percentage, the public arbitration panel may not use the average fund balance percentage as a basis by which to find that such public employer is fiscally distressed.

(e) When such public employer has been found to be fiscally distressed, the public arbitration panel shall not have the authority to issue a determination that increases the cost of terms and conditions of employment applicable to employees under the jurisdiction of such panel except as provided herein.

i. For the first year of the determination, the panel shall not issue a determination that makes changes to and increases the cost of all terms and conditions of employment by more than two percent of the aggregate amount expended by the public employer on the terms of collective bargaining agreements directly relating to compensation of all employees subject to the public arbitration panel's jurisdiction in the twelve months immediately preceding the expiration of the collective bargaining agreement or interest arbitration award that is the subject of the impasse before the panel. For the first year of the determination, the panel is required to further reduce this two percent by the amount of any increased cost that the public employer will incur for insurance, medical, and hospitalization benefits provided to employees subject to the panel's jurisdiction that will exceed a two percent increase in cost to the public employer to provide insurance, medical, and hospitalization benefits to employees under the panel's jurisdiction during the first year of the determination.

ii. For the second year of the determination, the panel shall not issue a determination that makes changes to and increases the cost of all terms and conditions of employment by more than two percent of the aggregate amount expended by the public employer on the terms of collective bargaining agreements directly relating to compensation of all employees subject to the public arbitration panel's jurisdiction in the twelve months immediately preceding the expiration of the collective

bargaining agreement or interest arbitration award that is the subject of the impasse before the panel. For the second year of the determination, the panel is required to further reduce this two percent by the amount of any increased cost that the public employer will incur for insurance, medical, and hospitalization benefits provided to employees subject to the panel's jurisdiction that will exceed a two percent increase in cost to the public employer to provide insurance, medical, and hospitalization benefits for employees under the panel's jurisdiction during the first year of the determination. If the actual amount of the increased cost that a public employer will incur for insurance, medical, and hospitalization benefits for employees subject to the panel's jurisdiction in year two of the determination is known, the public arbitration panel shall use that amount rather than the first year amount to calculate any reduction. The determination for year two will be in addition to the determination for year one.

iii. For the purposes of determining the amounts available pursuant to this paragraph, "terms of collective bargaining agreements directly relating to compensation" includes, but is not limited to, salary, stipends, location pay, insurance, medical and hospitalization benefits, and shall not apply to non-compensatory issues including, but not limited to, job security, disciplinary procedures and actions, deployment or scheduling, or issues relating to eligibility for overtime compensation.

(f) Additionally, when there has been a finding of fiscal distress, a public arbitration panel shall not have the authority to create new terms and conditions of employment that increase costs of terms and conditions of employment to the fiscally distressed public employer if the increase in costs would cause the overall cost of the determination

to exceed the limitation on the public arbitration panel's authority as contained in paragraph (e) of this subdivision.

(g) Nothing herein shall require a public arbitration panel, where a finding that a distressed public employer is required, to grant any change in terms and conditions of employment unless otherwise warranted after taking into consideration all other relevant and required factors.

(h) Nothing herein shall require a public arbitration panel, where a finding that a distressed public employer is not required, to grant any change in terms and conditions of employment unless otherwise warranted after taking into consideration all other relevant and required factors.

(i) The provisions of this subdivision shall expire four years from July first, two thousand thirteen.

§ 3. This act shall take effect immediately and shall be effective for all collective bargaining agreements and interest arbitration awards that expire on or after April 1, 2013.

PART R

Section 1. The racing, pari-mutuel wagering and breeding law is amended by adding a new article 13 to read as follows:

ARTICLE 13

PHASE ONE CASINO GAMBLING

Section 1301. Statement of purpose.

1302. Phase one casino gambling facilities.

1303. Casino gambling regulation.

1304. Casino gambling revenue.

1305. Gaming regulatory study.

1306. Casino request for information.



Cornell University
ILR School

Cornell University ILR School
DigitalCommons@ILR

Working Papers

ILR Collection

10-1-2009

The Long-Haul Effects of Interest Arbitration: The Case of New York State's Taylor Law

Thomas A. Kochan
Massachusetts Institute of Technology

David B. Lipsky
Cornell University, DBL4@CORNELL.EDU

Mary Newhart
Cornell University, mjn3@cornell.edu

Alan Benson
Massachusetts Institute of Technology

This Article is brought to you for free and open access by the ILR Collection at DigitalCommons@ILR. It has been accepted for inclusion in Working Papers by an authorized administrator of DigitalCommons@ILR. For more information, please contact jdd10@cornell.edu.

Please take our short DigitalCommons@ILR user survey.

The Long-Haul Effects of Interest Arbitration: The Case of New York State's Taylor Law

Abstract

The authors use experiences with interest arbitration for police and firefighters under New York State's Taylor Law from 1974 to 2007 to examine the central debates about the effects of this form of arbitration on collective bargaining. They draw on old and new data to compare experience with interest arbitration in the first three years after it was adopted with experiences from 1995 to 2007. They find that no strikes have occurred under arbitration, rates of dependence on arbitration declined considerably, the effectiveness of mediation prior to and during arbitration remained high, the tripartite arbitration structure continued to foster discussion of options for resolution among members of the arbitration panels, and wage increases awarded under arbitration matched those negotiated voluntarily by the parties. Econometric estimates of the effects of interest arbitration on wage changes in a national sample suggest wage increases between 1990 and 2000 in states with arbitration did not differ significantly from those in states with non-binding mediation and factfinding or states without a collective bargaining statute. The length of time required to complete the arbitration process increased substantially and several critical employment relations issues facing the parties have not been addressed within the arbitration system. The authors suggest these findings should be considered by both critics and supporters of proposals to include a role for interest arbitration in national labor policy.

Keywords

interest arbitration, arbitration, police, firefighters, New York, Taylor Law, collective bargaining

Comments

Suggested Citation

Kochan, T. A., Lipsky, D. B., Newhart, M., & Benson, A. (2009). *The long-haul effects of interest arbitration: The case of New York State's Taylor Law*. Retrieved [insert date] from Cornell University, ILR School site: <http://digitalcommons.ilr.cornell.edu/workingpapers/90/>

Required Publisher Statement

Submitted for review.

The Long-Haul Effects of Interest Arbitration: The Case of New York State's Taylor Law¹

Thomas A. Kochan
David B. Lipsky
Mary Newhart
Alan Benson

Revised October 2009

¹ Thomas A. Kochan is the George M. Bunker Professor of Management and Co-Director of the Institute for Work and Employment Research at the MIT Sloan School of Management. David B. Lipsky is the Anne Evans Estabrook Professor of Dispute Resolution and Director of the Scheinman Institute on Conflict Resolution at Cornell University's ILR School. Mary Newhart is the Assistant Director of the Scheinman Institute at Cornell. Alan Benson is a Ph.D. candidate at the MIT Institute for Work and Employment Research. A preliminary version of this paper was presented at the New York State Public Employment Relations Board (PERB) Statewide Conference: The Taylor Law on its 40th Anniversary, May 15, 2008. We wish to thank the Scheinman Institute for providing financial support for this project and Carolyn Olie, Katelyn Purpuro, Adam Roth, Richard Curreri, and Anthony Zumbolo for their help in retrieving the data used in this paper from the archives of the Martin P. Catherwood Library at Cornell University and from the files of the New York State Public Employment Relations Board. We are grateful to Richard Curreri, Martin Scheinman, Bonnie Weinstock, John Pencavel, Ronald Ehrenberg, and Joel Weisblatt for their comments and suggestions on an earlier draft of this paper. Of course, none of these people is responsible for any errors of fact or interpretation that remain in the paper. We are also indebted to James Ryan Lamare and Missy Harrington for their invaluable assistance.

Abstract

The authors use experiences with interest arbitration for police and firefighters under New York State's Taylor Law from 1974 to 2007 to examine the central debates about the effects of this form of arbitration on collective bargaining. They draw on old and new data to compare experience with interest arbitration in the first three years after it was adopted with experiences from 1995 to 2007. They find that no strikes have occurred under arbitration, rates of dependence on arbitration declined considerably, the effectiveness of mediation prior to and during arbitration remained high, the tripartite arbitration structure continued to foster discussion of options for resolution among members of the arbitration panels, and wage increases awarded under arbitration matched those negotiated voluntarily by the parties. Econometric estimates of the effects of interest arbitration on wage changes in a national sample suggest wage increases between 1990 and 2000 in states with arbitration did not differ significantly from those in states with non-binding mediation and factfinding or states without a collective bargaining statute. The length of time required to complete the arbitration process increased substantially and several critical employment relations issues facing the parties have not been addressed within the arbitration system. The authors suggest these findings should be considered by both critics and supporters of proposals to include a role for interest arbitration in national labor policy.

The role of interest arbitration in collective bargaining negotiations has been a topic of longstanding debate among industrial relations researchers and policy makers and features prominently in contemporary debates over how to reform national labor laws. A bill to provide for final offer arbitration to resolve emergency disputes in airline was introduced and debated in the Senate in 2001 and at the time of this writing, both houses of Congress—and the nation—are debating the merits of the Employee Free Choice Act (EFCA).² EFCA proposes that—for the first time in U.S. history—

² See Airline Labor Dispute Resolution Act, S.1327 available at <http://www.govtrack.us/congress/billtext.xpd?bill=s107-1327>. As noted earlier, more recently the debate over the merits of interest arbitration has been heightened by the proposed Employee Free Choice Act. For the 2008 version of the Employee Free Choice Act, see "The Employee Free Choice Act" (H.R. 800) available at <http://thoms.loc.gov/cgi-bin/query/z?c110:H.R.800>. Support for the bill is summarized at the website of the American Rights at Work <http://americanrightsatwork.org>. Arguments against the bill are summarized on the website of the Heritage Foundation <http://www.heritage.org/research/labor/wml768.cfm>.

arbitration be used to resolve impasses between private employers and newly certified unions arising out of the negotiation of their first labor contract.

While there is very limited experience with mandated interest arbitration in the private sector, for several decades, interest arbitration has been used in twenty public sector jurisdictions to resolve bargaining impasses between municipalities and their police officers and firefighters (Valletta and Freeman, 1988). The passage of these arbitration statutes in the late 1960s and early 1970s led to a number of studies that examined early experiences with arbitration (Loewenberg, 1968; Stern, Rehmus, Loewenberg, Kasper, and Dennis, 1975; Lipsky and Drotning, 1977; Thompson and Cairne, 1973; Lester, 1984). Since then, however, "There has been a virtual stoppage of books and articles on [the public] sector's labor relations" (U.S. Secretary of Labor's Task Force Report, 1995: 103).

In this paper we seek to fill at least a portion of the gap in research on interest arbitration by examining experience with the arbitration of police and firefighter disputes. We draw on data used to evaluate the effects of the introduction of arbitration in police and firefighter negotiations in New York State in 1974 (Kochan, Baderschneider, Ehrenberg, Jick, and Mioni, 1978) and update these data to capture experiences under this law from 1995 to 2007. We also supplement the New York State data with descriptive statistics and econometric analyses from a national data set that allow us to compare the effects of interest arbitration with the effects of mediation or factfinding and the absence of a bargaining statute on changes in police and firefighter wages over time. In the final section we discuss the implications of these results for contemporary debates over the role of arbitration in national labor policy.

The Longstanding Theoretical Debate: Is Arbitration Compatible with Collective Bargaining?

Because arbitration provides a binding resolution by one or more neutral experts, it has been viewed by many as a fair and effective way to resolve disputes when the costs of a strike to the public or to the parties are too high to tolerate or when power is so imbalanced in a relationship that one of the parties can refuse to negotiate and impose its will on the other. Indeed, opinion polls have shown that the majority of the American public prefers arbitration to strikes in these types of situations (Bok and Dunlop, 1970; Hart Research Associates, 2009).

Most of the post-World War II generation of industrial relations experts, however--many of whom served on the World War II War Labor Board--opposed compulsory arbitration (Taylor, 1948; Phelps, 1964). They argued that society should instead promote "free collective bargaining," i.e., bargaining free of intervention or control by government or other outside parties (Northrup, 1966). Some experts worried that the use of arbitration in contract negotiations would "chill" the negotiations process or result in the parties' having a high and perhaps increasing rate of dependence on arbitration in lieu of reaching voluntary agreements (the so-called "narcotic effect") (Wirtz, 1963). The presumed existence of the chilling effect was also premised on the view that interest arbitrators almost never sided entirely with one side or the other, but issued awards that were somewhere between the two sides' final positions. If arbitrators split the difference between the parties' final positions, then the parties have a greater incentive to hold to exaggerated proposals during negotiations and a reduced incentive to make mutual concessions. If these premises are correct, then, over time, the availability

of interest arbitration would lead to fewer voluntary agreements and more reliance on arbitration.

Others, including many public sector managers, feared that the availability and use of interest arbitration would have a significant effect on wages, salaries, and compensation. They believed that using arbitration to resolve public sector disputes would drive public sector pay to levels significantly above acceptable norms and would result in higher taxes or strains on public budgets (Wellington and Winter, 1971; Stanley, 1972).

In 1966 Carl Stevens published a highly influential article that proposed a remedy for the presumed narcotic and chilling effects of interest arbitration (Stevens, 1966). Stevens introduced the idea of final offer arbitration, a form that would limit an arbitrator's options to the choice of either the employer's final offer or the union's (thereby eliminating the arbitrator's option of splitting the difference). Stevens argued that the disincentive to compromise in conventional arbitration would be eliminated under his proposal. If the arbitrator were forced to choose one party's final position or the other's, Stevens believed, then during negotiations each side would have a strong incentive to offer a position it believed would be most appealing to the arbitrator. An attempt by one party to offer such a compromise would lead to the other side offering a compromise that it believed would be even more attractive to the arbitrator. Thus, Stevens believed that final offer arbitration would lead to a dynamic process of offers and counteroffers, resulting in agreements between the parties short of the use of arbitration.

It was the historic rise of collective bargaining in the public sector in the 1960s that cast these longstanding theoretical arguments about arbitration in an entirely new

light. Policy makers and scholars alike were faced with a dilemma. They sought means of extending collective bargaining to the public sector, but they also wanted to protect the public from strikes. On the one hand, few state legislatures or governors were willing to grant public employees the right to strike. On the other hand, neither were they ready to cede final decision-making authority to arbitrators. Several states in addition to New York created blue-ribbon commissions that included prominent post-war labor relations scholars to recommend ways to resolve this dilemma (Lester, 1984). Not surprisingly, given the prevailing views discussed above, arbitration was not included in most of the initial public sector bargaining statutes enacted during the 1960s. Although most of these new statutes prohibited strikes, they chose various combinations of mediation or factfinding with recommendations as dispute resolution options rather than binding arbitration (Lester, 1984).

In New York, for example, a blue ribbon committee chaired by former Chairman of the War Labor Board, George Taylor, recommended a law that provided for mediation and factfinding, but not arbitration. This law, commonly referred to as the Taylor Act, was enacted in 1967 (N.Y. Civ. Serv. Law §§200-214; Lefkowitz, et al., 1998; Donovan, 1990). Despite the Taylor Law's prohibition on strikes, however, in the two years following its passage in 1967, there were nearly forty public sector strikes in the State (Oberer, et al., 1970). In 1969 the Legislature, dissatisfied with the operation of the Law's impasse procedures, added amendments to the act encouraging the parties to use voluntary interest arbitration (N.Y. Civ. Serv. Law §§209.2 and 209.3; Lefkowitz, pp. 525-526). In 1974 the legislature amended the law to *require* interest arbitration for police officers and firefighters (N.Y. Civ. Serv. Law §209.4; Lefkowitz, et al., pp. 766-

767). The amendment provided for the use of conventional (not final offer) arbitration. It was designated as an "experiment" with a three year duration at which point the legislature would decide whether to continue it, amend it further, or return to the prior procedures.

Thus, the passage of the 1974 amendment provided the opportunity to test for the effects of arbitration on the process and outcomes of bargaining by comparing bargaining under mediation/factfinding from 1967 to 1973 with bargaining under arbitration from 1974 to 1976, the three years designated as the "experimental" period for the new procedures. The legislature's decision in 1976 to continue the law to the present time allowed us to update these data and examine the effects of arbitration over this longer time period. Specifically, in the analysis to follow we present data to test for the chilling and narcotic effects on the negotiation and agreement making processes and then supplement these data with descriptive statistics and econometric results from a national data set that test for the effects of arbitration on wage outcomes.

Methods

Data on the initial experiences with arbitration are drawn from a large-scale study that compared experiences under the Taylor Law's mediation and factfinding procedures in effect from 1967 to 1973 with experiences under arbitration from 1974 to 1976. Data were collected on the complete set of police and firefighter bargaining units in effect over that time period. These data were used to test whether the change from mediation/factfinding to arbitration led to: (1) greater or fewer settlements without an impasse, (2) greater or fewer settlements in mediation, (3) more or fewer strikes or other forms of job actions, and (4) higher or lower wage increases. In addition interviews with

participants in the arbitration process were carried out to explore how the administration, decision-making process, and general experiences under interest arbitration unfolded for cases that went through the complete process. Interviews followed a semistructured protocol (Kochan et. al., 1978; 206-16).

To determine how arbitration fared in the thirty years following the initial study we address the same basic questions as were addressed in the original study, albeit with more limited data and methods. Impasse data were collected from the New York State Public Employment Relations Board (PERB) from 1995 through 2007.³ These data were supplemented by records of arbitration awards and negotiated collective bargaining agreements archived at the Cornell School of Industrial and Labor Relations Catherwood Library. Semi-structured interviews were conducted with ten of the most active neutral arbitrators who together accounted for nearly half of the arbitration cases completed between 2002 and 2007. They were asked to describe how they conducted their arbitration processes using a subset of the same questions used to capture these data from arbitrator interviews in the earlier study. That is, they were asked about their experiences and satisfaction with the tripartite panels, their willingness and ability to mediate and/or narrow differences in the parties' positions, and to identify any issues that were particularly problematic in the arbitration proceedings. They were also asked whether, based on their experiences, they preferred to continue the tripartite structure, shift to a single arbitrator model, or make any other modifications to the dispute resolution process. To better understand how the law is perceived currently by the parties directly involved in and responsible for administering it, interviews covering these same questions were

³ Unfortunately, PERB did not collect systematic data on impasse histories between 1976 and 1995. Those data that were collected in these interim years were subsequently lost to a flood in the New York State Archives.

conducted with representatives of the New York State police and firefighter unions, the municipal association that represents cities and towns, and officials at the PERB.

One important piece of information no state agency or private group has collected is the number of bargaining units negotiating contracts in a given year. We therefore developed a means of estimating this number. A combination of archival records and interviews with police and firefighter representatives indicated that there are approximately 97 firefighter bargaining units and 326 police bargaining units covered by the Law. Since the average contract duration for these bargaining units was 2.8 years, we assume that one-third of these units negotiated contracts each year.

Results

The Initial Years

The results from the initial study of the net effects of the change from mediation/factfinding interest arbitration on the process and results of bargaining are summarized below:

1. The probability of going to impasse under arbitration increased by 16 percent, but so too did the likelihood that the parties would resolve their impasse in mediation. The probability of settling in mediation after the arbitration amendments went into effect increased by 13 to 18 percent.
2. Overall there was about a 15 percent increase in the likelihood the parties would go to arbitration compared to the probability during the earlier period of going beyond factfinding to a legislative hearing.
3. Dependence on the impasse procedures increased in each successive round of negotiation under factfinding and this pattern continued in the first round under arbitration, a pattern that reflected the predictions of those worried about a potential narcotic effect.⁴

⁴This pattern is reported in detail in Kochan and Baderschneider (1978). See also Butler and Ehrenberg (1981) and Kochan and Baderschneider (1981) for further discussion of whether or not the patterns observed were consistent with how earlier scholars defined the narcotic effect.

4. There were no significant effects of the change to interest arbitration on wages and no differences in the rates of wage increases granted by arbitrators compared to those negotiated voluntarily by the parties.
5. Since no strikes occurred during the three years of experience under the arbitration amendments or in the last round of negotiations under factfinding, no conclusions could be drawn on the *relative* effectiveness of interest arbitration with respect to avoiding strikes or other work stoppages.
6. The qualitative analysis of the tripartite interest arbitration process found that both management and union representatives were generally satisfied with the procedural and administrative aspects of tripartite arbitration, but city representatives continued to oppose the arbitration amendments as a matter of principle. The tripartite structure had resulted in a good deal of mediation by the neutral arbitrator with the party-appointed arbitrators after the hearing had been completed but before the award was written.

More Recent Years: Déjà vu All over Again?

Our findings pertaining to the impasse resolution processes from 1995 to 2007 are summarized in Figures 1 through 4.⁵

Avoiding Strikes

The primary purpose of using arbitration is to avoid work stoppages by essential public service employees. On this criterion the arbitration statute has clearly met its objectives. No police or firefighter unit engaged in a strike in the traditional sense of a complete work stoppage over this thirty-year period. PERB listed twelve incidents involving police and firefighter units in its Work Stoppages file since 1976. However, most if not all of these appear to be some form of sickout, refusal to work overtime, or

⁵ These results focus only on police and firefighter bargaining units in cities and towns outside of New York City. Before 1998, the arbitration of New York City police and firefighter disputes was administered by the New York City Office of Collective Bargaining. In 1998 the Legislature transferred jurisdiction over police and firefighter bargaining impasses from the OCB to PERB, although OCB retains jurisdiction over improper practices and representation matters. New York City contested the constitutionality of this transfer, but the New York Court of Appeals rejected the City's claim in 2001 (*Patrolmen's Benevolent Association of the City of New York v. City of New York*, 2001 NY Int. 149, December 20, 2001, found at http://www.law.cornell.edu/nyctap/101_0149.htm, accessed on March 20, 2009). For an analysis of arbitration experiences in New York City, see Lipsky and Katz (2006).

some other type of limited job action. Eight of these twelve events occurred between 1977 and 1981 in the City of Yonkers, a period during which the State had set up an emergency control board to oversee the city's finances.⁶ Three others--the Orangetown police in 1995, Buffalo police in 2002, and Kings Point police in 2003—were ultimately judged by PERB to fall short of a “strike action.” As a point of comparison, PERB's records indicate that 33 teacher strikes occurred in New York State between 1977 and 2007.⁷

Although the arbitration statute has clearly achieved its objective of preventing work stoppages, other factors may have also played a role. One factor has probably been the Triborough Doctrine, which requires a public sector employer to continue an expired agreement until a new agreement is negotiated or resolved by mediation, factfinding, or arbitration. The doctrine, first articulated in a decision by PERB in 1972, was added by amendment to the Taylor Law in 1982.⁸ A union, however, forfeits its right to preserve all the terms of an expired agreement if it goes on strike.

The fact that strikes by public sector employees are unlawful in New York State may prompt those in law enforcement to think twice before they go on strike and violate the law. The illegality of strikes under the Taylor Law may be as or more important than interest arbitration in deterring work stoppages by police officers and firefighters.

Impasse and Arbitration Rates

⁶ The emergency control board in Yonkers continues to operate under legislation passed in 1984. See <http://law.justia.com/newyork/codes/yonkers-financial-emergency-act-103.84/>, accessed on March 20, 2009.

⁷ There were 40 job actions by teachers during this period, but PERB found that only 33 were actually strikes as defined by Section 210.1 of the Taylor Law.

⁸ PERB's 1972 decision was *Triborough Bridge & Tunnel Authority*, 5 PERB 3037 (1972). The Triborough amendment is at 1982 N.Y. Laws chs. 868, 921.

The data in Figure 1 provide a test of whether or not a "narcotic" pattern of dependence has built up within these bargaining units over time. Between 1995 and 2007 approximately 28 percent of firefighter units and 40 percent of police negotiations went to impasse and only 7 percent of firefighter and 9 percent of police contracts were resolved by an arbitration award. These impasse and arbitration rates compare favorably to the experience in the early years of the process. The 1976 study found that 57 percent of firefighter and 74 percent of police units went to impasse and 26 percent of firefighter and 31 percent of police contracts were resolved by an arbitration award. Thus, there is no evidence of either a high or an increasing rate of dependence on arbitration.⁹ The trend has moved in the opposite direction over time. An argument can be made that the availability of interest arbitration, rather than leading to a narcotic effect, encourages the parties to be more realistic in their negotiations and to settle their impasse without an award.

Reliance on interest arbitration does vary across jurisdictions. Police units have a higher rate of usage than do firefighter units, most likely because police are more likely to serve as a pattern setter for firefighter units within cities than vice versa.¹⁰ Several

⁹ Note that Figures 1-4 report data for the complete population (not a sample) of the relevant cases within New York. Treated as a sample, a chi-squared test concludes that impasse rates were significantly different (at 1%, two-tailed test) in 1974-1976 than they were in 1995-2007, for both police and firefighters.

¹⁰ In New York City for many years police and firefighter contracts generally followed a pattern that was set by the contract the City negotiated with its largest municipal union, District Council 37 of American Federation of State, County and Municipal Employees (AFSCME). This practice tended to hold down the salaries of police officers and firefighters, and as a consequence the City eventually encountered difficulties in recruiting new police officers. See Lipsky and Katz, 2006, p. 270. Business groups and other stakeholders began to urge the City to abandon this form of pattern bargaining; see Steven Greenhouse, "Panel Urges End to City's 'Pattern Bargaining' with Unions," *New York Times*, January 20, 2001, found at <http://www.nytimes.com/2001/01/20/nyregion/panel-urges-end-to-city-s-pattern-bargaining-with-unions.html>, accessed on March 20, 2009. Both Mayor Giuliani and Mayor Bloomberg resisted the police union's effort to persuade the City to depart from the pattern, but in 2007 police commissioner Raymond Kelly broke with Mayor Bloomberg and also called for an end to pattern bargaining in New York City. See Steven Greenhouse, "Kelly Resists Tradition, and Mayor, on Police Pay," *New York Times*, May 25, 2007, found at <http://www.nytimes.com/2007/05/25/nyregion/25police.html>, accessed on March 20, 2009. In

cities are heavily reliant on arbitration. The City of Buffalo and its firefighter and police units have needed arbitration to determine their contracts nearly every time they negotiated since 1995. Syracuse and Rochester are also heavy users of arbitration. These cities were also heavy users of factfinding and arbitration in the early years of the Taylor Law. There does appear to be a relationship between fiscal distress and reliance on arbitration.

The data presented in Figure 2 speak to the question of whether or not arbitration has had a "chilling" effect by examining the rates of resolution achieved in mediation prior to or in some cases during the arbitration process. The data indicate that mediation either prior to the arbitration step or mediation at the arbitration stage continued to achieve a high rate of voluntary settlement. Approximately 71 percent of firefighter impasses and 78 percent of police impasses were resolved by mediation or other voluntary means short of an award. This represents a slight increase from the 70 percent of police and firefighter contracts settled in mediation in the first three years of bargaining under the arbitration statute.

Effects on Wages

There are at least two ways the effects of arbitration on wages have been assessed in previous studies. One common approach is to compare negotiated and arbitrated wage increases for bargaining units covered by the same statute and process. However, both theory (Farber and Katz, 1979) and prior evidence (Kochan et al., 1978) suggest that we should not observe any significant differences in negotiated versus arbitrated wages

unpublished research, Lipsky and Katz found that police set the pattern for firefighters in upstate cities such as Buffalo and Rochester, but the strength of that pattern had diminished over time.

because arbitrators rely heavily on comparisons with other settlements in fashioning their awards.¹¹ So it is not surprising that no significant differences in negotiated and arbitrated awards were observed in the early years of the arbitration statute. The data reported in Figure 3 indicate the same results were obtained in comparing negotiated and arbitrated outcomes for police between 2001 and 2006. Negotiated and arbitrated wage increases for police officers in the first through the fourth step of their salary schedules were nearly identical. Settlements and awards average between 3.3 and 3.6 percent for the various steps on the salary schedules. The same nearly identical pattern of negotiated and arbitrated wages was observed for firefighters (see Figure 4). However, these figures should be used with caution because of the small number of arbitration cases (5) available for this comparison. PERB reported similar data for 1998 and 1999 and again showed that negotiated and arbitrated outcomes were essentially equal.¹²

The same results are reported for police and firefighters in New Jersey, the only other state where similar longitudinal data are available. Data in the New Jersey Public Employment Relations Commission's 2008 biennial report on its arbitration process

¹¹ Most public sector arbitration statutes require arbitrators to take relevant wage comparisons into account in fashioning their awards. The Taylor Law instructs arbitration panels to base their awards on a "comparison of the wages, hours, and conditions of employment of the employees involved in the arbitration proceeding with the wages, hours, and conditions of employment of other employees performing similar services or requiring similar skills under similar working conditions and with other employees generally in public and private employment in comparable communities" (N.Y. Civ. Serv. Law §209.4.c.v.).

¹² Negotiated police and fire agreements averaged 3.41 percent in 1998 compared to 3.49 percent for arbitrated agreements. In 1999 negotiated agreements averaged 3.49 percent and arbitrated settlements averaged 3.82 percent. See "Contract Analysis Program: PERB's Summary of Selected Collective Bargaining Agreement Provisions, 1998-1999." A report of the New York State Public Employment Relations Board, March, 2001. Available at the Martin Catherwood Library, Cornell University or from the authors upon request.

indicate that negotiated wage increases for police and firefighters between 1993 and 2007 averaged 3.70 percent per year; arbitrated wage increases averaged 3.63 percent.¹³

The second, and in our mind, more appropriate approach is to compare wage outcomes in states that have statutes requiring arbitration for police officers and firefighters with wage outcomes in states that have collective bargaining statutes but only use nonbinding resolution processes. Such tests are complicated, however, by the fact that states that have enacted bargaining statutes vary from those that have not in systematic ways that may also affect public employee wage levels and changes. Kochan found, for example, that states with more liberal political environments and higher per-capita incomes were more likely than their counterpart states to enact bargaining statutes between 1960 and 1970 (Kochan, 1973). These variations in state-level characteristics, therefore, need to be taken into account in assessments comparing wage changes that occur under different statutory regimes.

Figure 5 illustrates the importance of considering differences across states that existed before collective bargaining statutes were enacted. The figure shows levels and changes in the mean real wages (in 2000 dollars) of police officers in each decade from 1960 (before states began to enact public sector bargaining statutes) to 2000.¹⁴ The data for 1960 show that prior to the enactment of any bargaining statutes mean wages were approximately 9.7 percent higher in states that subsequently enacted arbitration or

¹³ See "Biennial Report of the Public Employment Relations Commission on the Police and Fire Public Interest Arbitration Reform Act," January 2008. Available at www.state.nj.us/perc/IA_Biennial_Report20008.pdf.

¹⁴ Wages for 1980, 1990, and 2000 were calculated by dividing annual wage and salary income by usual hours worked per week and weeks worked last year. Both the 1960 and 1970 Census reported hours and weeks for intervals, so the means conditioned on the interval values are imputed. Also, because place-of work (i.e., the state) is not identified in earlier censuses, only those who worked in their own states could be associated with arbitration codes.

factfinding than in states that continue to have no collective bargaining statutes.

Consistent with the general pattern of the effects of collective bargaining on wages found by other researchers (see, for example, Blanchflower and Bryson, 2007), this differential expanded modestly over this forty-year time period. In 2000 police wages in factfinding or arbitration states were approximately 22.1 percent higher than police wages in states without bargaining statutes. Note, however, that wages in arbitration states tracked almost exactly wages in mediation/factfinding states, suggesting that it is collective bargaining *per se*, not the presence of interest arbitration that accounts for the growth in these wage differentials.

Table 1 provides additional descriptive statistics comparing wage levels adjusted for difference in per-capita income (to account for the endogeneity of bargaining laws) and wage changes between 1990 and 2000 for police and firefighters in New York, in other states with arbitration statutes, in states with mediation/factfinding procedures, and in states without bargaining statutes. These data again show that wage changes under arbitration in general and under arbitration in New York in particular did not increase at rates greater than wages changes in states that use mediation and factfinding or in states without bargaining statutes. Specifically, police wages increased by 6.49 percent in New York and by 5.90 percent in other states with arbitration statutes compared to 8.82 percent in states using mediation and factfinding and 5.25 percent in states without a bargaining law. Firefighter wages in New York, in real terms, actually declined slightly (by 0.65 percent) between 1990 and 2000. In other states with arbitration statutes firefighter wages increased by 6.57 percent, compared to an increase of 15.72 percent in

states using mediation or factfinding and 8.71 percent in states without bargaining statutes.

The data presented in Figure 5 and Table 1, however, do not control for other factors that affect wages and therefore do not provide a precise test of the net effect of arbitration on wage increases over time beyond the net effect in states using mediation and factfinding or in states without collective bargaining. Given the difficulties of assembling the necessary data and the technical complexities involved in trying to control for other factors affecting wages, it is not surprising that only a handful of studies have been carried out that test for these effects. A study of the effects of arbitration on firefighter wages in the 1970s conducted by Olson found small positive effects for arbitration (Olson, 1980). Using a time series of municipal and state data, Feuille and Delaney concluded that arbitration had a positive but modest effect on the level of police salaries (Feuille and Delaney, 1984). However, a study of the effects of arbitration on the wages of police officers in New Jersey by Bloom found no significant effects (Bloom, 1981).

Ashenfelter and Hyslop conducted the most recent and most comprehensive study (in terms of geographic scope) of the effects of arbitration on police wages (Ashenfelter and Hyslop, 1999). They analyzed wage growth from 1970 to 1990 and wage levels in 1990 of police units in the states with arbitration statutes and in states without. They found that the average effect of arbitration on both growth and level of wages was approximately *zero*. There was some regional variability in the wage effect: arbitration in Midwestern states had a small positive effect on wages, a result that was also discovered in the studies reported above. Overall, their evidence suggested that the

presence of arbitration did not significantly increase the wages of police beyond the wages negotiated under collective bargaining in jurisdictions without arbitration. They did not, however, differentiate between those states with mediation and factfinding and those without a collective bargaining statute.

We conducted a set of regressions similar to those in the Ashenfelter and Hyslop study in order to update their results and to assess differences in the wage growth of police officers and firefighters between 1990 and 2000. We used individual-level data for police officers and firefighters contained in the 1990 and 2000 censuses, and we extended the Ashenfelter and Hyslop analysis by distinguishing police officers and firefighters in states with arbitration statutes from those in states using mediation and factfinding and in states without bargaining statutes. Table 2 presents the descriptive statistics for the variables used in the analysis for police. Tables 3 and 4 present regression results for police officer and firefighter wages in 1990 and 2000, controlling for demographic characteristics, education, family status, and whether or not the individual was located in a right-to-work state. Wages are adjusted by state per-capita income to account both for other factors that may affect the passage of bargaining statutes and for factors that affect wages across states that are independent of collective bargaining and impasse resolution procedures. Wages are calculated by dividing weekly wage income by typical hours worked per week multiplied by weeks worked in the previous year. Wages are bottom-coded and top-coded at the 1st and 99th percentiles, respectively, and 1990 wages are adjusted for inflation. States without bargaining statutes serve as the reference category.

The coefficients on the mediation/factfinding and the arbitration dummy variables, therefore, provide estimates of the percentage difference in wages associated with being in a state with these procedures versus one with no bargaining law. The coefficients on mediation/factfinding and arbitration are significant for both police and firefighters in 1990 and 2000. These results are consistent with prior studies that estimate the effects of unions and collective bargaining on the wages of public sector workers to be in the range of 10 to 20 percent (Blanchflower and Bryson, 2007). The results should be interpreted with caution, however, because the coefficients also capture the effects of any omitted variables that may affect wage levels across states. Consequently, the results should not be interpreted as precise estimates of the effects of arbitration or mediation/factfinding on wage levels.

Our interest, however, is less in the effects of impasse procedures on wage levels than in testing whether the coefficients of the impasse procedures variables *change* between 1990 and 2000. Analysis of changes in the coefficients between 1990 and 2000 ("differences-in-differences") allow us to test whether police officers and firefighters in states that mandate arbitration at impasse experienced greater (or lesser) wage growth than those in states governed by mediation/factfinding or states without bargaining statutes, under the assumption that the effects of any omitted variables remained constant.

The differences in the coefficients on arbitration for 1990 and 2000 in Table 3 indicate that police officers in states that mandate arbitration experienced a small contraction (1.6 percent) in their wages compared to police officers in states without bargaining statutes. Those in states that provide mediation and factfinding made small gains (2.8 percent) relative to those in states without bargaining statutes. The same

patterns are observed in Table 4 for firefighters. Taken together, these descriptive statistics and regression results suggest three conclusions: (1) consistent with other studies of the effects of unions and collective bargaining in the private and public sector, the presence of collective bargaining creates and maintains a positive wage differential over time; (2) there is no evidence that the presence of arbitration over a long period of time leads to expanding wage differentials or higher wage levels than those negotiated under collective bargaining without arbitration; and (3) arbitration under New York's Taylor Law produced results roughly similar to arbitration in other states.

The Arbitration Process

The New York statute provides for conventional arbitration with a tripartite panel. Each of the parties in an arbitration case selects one member of the panel (a so-called "party-appointed" arbitrator), and the two parties jointly select a neutral chair of the panel from a list of nine names supplied by PERB (N.Y. Civ. Serv. Law §209.4.c.ii). A tripartite panel serves to protect the parties from ill-advised decisions by neutral arbitrators who lack the benefit of input and advice from representatives of the parties in the final stages of the process. However, this is only one of a variety of arbitration designs found throughout the country.¹⁵ Six states have some form of final-offer arbitration rather than conventional arbitration; some states use a single neutral rather than a tripartite panel.

¹⁵ The Taylor Law includes a so-called "local option" section that allows New York municipalities to set up their own "mini PERBs" so long as their procedures are substantially equivalent to those in the state law (N.Y. Civ. Serv. Law §212). In New York City collective bargaining between the City and its unions is administered by a tripartite agency called the Office of Collective Bargaining (OCB). In arbitration cases under OCB's jurisdiction, the three-person arbitration panel consists entirely of neutrals. The police and firefighter unions in New York City came to prefer tripartite panels, and principally for this reason lobbied for a transfer of authority over their impasses from OCB to PERB. For a more extended discussion, see Lipsky and Katz (2006).

Interviews with the sample of the most active neutral arbitrators who have handled recent (2002-2007) police and firefighter cases in New York confirms the earlier findings of Kochan et al. that use of the tripartite panels encourages negotiations among the arbitrators and mediation by the chair between the two party-appointed arbitrators, particularly after the adjournment of the formal arbitration hearings. In virtually all arbitration cases in New York State, after the formal hearings are concluded, the tripartite panel goes into "executive session," where negotiation and mediation are common features of the process. In some cases these negotiations often produce a settlement or a unanimous award. In other cases the negotiations serve to narrow the differences between the parties on some of the issues but not sufficiently to produce a unanimous award. The arbitrators we interviewed also told us that executive sessions sometimes resulted in tacit agreements but political factors dictated the need for the neutral chair to write an award and for one of the parties to offer a dissent. There was near universal preference among the arbitrators for the tripartite design over use of a single neutral arbitrator. Only one arbitrator voiced an exception to this view preferring the single neutral model in cases that involved a single unresolved issue.

Time Required

The one big change in the experience since the formative years of the arbitration process is that the time from contract expiration to issuance of an award has greatly increased. In 1976 it took an average of 300 days from contract expiration to issuance of an arbitration award. That number has more than doubled: police arbitration awards during the period 2001-2006 were issued an average of 790 days (median was 743) after contract expiration. The comparable figure for firefighter cases was 751 days (median

was 700). Since the medians and means are close, long time lags are the norm rather than the exception of a few outlier cases. Under the Taylor Law, arbitration panels cannot award contracts of greater than two years (unless, as in a growing number of cases, the parties consent to a longer contract). This statutory requirement implies that most awards during the 2001-2006 period were issued after the contract had already expired. Thus, the parties were likely to have already been in negotiations over a successor contract at the time of the arbitration award.

Why has the length of time between the expiration of a contract and the issuance of an arbitration award increased so dramatically over the past thirty years? We put this question to the arbitrators we interviewed as well as several other participants in the arbitration process, including PERB's Director of Conciliation. Although the individuals we interviewed differed in their opinions about this matter, several offered plausible explanations for the lengthened delay in the issuance of awards. First, all arbitration panels in New York State award retroactive pay increases in cases where the collective bargaining agreement has already expired. The longer the delay in the issuance of the award, the larger the lump-sum retroactive payment received by the bargaining unit members covered by the award. Some of the interviewees believe that many police officers and firefighters look forward to receiving large lump-sum payments, rather than smaller incremental pay adjustments over two years or more, even though economists might consider that preference to be in part a reflection of the union members' myopia. Delay in the issuance of the award also gives the unions some leverage on what can be done with the retroactive pay increase. For example, as one of our interviewees noted, today police and firefighter unions are often interested in increasing the pay rate used for

retirement benefit calculations. The union might see the advantages of using the arbitration process to trade off a part of the retroactive pay increase for an increase in the base salary used to calculate retirement benefits. On the management side, some of our interviewees noted that a municipality would benefit if it could invest money put aside to fund an arbitration award at a higher rate of return than the interest rate used by the arbitrator to calculate the amount of the retroactive payment. If this is possible, then management's incentive to complete the arbitration process in timely fashion would be diminished.

Second, in New York State the so-called "Triborough Doctrine" makes it an improper practice for a public sector employer to change unilaterally the terms of an expired agreement until a new agreement is negotiated or resolved by mediation, factfinding, or arbitration, and most of our interviewees believe this provision of the law is a principal factor causing the increased delay in the issuance of awards¹⁶ The Triborough Doctrine distinguishes the Taylor Law from the Taft-Hartley Act as well as virtually all other public sector bargaining statutes.¹⁷ It guarantees that police officers and firefighters will continue to receive their existing salary and benefits no matter how long it takes to resolve a bargaining dispute. If the Triborough Doctrine significantly contributes to the problem of delay, its effects on the parties' incentives to expedite or delay the impasse procedures, including the arbitration process, probably vary depending on budgetary and economic conditions. When the economy is strong and budgets are healthy, the union's incentive is to take advantage of the situation and push the arbitration process ahead, hoping for a generous arbitration award before conditions worsen,

¹⁶ 1982 N.Y. Laws chs. 868, 921).

¹⁷ Under the Taft-Hartley Act an employer who has been bargaining in good faith can unilaterally change the terms and conditions of employment when an existing collective bargaining contract has expired.

whereas management's incentive is to prolong the process. When the economy is weak and budgets are in distress, the union's incentive is to delay the process, hoping for better times down the road, and management's incentive is to expedite it. As one of the readers of an earlier draft of this paper noted, however, the incentive for a union to delay the process during bad economic times might be reduced substantially if management begins aggressively to downsize the workforce.¹⁸

The Triborough Doctrine has been in effect since 1972, so it clearly does not offer a *per se* explanation of the increasing delay in the issuance of awards. We believe unions and employers operating under the Taylor Law's jurisdiction at first did not fully reckon with the significance of the Triborough Doctrine, and it took a number of rounds of bargaining before they appreciated the doctrine's implications. In earlier rounds of bargaining both parties hoped for major victories in arbitration, but experience taught the parties that breakthroughs in arbitration rarely if ever occurred. Thus, the parties learned over time that arbitration seldom resulted in major gains or losses for either side, no matter how long the process lasted.

Some Broader Concerns

One of the questions we asked the arbitrators and representatives of the parties interviewed for this study was: Are there issues facing municipal governments and their employees that are not being effectively addressed in negotiations and arbitration under the statute? The two issues most frequently mentioned were health insurance and pensions. This is not surprising. Health insurance is the biggest problem facing negotiators in both the private sector and the public sector across the nation. It is clear that individual bargaining units and cities cannot address the full dimension of our health

¹⁸ We thank Ronald Ehrenberg for making this point.

care problem. Health insurance for retirees is an especially vexing issue for employers and unions. In *PERB v. Village of Lynbrook*, 48 N.Y. 2d 398, the New York Court of Appeals ruled that retiree health care benefits were not an "impermissible" topic of bargaining under the Taylor Law. In effect, the court's decision made retiree health care benefits a nonmandatory topic of bargaining and therefore outside the authority of arbitrators to consider. Although arbitrators commonly take the costs of union or employer proposals for changing co-pays, deductibles, premium sharing, and the like into account in fashioning their awards, they are reluctant to consider more wholesale restructuring options, preferring to leave those to the parties to work out on their own.

Pensions have been subject to substantial change in the private sector over the past two decades as companies have replaced defined benefit with defined contribution or 401(k) plans (for a recent assessment, see Ghilarducci, 2008). In New York State, under the Taylor Law pensions are not generally negotiable except in the case of certain retirement plan options the Legislature permits the parties to decide (Lefkowitz, et al., pp. 489-491). Yet states across the country, including New York, face serious underfunded pension liabilities that will need to be paid by citizens who, in recent years, have witnessed their own pension plans being modified or, in some cases, eliminated.

Both health insurance and pensions are therefore highly vulnerable political issues and ones of growing public concern. Other issues such as substance abuse and drug testing, recruitment and retention of police officers, changes in technology and related staffing issues and other issues that affect the quality and affordability of public sector services are arising with increased frequency in public sector settings around the country (Brock and Lipsky, 2003). Experience demonstrates in New York and elsewhere that

arbitrators are reluctant to break new ground in their awards and would prefer to leave innovative approaches to the parties. The conservative nature of arbitration suggests that only in rare cases will significant changes be achieved on critical contemporary issues if left to arbitrators to handle on a bargaining unit level. Thus, although the conservative norm governing arbitrator behavior may address the concern that an arbitrator might impose an unworkable outcome on the parties, it may also have the effect of constraining the innovative potential of collective bargaining.

Conclusions and Implications

By examining the effects of arbitration over a long period of time against the theoretical concerns of its early (and contemporary) critics, a picture emerges of both how this process works in practice and its value and limitations as a dispute resolution alternative. With the exception of the increased time delays, on the conventional criteria used for judging a dispute resolution system, the New York State police and firefighter arbitration system has performed well over this thirty-year span of time and has not led to the results predicted by its post-war or contemporary critics. Strikes have been avoided. The initial rather high rate of reliance on arbitration has declined considerably and only a small number of bargaining units in cities with particularly complex circumstances have experienced a high rate of dependence on arbitration. There is no evidence that, on the whole, arbitration has had a chilling effect on negotiations. Neither the presence nor use of arbitration has led to an escalation of wages beyond the wage levels negotiated by police and firefighters in other states without arbitration. Moreover, by use of tripartite panels, the parties have limited the potential risk of getting a "bad" or an "unworkable" award by having their representatives participate directly in the arbitration decision-

making process. Specifying the criteria arbitrators are to apply in specific cases adds further discipline to the decision-making process and results. These same features may, however, lead arbitrators to follow conservative norms preferring to leave major innovations or departures from industry or occupational patterns to the parties to negotiate. Although this is one of the reasons the above pattern of results prevail, it also suggests that other means for promoting or facilitating innovation may be needed in settings where arbitration governs negotiations over an extended period of time.

Since these results were generated in a public sector setting, it is not clear they will generalize in exactly the same way to the private sector settings in which labor policy is currently being debated. For example, time delays should not be as much of a problem in first contract negotiations where contract bar rules expire one year after a unit is certified if no agreement has been reached by that date. Yet these may be the best data available for transforming what too often is a largely ideological and data-free debate over the likely effects of proposals to provide for first contract arbitration under the NLRA or binding arbitration of airline disputes under the RLA. Those who oppose providing arbitration in these settings should at least be held responsible for addressing the evidence that the standard concerns about arbitration have not materialized in the thirty years of experience with interest arbitration reviewed here. Moreover, those in favor of providing interest arbitration in private sector settings need to examine the experience reported here carefully and build into their proposals the design features that have mitigated the standard concerns. Finally, notwithstanding its good performance on the standard criteria, it is clear that interest arbitration is not a panacea or a stand-alone solution to the challenges facing labor and management today. It needs to be treated as

one component of a broader set of state-of-the-art negotiations and dispute resolution tools available to policy makers and practitioners if collective bargaining is to fulfill its function as a "bulwark of democracy" in the years ahead.

Table 1
Police and Firefighter Wage Changes 1990-2000
 (adjusted real wages in 2000 \$)

	POLICE			FIREFIGHTERS		
	1990	2000	% Change	1990	2000	% Change
No Provision	17.98	18.93	5.25%	15.79	17.17	8.71%
Med/Factfinding	19.93	21.69	8.82%	17.16	19.85	15.72%
Arbitration	19.22	20.35	5.90%	17.98	19.16	6.57%
New York	20.23	21.54	6.49%	21.75	21.60	-0.65%

Table 2

Descriptive Statistics for Police and Firefighters in 1990 and 2000 Census				
	Police		Firefighters	
	1990	2000	1990	2000
Continuous Variables				
Wage	19.48 (7.96)	20.349 (9.06)	17.34 (8.57)	18.61 (8.92)
Log-Wage	2.88 (0.44)	2.91 (0.47)	2.74 (0.488)	2.81 (0.488)
Age	37.98 (9.83)	38.84 (9.93)	38.11 (10.03)	39.32 (9.75)
Female	12.7%	15.5%	3.6%	4.2%
Right-to-Work	15.8%	17.1%	15.9%	17.2%
Race				
White	86.5%	82.9%	88.3%	86.3%
Black	9.3%	10.5%	6.5%	7.1%
Other	4.2%	6.5%	5.2%	6.6%
Education				
LT High School	2.7%	1.5%	5.6%	3.0%
High School	21.9%	15.7%	30.0%	22.7%
Some College	36.6%	38.3%	38.6%	43.3%
Associate's Deg	14.8%	14.9%	15.4%	17.1%
Bachelor's Deg	19.6%	24.7%	9.4%	12.3%
Master's Deg	3.4%	4.0%	1.0%	1.3%
Prof Deg	1.0%	0.9%	0.3%	0.4%
Marital Status				
Married	73.3%	69.4%	74.9%	73.4%
Widowed	0.6%	0.6%	0.4%	0.4%
Divorced	9.2%	10.8%	8.2%	9.3%
Separated	2.6%	1.9%	1.5%	1.5%
Never Married	14.8%	17.2%	15.1%	15.4%
Observations	8816	12387	5109	6914

Police includes all police and sheriff's patrol officers, detectives and criminal investigators, and first-line supervisors and managers of police and detectives between the ages of 18 and 65 earning between the first and ninety-ninth percentiles. Includes the 50 states, does not include workers in Washington DC, US territories, or expatriots. Wage calculated by dividing earned income by typical hours per week and weeks worked in previous year.

Table 3

Regression of Log-Wages (adj. 2000 dollars by state per capita income) against impasse provisions and controls, Police

Variables	1990		2000	
	Coefficient	Std. Error	Coefficient	Std. Error
Impasse Resolution				
No Provision	Reference		Reference	
Med-FF	0.237***	(0.0124)	0.238***	(0.0108)
Arbitration	0.174***	(0.00958)	0.175***	(0.00884)
Age	0.0443***	(0.0108)	0.0596***	(0.00974)
Age-Sq	-0.000438***	(0.000108)	-0.000652***	(9.78e-05)
Female	-0.259***	(0.0157)	-0.144***	(0.0122)
Race				
Black	0.0384**	(0.0159)	0.0183	(0.0132)
Other	-0.0867***	(0.0282)	-0.0596***	(0.0198)
Hispanic	0.0576**	(0.0247)	0.0353**	(0.0176)
Education				
LT High School	-0.486***	(0.0236)	-0.442***	(0.0333)
High School	-0.313***	(0.0137)	-0.322***	(0.0126)
Some College	-0.174***	(0.0126)	-0.176***	(0.0106)
Associates	-0.123***	(0.0148)	-0.116***	(0.0129)
Masters	0.0596**	(0.0236)	0.0781***	(0.0194)
Professional	-0.00788	(0.0443)	-0.106**	(0.0464)
Marital Status				
Widowed	-0.0224	(0.0406)	-0.0388	(0.0365)
Separated	-0.0260	(0.0291)	0.0502*	(0.0278)
Divorced	-0.0254*	(0.0138)	-0.0328***	(0.0116)
Never	-0.0491*	(0.0267)	-0.00319	(0.0176)
Right-to-Work State	-0.181***	(0.0126)	-0.167***	(0.0108)
Constant	1.981***	(0.265)	1.754***	(0.241)
Observations	8816		12387	
R-squared	0.217		0.170	

*** p<0.01, ** p<0.05, * p<0.1

Standard errors in parentheses

Table 4

Regression of Log-Wages (adj. 2000 dollars by state per capita income) against impasse provisions and controls, Firefighters

Variables	1990		2000	
	Coefficient	Std. Error	Coefficient	Std. Error
Impasse Resolution				
No Provision	Reference		Reference	
Med-FF	0.224***	(0.0167)	0.214***	(0.0140)
Arbitration	0.217***	(0.0133)	0.192***	(0.0117)
Age	0.0668***	(0.0148)	0.0314**	(0.0141)
Age-Sq	-0.000582***	(0.000149)	-0.000275*	(0.000143)
Female	-0.299***	(0.0467)	-0.0904***	(0.0302)
Race				
Black	0.0402	(0.0264)	0.0144	(0.0195)
Other	0.000997	(0.0396)	-0.0686***	(0.0252)
Hispanic	-0.0611*	(0.0353)	0.0385	(0.0268)
Education				
LT High School	-0.357***	(0.0307)	-0.388***	(0.0341)
High School	-0.214***	(0.0225)	-0.256***	(0.0173)
Some College	-0.112***	(0.0220)	-0.130***	(0.0157)
Associates	-0.0715***	(0.0243)	-0.101***	(0.0180)
Masters	0.0602	(0.0551)	0.0811**	(0.0379)
Professional	-0.227**	(0.112)	-0.170**	(0.0690)
Marital Status				
Widowed	-0.0684	(0.0711)	-0.107*	(0.0613)
Separated	-0.00235	(0.0446)	-0.0688*	(0.0408)
Divorced	-0.0337*	(0.0198)	-0.0504***	(0.0161)
Never	-0.00131	(0.0350)	-0.0113	(0.0242)
Right-to-Work State	-0.176***	(0.0174)	-0.138***	(0.0142)
Constant	1.094***	(0.363)	2.149***	(0.345)
Observations	5109		6914	
R-squared	0.159		0.131	

*** p<0.01, ** p<0.05, * p<0.1

Standard errors in parentheses

Figure 1
Impasse and Arbitration Rates
1974-1976 and 1995-2007

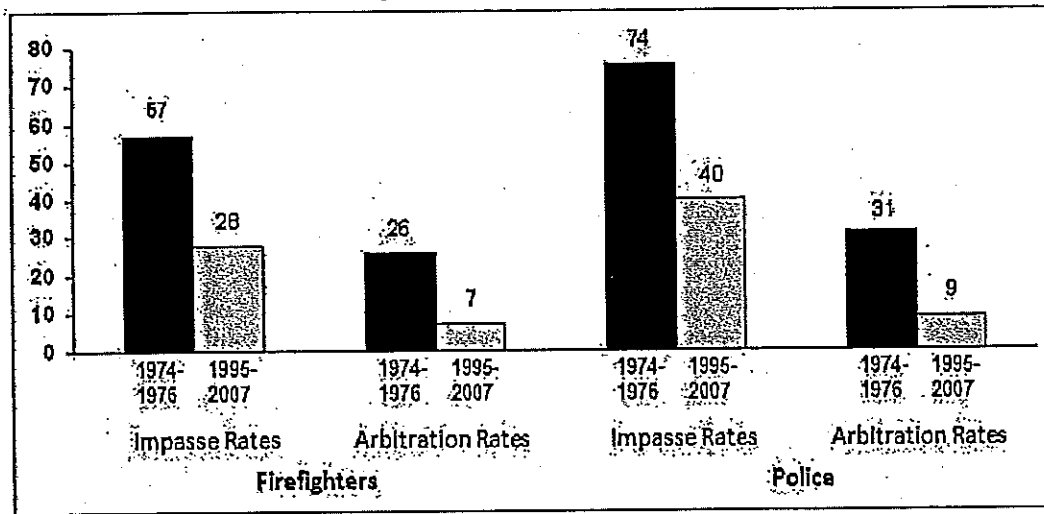


Figure 2
Mediation and Voluntary Settlement Rates
1974-1976 and 1995-2007

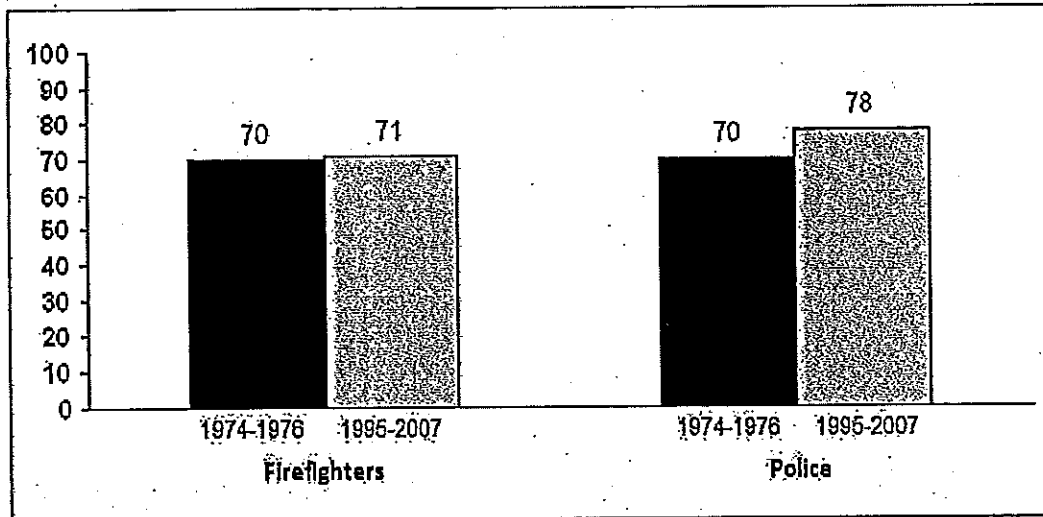


Figure 3
Police Negotiated and Arbitrated Salary Increases, 2001-2006

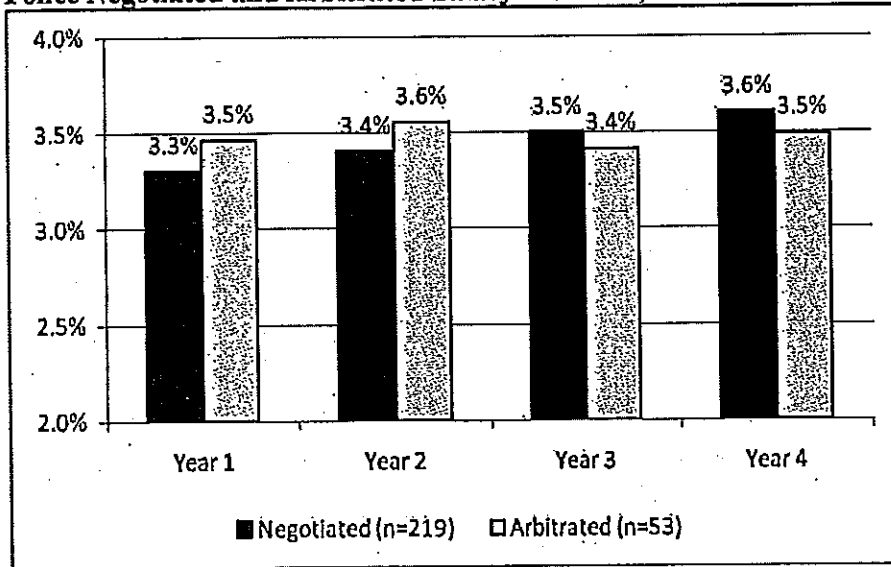


Figure 4
Firefighter Negotiated and Arbitrated Salary Increases, 2001-06

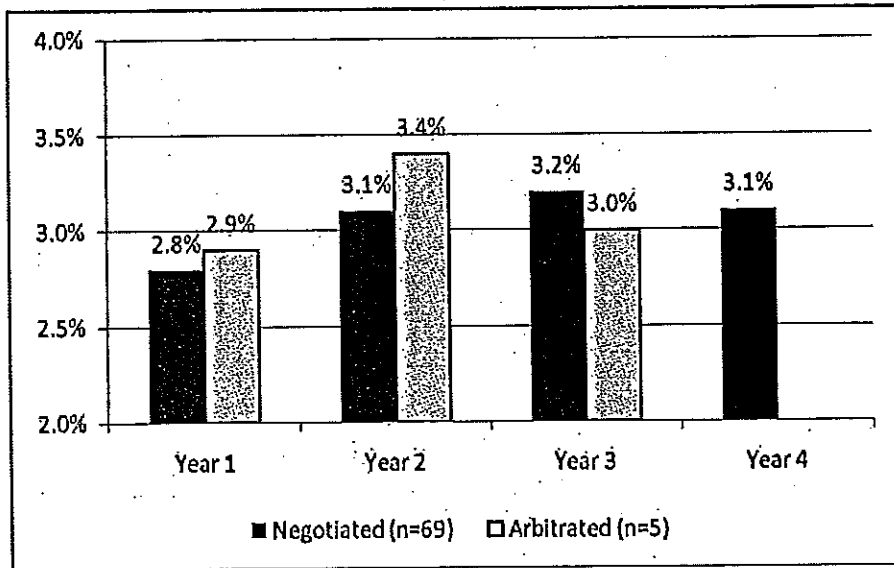
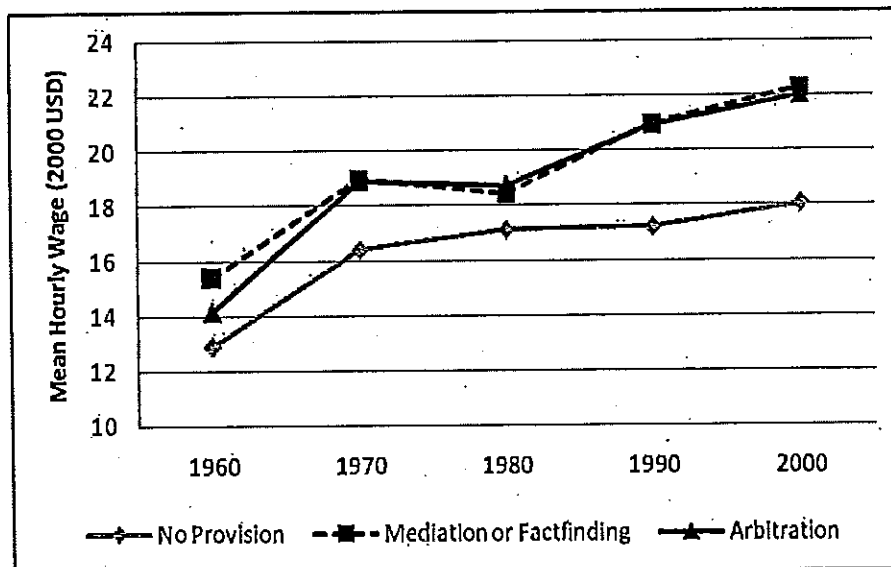


Figure 5

Mean Hourly Wages by Impasse Provision and Census Year¹⁹



¹⁹ Hourly police wages are estimated by taking wage income in the previous year, divided by weeks worked in the previous year times typical hours worked per week. Note that a serious limitation of comparing 1960 and 1970 data is that these Census years report weeks worked per year and hours worked per week in intervals; for the 1960 and 1970 estimates, the mean values from the 1980, 1990, and 2000 Censuses for the associated intervals are imputed. Wages are bottom coded at the 1st and 99th percentiles within years and impasse provision. Because earlier Censuses do not uniquely report place-of-work state, arbitration provisions are associated with police state of residence.

References

Ashenfelter, Orley and Dean Hyslop, "Measuring the Effect of Arbitration on Wage Levels: The Case of Police Officers," Working Paper #421, Industrial Relations Section, Princeton University, July 1999.

Blanchflower, David G. and Alex Bryson, "What Effect Do Unions Have on Wages Now and Would Freeman and Medoff Be Surprised," in James T. Bennett and Bruce E. Kaufman (eds.), *What Do Unions Do: A Twenty Year Retrospective*. New Brunswick, NJ: Transaction Books, 2007, 79-113.

Bloom, David E., "Collective Bargaining, Compulsory Arbitration, and Salary Settlements in the Public Sector: The Case of Police Officers in New Jersey," *Journal of Labor Research*, vol. 2, Fall 1981, 369-84.

Bok, Derek, and John T. Dunlop, *Labor and the American Community*. New York: Simon and Schuster, 1970.

Brock, Jonathan and David B. Lipsky (eds.), *Going Public: The Role of Labor-Management Relations in Delivering Quality Government Services*. Champaign, IL: Industrial Relations Research Association, 2003.

Butler, Richard J. and Ronald G. Ehrenberg, "Estimating the Narcotic Effects of Public Sector Impasse Procedures," *Industrial and Labor Relations Review*, vol. 3, no. 4, July 1981, 3-20.

Cullen, Donald, "Emergency Boards under the Railway Labor Act," in *The Railway Labor Act at Fifty*. Washington D.C.: The National Mediation Board, 1978, 151-86.

Donovan, Ronald, *Administering the Taylor Law: Public Employee Relations in New York*. Ithaca, NY: ILR Press, 1990.

Farber, Henry S. and Harry C. Katz, "Interest Arbitration, Outcomes and the Incentive to Bargain," *Industrial and Labor Relations Review*, vol. 33, 1979, 55-63.

Feuille, Peter, John Thomas Delaney, and Wallace Hendricks, "The Impact of Interest Arbitration on Police Contracts," *Industrial Relations*, vol. 24, Spring, 1985, 161-81.

Feuille, Peter and John Thomas Delaney, "Police Interest Arbitration: Awards and Issues," *Arbitration Journal*, vol. 39, no.2, June 1984, 14-24.

Ghilarducci, Teresa, *When I'm Sixty-Four: The Plot against Pensions and the Plan to Save Them*. Princeton, NJ: Princeton University Press, 2008.

Hart Research Associates, "Public Opinion Regarding the Employee Free Choice Act, National Survey Results," January 8, 2009.
<http://hotlineblog.nationaljournal.com/Employee%20Free%20Choice%20Act%20polling%20memo.pdf>

Kochan, Thomas A., "Correlates of State Public Employee Bargaining Laws," *Industrial Relations*, vol. 12, October 1973, 322-337.

Kochan, Thomas A. and Jean Baderschneider, "Dependence on Impasse Procedures: Police and Fire in New York," *Industrial and Labor Relations Review*, vol. 31, no. 4, 1978, 431-49.

Kochan, Thomas A. and Jean Baderschneider, "Estimating the Narcotic Effects: Choosing Techniques that Fit the Problem," *Industrial and Labor Relations Review*, vol. 35, October 1981, 28-38.

Kochan, Thomas A., Mordechai Mironi, Ronald G. Ehrenberg, Jean Baderschneider, and Todd Jick, *Dispute Resolution Under Facifinding and Arbitration: An Empirical Analysis*. New York: American Arbitration Association, 1978.

Leftkowitz, Jerome, Melvin H. Osterman, and Rosemary A. Townley (eds.), *Public Sector Labor and Employment Law*, 2d ed. New York State Bar Association, 1998.

Lester, Richard A., *Labor Arbitration in State and Local Government: An Examination of Experience in Eight States and New York City*. Princeton, NJ: Princeton University, 1984.

Lipsky, David B. and Harry C. Katz, "Alternative Approaches to Interest Arbitration: Lessons from New York City," *Public Personnel Management*, vol. 35, no. 4, Winter 2006, 265-281.

Lipsky, David B. and John E. Drotning, "The Relation Between Teacher Salaries and the Use of Impasse Procedures Under New York's Taylor Laws: 1968-1972," *Journal of Collective Negotiations in the Public Sector*, vol. 6, no. 3, 1977, 229-44.

Loewenberg, J. Joseph, "Compulsory Arbitration for Police and Firefighters in Pennsylvania in 1968," *Industrial and Labor Relations Review*, vol. 23, pp. 367-379, April, 1970.

Northrup, Herbert, *Compulsory Arbitration and Government Intervention in Labor Disputes*. Washington, D.C.: Labor Policy Association, 1966.

Oberer, Walter E., Kurt L. Hanslowe, and Robert E. Doherty, *The Taylor Act Amendments of 1969: A Primer for School Personnel (and Others Interested in Collective Negotiations)*. Ithaca, NY: New York State School of Industrial and Labor Relations at Cornell, Bulletin 62, June 1970.

Olson, Craig A., "The Impact of Arbitration on the Wages of Firefighters," *Industrial Relations*, vol. 19, 1980, 325-339.

Phelps, Orne, "Compulsory Arbitration: Some Perspectives," *Industrial and Labor Relations Review*, vol. 18, 1964, 81-91.

Stanley, David, *Managing Local Government under Union Pressure*. Washington D.C.: The Brookings Institution, 1972.

Stern, James L., Charles M. Rehmus, J. Joseph Loewenberg, Hirschel Kasper, and Barbara D. Dennis, *Final-Offer Arbitration*. Lexington, Mass.: D.C. Heath, 1975.

Stevens, Carl, "Is Compulsory Arbitration Compatible with Collective Bargaining," *Industrial Relations*, vol. 5, 1966, 38-52.

Taylor, George W., *Government Regulation of Industrial Relations*. New York: Prentice Hall, 1948.

Thompson, Mark and James Cairne, "Compulsory Arbitration: The Case of British Columbia Teachers," *Industrial and Labor Relations Review*, vol. 27, no. 1, October 1973, 3-17.

U. S. Department of Labor, *Working Together for Public Service: Report of the U.S. Secretary of Labor's Task Force on Excellence in State and Local Government through Labor-Management Cooperation*. Washington, DC: Government Printing Office, 1996.

Valetta, Robert G. and Richard B. Freeman, "Appendix B: The NBER Public Sector Collective Bargaining Law Data Set," in Richard B. Freeman and Casey Ichniowski, *When Public Sector Workers Unionize*. Chicago: University of Chicago Press, 1988.

Wellington, Harry H. and Ralph K. Winter Jr., *The Unions and the Cities*. Washington, D.C.: The Brookings Institution, 1971.

Wirtz, Willard, "Address Before the National Academy of Arbitrators," *Daily Labor Report*, vol. XXIII, February 1, 1963, F1-F4.



Cornell University
ILR School

Restrictions on Interest Arbitration¹ in New York... Will the Legislative Proposals Advanced Ease the Financial Difficulties Facing our State's Governmental Sub-divisions?

Lee H. Adler & Ariel Kaplan²

Introduction

New York's recovery from the severe economic distress of the last decade has been very slow, especially outside of New York City. There are rather few positive economic indicators, and although the Governor and Legislature have delivered on-time state budgets the last two years, the resultant policies have not solved the economic difficulties imposed upon our local governments. These political entities continue to voice their shared concerns that state imposed economic mandates, such as Medicaid, strangle their ability to grow let alone balance their budgets. Raising taxes to meet these exigencies has been sharply curtailed by the Legislature's 2011 passage of the 2% Property Tax Cap, and passage of Tier V and Tier VI pension "reform" has not lessened these governmental entities' distress. As a result, many government taxing communities and school districts from Erie to Westchester County are scrambling to maintain their fiscal solvency.

The state government, meanwhile, through deep K-12 and higher education cuts, tight spending restrictions, and attrition in employment numbers, has maintained a balanced budget. The state's ability to do so is in significant part accomplished by the multi-year reductions and/or freezing of local aid payments and the long-standing shift of significant portions of the country's highest Medicaid costs (on our counties) on New York's local governments. While the governor continues to promise "mandate relief" and economic growth strategies to New York's struggling village, town, city, county, and school district entities, our local governments have experienced little of either³.

¹ Interest arbitration is a part of the Taylor Law mandated dispute resolution process wherein a public employer and public employee union, upon reaching impasse, select an impartial arbitrator who has the authority to mandatorily impose, subject to specific statutory criteria, a two year solution to those terms and conditions of public employment that the parties were unable to resolve through their negotiations. With a few exceptions, only uniformed public employees (and all public employees in New York City save for teachers) may avail themselves of this process.

² Lee H. Adler is a lecturer at Cornell's ILR School, focusing on public sector labor relations and representation of fire fighter local unions. Ariel Kaplan is a senior in the ILR School and a researcher on this project.

³ New York has capped the amount of Medicaid increases payable by local governments, starting in 2012, but that has only lessened (and eventually eliminated) the increase in growth of payments, not the actual

Meanwhile, both local and state government employees have had their economic status and security shaken. Cuts in public education resulting from reductions in State Aid and the impact of the Property Tax Cap have resulted in thousands of layoffs of public school teachers and other school district employees. More than 75,000 state workers are entering their third consecutive year without a raise, with many of them actually experiencing an inflation adjusted decrease in annual salary or wages. New emergency service providers in police and fire throughout New York, as a result of different pieces (Tiers V and VI) of pension legislation passed in 2011 and 2012, will now be offered a smaller pension than their senior colleagues and mandatorily higher pension contributions, making this critical type of public service less attractive.

While the Governor and the Legislature have collaborated in the ways described, the Comptroller of New York has mandated extraordinary pension contribution increases directed to these governmental entities. The pension trustees of the New York State Teachers Retirement System (NYSTRS) have done the same to hundreds of our school districts. The explanation for these increases has mostly to do with the heavy losses the various pension funds suffered in the Wall Street-based fiscal crisis of 2007-08 and its continuing aftermath. Regardless of how it might be explained, the same governmental subdivisions described earlier have had to find a way to pay for these higher pension costs from shrinking or stagnant revenues which now coexist with the 2% curb on their ability to tax. This unmistakable intra-governmental tension requires some kind of response from the state, and that brings us to the Governor's 2013 Budget Message.

The governor's budget proposes at least two forms of assistance to local governments. One, a "smoothing of pension costs," allow local government entities (including school districts) facing skyrocketing pension contribution cost increases to "smooth" or level off the percentage of increases to a smaller, manageable amount. They accomplish this by borrowing the difference between the Comptroller's/NYSTRS' financial demand and the "smoothing statute's" percentage of required payment from the very same pension fund that they are paying into for their employees. Although seemingly a good short-term solution, the proposal's critics⁴ worry that the pension funds solvency may be harmed. These critics believe that "smoothing" could cause short-term harm to the solvency of the pension system and later, when the "current" rates come down, some governments will end up paying higher premiums than they should.

The second Administration proposal, the subject of this paper, is to alter New York State's 38 year old interest arbitration provisions in our Taylor Law. This process is triggered when police or fire unions outside of New York City⁵ reach impasse in bargaining with their "distressed" governmental employers. The changes proposed restrict the ability of statutory interest arbitration panels to award wage increases of

payments owed. It has also launched a serious reform effort with innovative policy suggestions directed at curbing and even decreasing Medicaid expenditures in New York. Whether these efforts will be successful and provide relief to our local governmental entities remains to be seen.

⁴ There are both Conservative (EJ McMahon, Empire Center) and Center (Syracuse's mayor and the Comptroller himself have expressed concern about this legislative idea) critics of this proposal, along with numerous union officials.

⁵ Apparently, New York City fire and police impasse resolutions are not restricted in the governor's proposal.

greater than 2% per annum when bargaining with so-called “distressed communities”⁶. Further, any such awarded wage increase is further reduced by nearly all of the health care cost increases experienced by the “distressed” governmental entities. Informal estimates by police and fire officials indicate that a majority of governmental entities outside of New York City that negotiate police and fire contracts are “distressed” or can be so construed by artful budgeting.

The mechanics of the restrictive provisions are straightforward. As soon as the “distressed” public employer and police or fire unit fail to agree on a wage increase that is not more than 2% after nearly all health care cost increases are factored in, the governmental unit can declare impasse, unilaterally halt bargaining, jointly pick an interest arbitration panel, and let that panel impose a new wage agreement that fits the restrictions created by the new statute. Not only would the 38 year history of the breadth of interest arbitration be curtailed, but meaningful collective bargaining would be effectively halted in these communities. No “distressed” community would have any incentive to agree with their police or fire units in view of the attractiveness afforded the “new interest arbitration” schematic.

The key question in all of this for New York’s citizens is whether these legislative changes would actually benefit our “distressed communities.” What is wrong with the present interest arbitration procedure in New York that requires these changes? In order to answer this question, we need to examine what has taken place in interest arbitration since the Taylor Law was amended in 1974 instituting this dispute resolution procedure.

The Last Four Decades of Interest Arbitration Outcomes Do Not Differ From Collectively Bargained Over Results

There is considerable literature that explains the pros and cons of interest arbitration. Conservative critics have noted that salary increases for the police and fire units that are able to invoke interest arbitration have increased more quickly throughout the state than other public employees⁷ who may not utilize interest arbitration. Economists have sharp disagreements about the figures used in **Taylor Made**, but, regardless, those who suggest that police and fire are receiving higher earnings than other public-sector workers fail to grasp or consider how many public employers have substantially reduced head counts in police and fire departments. This has resulted in those departments that have the same or even a higher number of emergency calls (nearly all of our fire and police departments) compensating a smaller number of workers with higher earnings (not wages) by overtime payments.

Proponents of interest arbitration completed a review of interest arbitration outcomes as part of the 40 year anniversary of the Taylor Law in 2008.⁸ The authors, Professor

⁶ Although the criteria defining “distressed communities” may make sense in the abstract, interviews conducted prior to writing this briefing revealed that the criteria is such that with slight manipulation of budgetary figures a worried village or city can become a “distressed” one and thus avoid by statute its responsibilities to provide its police and fire a fair and adequate wage increase.

⁷ See, for example, **Taylor Made**, 2004 Empire Center, <http://www.empirecenter.org/Special-Reports/2007/10/TaylorMadeReport.cfm>, pages 9-13, pdf version

⁸ Available at <http://digitalcommons.ilr.cornell.edu/ilrreview/vol63/iss4/1>;

Thomas Kochan, Sloan School of Management at MIT, and Cornell ILR Professor David Lipsky, in a writing entitled **The Long Haul Effects of Interest Arbitration, The Case of New York's Taylor Law**, collected and carefully compared⁹ collectively negotiated outcomes with those accomplished through interest arbitration. Relying on a considerably more in-depth database than the 2004 Empire Center study, the authors also supplemented their data with interviews of fire and police unions and officials of the New York State Conference of Mayors, the New York City Office of Labor Relations, PERB, and other municipalities. The authors convincingly document that interest arbitration outcomes through at least 2007 are consistent with what researchers have discovered over the last four decades.

Their two key findings were that parties who reached impasse were approximately 15% more likely to resort to interest arbitration than during earlier periods of interest arbitration, but that mediated results between the parties were still possible after choosing interest arbitration. They most importantly found that:

“there were no significant effects of the change to interest arbitration on wages and no differences in the rates of wage increases granted by arbitrators compared to those negotiated voluntarily by the parties.”¹⁰

Review of all published¹¹ New York state interest arbitration decisions since 2010¹² confirms what these researchers found over the preceding forty years. Bringing the Kochan report up to date, at least with reference to New York, we found that interest arbitration is still resorted to sparingly. Fire unions' have used this process 5 times and police, who have five times as many local unions as do the fire fighters, have used the process 28 times since 2010.

The raises awarded in the past three years have been quite modest. A detailed chart follows this paragraph, but in sum we note that even when wage increases exceeded 3%, in only one case over these years has that figure been as high as 5%. Most of the wage increases awarded have fallen in the range of 2-3%, with 2011 being an exception. Specifically, the **percentages below the category “3% wage increases and above”** include, for 2010, 63% of all awards; for 2011, 46% of all awards; for 2012, 63% of all awards; and for the handful of cases so far in 2013, 50% are below the “3% and above” category. There were only 10 awards¹³ that averaged wage increases above 3%, but only one of the 33 awards averaged above 4%, and that single award covered the years of 2007-08. Thus, less than a quarter of all interest arbitration awards we researched since 2010 granted wage increases of greater than 3% for the years 2009-13, and more than 50% of the awards were for 3% wage increases or less.

⁹ Professor Kochan of MIT and Professor Lipsky had more than a year of time to undertake this research with scores of research helpers, neither of which was available in the preparation of this Briefing Paper.

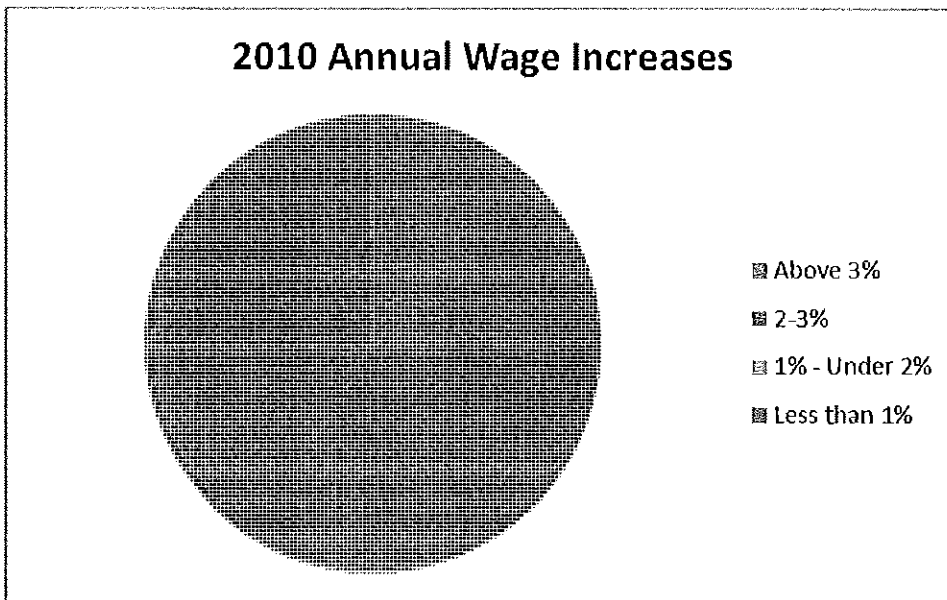
¹⁰ Kochan, at page 569

¹¹ Research undertaken to support the observations and findings of this Report reviewed interest arbitration decisions published on PERB's web page since 2008.

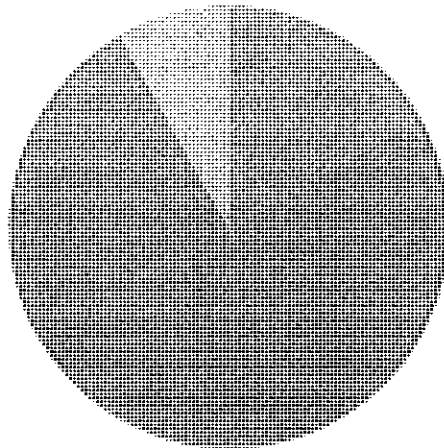
¹² We started with 2010 because when we reviewed the 2007-09 interest arbitration decisions, a majority covered the time period prior to the onset of our nation's financial crisis.

¹³ Three of these 10 awards covered years 2006-08.

2010	
Annual Wage Raises:	
Above 3%	25%
2-3%	65%
1% - Under 2%	0%
Less than 1%	10%
2011	
Annual Wage Raises:	
Above 3%	15.38%
2-3%	69.23%
1% - Under 2%	7.69%
Less than 1%	0.00%
2012	
Annual Wage Raises:	
Above 3%	16.67%
2-3%	50.00%
1% - Under 2%	33.33%
Less than 1%	0.00%
2013	
Annual Wage Raises:	
Above 3%	50%
2-3%	50%
1% - Under 2%	0%
Less than 1%	0%

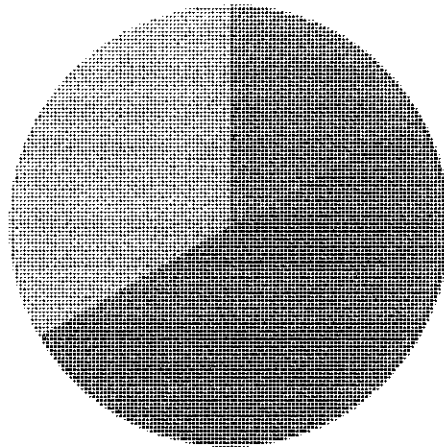


2011 Annual Wage Increases



- Above 3%
- 2-3%
- 1% - Under 2%
- Less than 1%

2012 Annual Wage Increases



- Above 3%
- 2-3%
- 1% - Under 2%
- Less than 1%

The More Accurate Explanation for High Earnings for Public Safety Personnel

Reviewing the last few years in the city of Albany helps to understand the limited role of interest arbitration on the actual level of earnings by police and firefighters. There, the mayor supports the Cuomo legislative restrictions limiting interest arbitration and collective bargaining. Its fire department and fire fighters reached impasse and went to interest arbitration in 2011 and the award made was a 2% wage increase for years 2010 and 2011. We surmise that this modest award was not onerous because the mayor then negotiated a 4 year deal with its police force, offering them the same 2% raises for 2010 and 2011, the same increases won by the fire union, but bumped that figure up to 3.0% for 2012 and 3.5% for 2013¹⁴.

¹⁴ An Albany news story on February 27, 2013, indicated that a portion of the Albany police, their sergeants and detectives union, received in a recent arbitration decision that we did not review raises of 3% for each of the years 2010 and 2011. The arbitration panel called the city's position seeking a 2 year

Further, from conversations with public officials in Albany, we learned that the fire department currently is short at least 15 and the police approximately 10 emergency service responders. The city met these shortages, in part, by budgeting in 2012 a whopping \$5.8¹⁵ million dollars for overtime. Confronting those numbers, Albany Chief of Police Steven Krokoff, a member of the mayor's leadership team, was quoted thusly in the Albany paper:

"Krokoff also said that overtime is not necessarily a bad thing when it allows the department to deploy more officers at specific times and places — like bar-centric North Pearl Street on Saturday nights — without having to hire enough police officers to permanently maintain those levels even when not needed. "It represents cost savings to the taxpayer," Krokoff said. "And it's sound fiscal and human resources management."¹⁶

Rising police costs not attributable to interest arbitration may also be found in our state police units. There, several of the last cadet classes that recruit our state police officers have not occurred, apparently for budgetary reasons, leaving them hundreds of officers short. Often, these shortages are "corrected" by commanding officers throughout the state directing that rank and file members work overtime. In the second week of February, 2013, Gannett Newspapers reported¹⁷ that our state police, due to significant earnings increases, in part from overtime payments, now comprise 14% of all New York employees who make more than \$100,000 per year!

In other communities, we see similar developments. In Ithaca last year, with its police and fire departments short approximately ten staff members, 90% of an overtime budget just over \$1 million was used to deal with the shortage of public safety workers. Somewhat similarly, in Elmira, a city with 76 firefighters in 2001, and an overtime budget of \$84,000, now finds itself short several fire fighters with a head count of 54 fire fighters and overtime expenditures of \$299,000 in 2012 for the fire department. It is likely that each of these communities has proceeded with this emergency worker shortage and huge overtime budget for budgetary and political reasons. They can point the finger at public safety workers who make in excess of \$100,000 annually and, rather than explain how this came to pass, suggest that the current system is broken and that interest arbitration is somehow to blame. In fact, objective observers know that the underlying cause of this problem is in Albany and not at the interest arbitration table.

Conclusion

The Governor continues to disappoint a number of his local governmental supporters outside of New York City by failing to provide significant budgetary or mandate relief.

wage freeze "unrealistic and unreasonable". As we note elsewhere in this writing, this same city awarded another division of its police forces a 2% per year year wage increase for these same years prior to the publication of this award.

¹⁵ \$4.04 million for the Police Department and \$1.8 million for the Fire Department.

¹⁶ Albany Times Union, February 18, 2013, "Albany's \$100G pay list grows", Jordan Evangelista

¹⁷ Joseph Spector, February 17, 2013, published in Gannett Papers such as the Ithaca Journal, Elmira Star Gazette, etc;

Since this will be the third year where significant relief will not be possible, he offers a partial "solution" by proposing the most dramatic restrictions on collective bargaining in the history of New York. And, for inexplicable and unsupportable policy reasons, the governor's proposals are only directed at police and fire outside of New York City. Meanwhile, these proposals, if passed, would not amount to even a drop in the bucket of financial relief while being quite distressful to the tens of thousands of emergency workers impacted. Simply put, there is no research or credible explanation for the governor's radical proposals, and they evidence an approach that ensures that our local governmental subdivisions will not receive from Albany the mandate relief they so desperately need.

Sure, there is the more than 4% wage increase outcome that surprised many in Glens Falls last year, but there is a back story there, as the city member of the panel apparently agreed with the decision as no dissent, common in these 3 arbitrator panels, was filed. And, we know historically of a handful of cases on Long Island that also fall outside the 1-3% raises in tough times and the 3-4% raises that are awarded in better times. But the exceptions do not make the rule, and the Glens Falls case represents an outcome that stands all by itself in the last 3 plus years of interest arbitration in New York.

Finally, it is worth remembering that the New York City police are and were powerful enough to spend millions of dollars in the 1990s to convince the entire New York State Legislature and its Governor to give it the right to go through a different kind of interest arbitration process than it had for nearly 20 years in New York City. After succeeding, and going to interest arbitration several times under the same system as all other non-New York City police and fire unions, they only gained raises that followed the amount that other New York unions with much less power had won. The one time police received more than other New York City unions, in 2005, they were forced to lower their new members' starting salaries from more than \$28,000 to \$25,100.

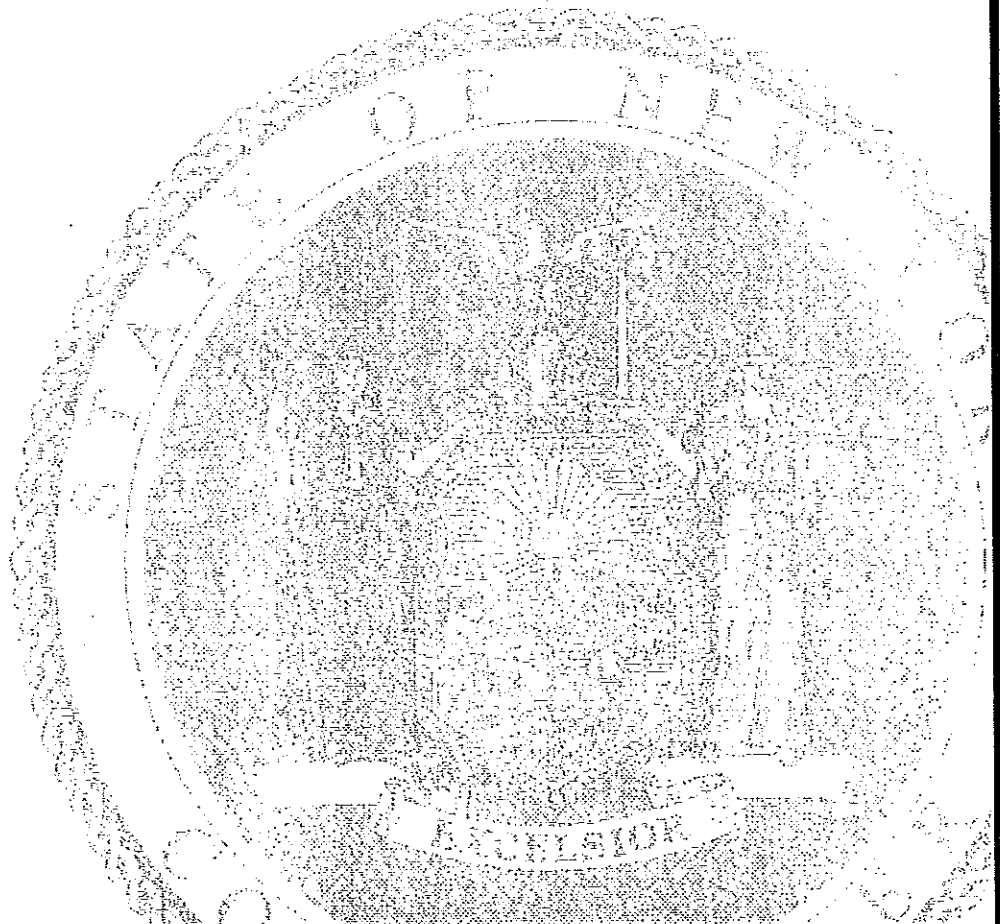
No, it is not interest arbitration that is causing local governing units in New York financial distress. There is simply no convincing evidence of this, and our police and fire unions should not have to pay the price for the financial difficulties that exist outside of New York City.

OFFICE OF THE NEW YORK STATE COMPTROLLER

Thomas P. DiNapoli • State Comptroller



Fiscal Stress Monitoring System



DIVISION OF LOCAL GOVERNMENT AND SCHOOL ACCOUNTABILITY

JANUARY 2013

For additional copies of this report contact:

Comptroller's Press Office

110 State Street, 15th floor

Albany, New York 12236

(518) 474-4015

or email us:

localgov@osc.state.ny.us

www.osc.state.ny.us

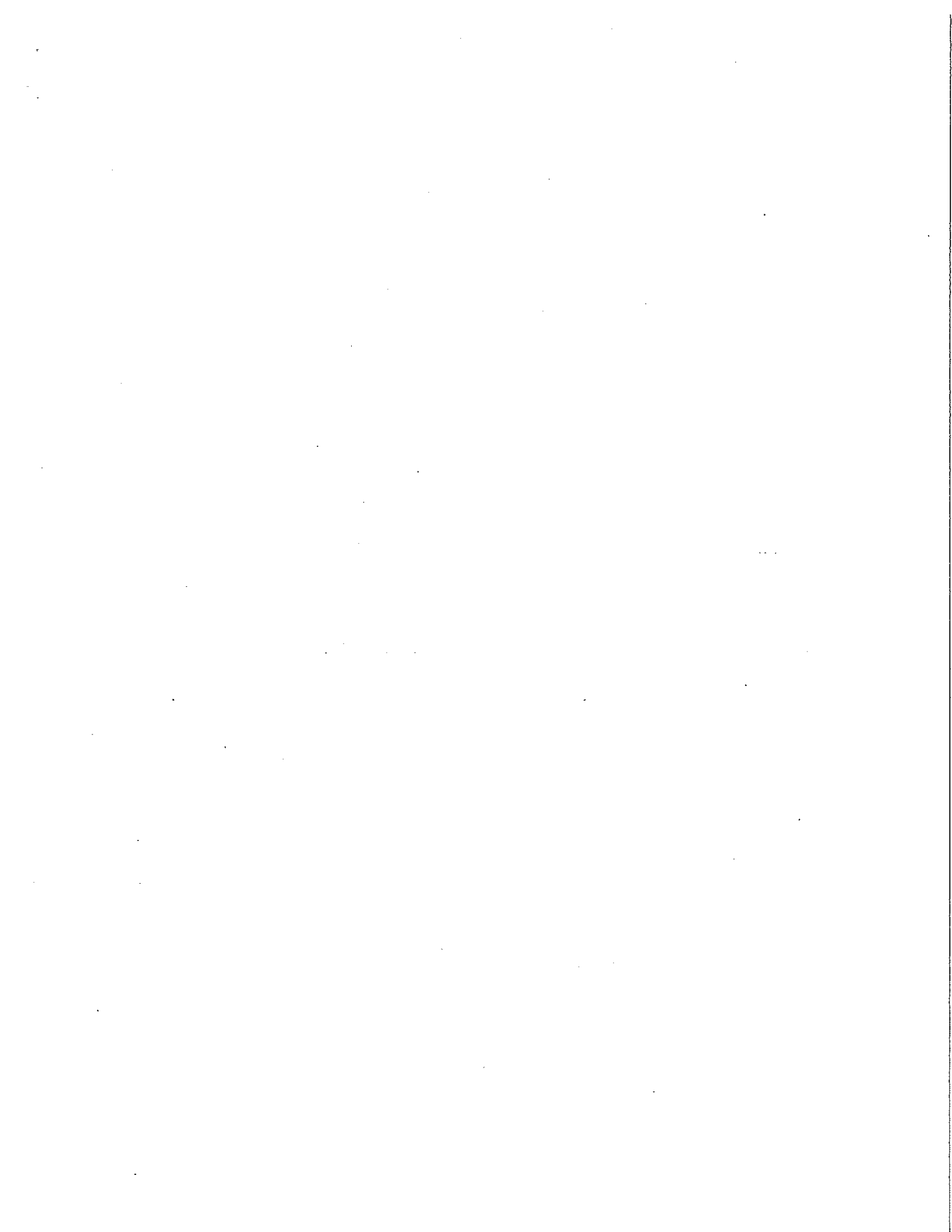
To be removed from our mailing list:

If you would like to have your name removed from our mailing list or if your present address has changed, contact the **Comptroller's Press Office at (518) 474-4015 or Office of the State Comptroller, 110 State Street, 15th Floor, Albany, NY 12236.**

Date of Issue: January 2013

Table of Contents

Introduction	1
Fiscal Stress Monitoring System	2
Overview.....	2
Local Government Financial Indicators	3
Local Government Environmental Indicators.....	5
School District Financial Indicators.....	7
School District Environmental Indicators	9
Internal Verification.....	10
Assistance Provided to Local Governments	11
Appendix A– Local Government Financial Indicator Calculations	12
Appendix B– Local Government Financial Indicators Scoring.....	14
Appendix C– Local Government Environmental Indicator Calculations.....	16
Appendix D– Local Government Environmental Indicators Scoring	18
Appendix E– School District Financial Indicator Calculations.....	20
Appendix F– School District Financial Indicators Scoring	21
Appendix G– School District Environmental Indicator Calculations.....	23
Appendix H– School District Environmental Indicators Scoring	24
Appendix I– Summary of Public Comments and Responses	26
Central Office Directory	33
Regional Office Directory	34



Introduction

Since the onset of the economic recession in December 2007, local governments and school districts throughout the State and country faced new challenges that threatened their fiscal health. A growing number of local officials, outside researchers and other interested parties have been sounding the alarm over the financial threats to local governments. We have seen in other states, such as California, Pennsylvania and Rhode Island, where local governments have filed for bankruptcy or radically reduced or eliminated the services they provide. These challenges will continue to threaten the fiscal health of local governments and school districts as the economy continues to recover from the Great Recession.

A first step in helping New York State local officials deal with these fiscal challenges is to identify clearly those local governments and school districts that are moving towards, or are already in, fiscal stress. Such monitoring of the fiscal health of local governments and school districts should allow for early actions to prevent these entities from ending up in severe fiscal stress. The preventive actions – ideally developed with active participation from citizens who will be affected – should result in less cost and less disruption to vital services.

The State Comptroller has a constitutional and statutory function to examine and report on the financial affairs and condition of local governments. As part of this function, OSC has developed a public fiscal stress monitoring system that will identify local governments and school districts that are in fiscal stress, as well as those showing susceptibility to fiscal stress. It is hoped that this Fiscal Stress Monitoring System will identify for local officials the need to take actions in a timely manner that change their financial trends for the better, with the least disruption and pain to citizens.

The data for monitoring system measures will be drawn from the information local governments and school districts already submit to OSC. Therefore, this system does not impose any additional reporting requirements. Before these measures were adopted and became final, the proposed Fiscal Stress Monitoring System was shared with all of the State's local governments and school districts for review and comment during a 60-day comment period. Over 85 local government and school district officials, as well as three affiliated organizations, provided a wide variety of feedback on the proposed system during this time. The comments were evaluated and considered in finalizing the Fiscal Stress Monitoring System. A summary of the public comments and OSC's responses, including the resulting changes that were made, is contained in Appendix I.

**OSC has developed a public
fiscal stress monitoring
system that will identify local
governments and school
districts that are in fiscal stress,
as well as those showing
susceptibility to fiscal stress.**

Fiscal Stress Monitoring System

Overview

Fiscal stress is a judgment about the financial condition of an individual entity that must take into consideration its unique circumstances, but can be generally defined as a local government's or school district's inability to generate enough revenues within its current fiscal period to meet its expenditures (budget solvency). In contrast, a fiscally healthy local government or school district is able to finance services on an ongoing basis—meaning that the local government or school district can endure short-term financial pressures (such as revenue shortfalls or unanticipated expenditures). Any attempt to identify or predict fiscal stress must recognize that changes in behavior, the specific financial decisions made in a locality, or unforeseen external events, can quickly change ongoing financial trends. These local actions can impact the financial health of a locality or school district suddenly, either for better or worse.

The Fiscal Stress Monitoring System evaluates local governments (counties, cities, towns and villages) and school districts based on both financial and environmental indicators. The financial indicators will be calculated using financial data that is filed in annual update documents (AUDs) by each local government and in annual financial reports (ST-3s) for school districts. A score will be calculated for each financial indicator to arrive at an overall score for each local government and school district, which will then be used to classify whether the unit is in "significant fiscal stress," "moderate fiscal stress," is "susceptible to fiscal stress," or is "not in fiscal stress." The classifications of "significant fiscal stress" and "moderate fiscal stress" were developed so that a differentiation could be made between units that were experiencing fiscal stress with differing levels of severity. The classification of "susceptible to fiscal stress" was developed to classify units that are not currently in fiscal stress, but instead are exhibiting conditions that could lead them into fiscal stress in the short term.

The environmental indicators will be calculated using an array of sources, including data from the United States Census Bureau, the New York State Departments of Labor, Taxation and Finance, and Education, as well as financial data that is filed in AUDs. A score will be calculated for each environmental indicator to arrive at a current overall score for each local government and school district, which will be used to identify the units with negative environmental conditions. Specifically, units that have negative environmental conditions will be notated with pound signs from worst to best: "###," "##," and "#." Units that are deemed to not have negative environmental conditions will not receive a notation.

Once a local government or school district is evaluated based on both financial and environmental indicators, it will result in the unit having a financial indicator classification and an environmental indicator notation. For example, a local government that receives the worst overall score from both the financial and environmental indicators would be classified as in "significant fiscal stress ###." Additionally, a unit that is classified as in "significant fiscal stress ###" will be considered worse than a unit that is classified as in "significant fiscal stress" with no pound sign notations because, in addition to having a negative financial condition, the unit also has worse environmental conditions.

Local Government Financial Indicators

The Fiscal Stress Monitoring System for local governments consists of nine financial indicators within five categories, outlined in the table below, including the calculation and purpose for each financial indicator. An in-depth explanation of each financial indicator calculation has been included in Appendix A.

Local Government Financial Indicators		
Category	Financial Indicator	Purpose
1. Year-End Fund Balance	1. Assigned and Unassigned Fund Balance	To identify the amount of fund balance that is available in the general, special revenue, and/or enterprise funds to provide a cushion for revenue shortfalls or expenditure overruns.
	2. Total Fund Balance	To identify the amount of fund balance that is available to be used to fund operations, provide a cushion for revenue shortfalls or expenditure overruns, and/or is reserved for specific future purposes.
2. Operating Deficits	3. Operating Deficit	To identify local governments that are incurring operating deficits.
3. Cash Position	4. Cash Ratio	To identify the ability of the local government to liquidate current liabilities.
	5. Cash % of Monthly Expenditures	To identify the ability of the local government to fund the ensuing fiscal year's operations from available cash.
4. Use of Short-Term Debt	6. Short-Term Debt Issuance	To identify the amount of short-term debt that is issued to meet obligations (cash flow).
	7. Short-Term Debt Issuance Trend	To identify the trend in the issuance of short-term debt.
5. Fixed Costs	8. Personal Services and Employee Benefits % Revenues	To identify the amount that revenues are restricted to be used for salaries and benefits.
	9. Debt Service % Revenues	To identify the amount that revenues are restricted to be used for debt service expenditures.

Year-End Fund Balance – The level of a local government's year-end fund balance can affect its ability to deal with revenue shortfalls and expenditure overruns. A negative or low level of fund balance can affect the local government's ability to provide services at current levels. In addition, since fund balance is the accumulated result of the local government's financial operations over time, it is a strong measure of financial condition and is not usually affected by short-term circumstances. Two financial indicators were chosen in this category to evaluate the local government's assigned and unassigned fund balance level, and its total fund balance.

Operating Deficits – Annual operating results are a good measure of the local government's recent financial operations and the direction that its finances are headed. Local governments that have multiple years of operating deficits or a significant operating deficit in one fiscal year can face financial hardship. Additionally, multiple years of operating deficits are a reliable sign that the local government's budget is not structurally balanced – that its current revenues are not sufficient to support current expenditures. One financial indicator was selected in this category to evaluate the trend of operating deficits and determine whether the local government incurred a significant operating deficit in its most recently completed fiscal year.

Cash Position – Another way to evaluate fiscal health is to determine whether an entity has enough cash to pay its bills on time. A local government with a low level of cash and short-term investments may not be able to pay its current obligations (insolvency). The two financial indicators in this category evaluate the local government’s ability to liquidate current liabilities and its ability to fund the ensuing fiscal year’s operations from available cash.

Use of Short-Term Debt – Local governments in fiscal stress are more likely to issue short-term debt in order to meet obligations. Increasing reliance on the issuance of short-term debt indicates that the local government has cash-flow issues that are not being resolved. The two financial indicators in this category evaluate the amount of short-term debt that was issued in the last fiscal year and the trend in the issuance of short-term debt.

Fixed Costs – This category was selected because the level of a local government’s fixed costs determines the local government’s flexibility in responding to economic changes. A local government with a high level of fixed costs has more difficulty adjusting service levels if resources decline. These two financial indicators determine the amount that revenues are restricted to be used for personal services and employee benefits, and for debt service (both are of a fixed nature).

An explanation of the scoring of each financial indicator and the overall scoring has been included in Appendix B. When calculating the financial indicators for local governments, the general fund¹ and combined funds will be used for indicators one and two (two results for each indicator), the combined funds for indicators three through five (one result for each indicator), and all funds, except the capital projects fund, for indicators six through nine (one result for each indicator). The combined funds² that will be used for each class of local government for indicators one through five are outlined in the table below.

Class	Combined Funds
Cities	General, All Water, and All Sewer Funds
Counties	General, County Road, Road Machinery, Water, Sewer, and All Enterprise Funds
Villages	General, All Water, and All Sewer Funds
Towns	General Town-Wide, General Part-Town, Highway Town-Wide, Highway Part-Town, All Water, and All Sewer Funds

For indicators one and two, a result will be calculated for the general fund and a result will be calculated for the combined funds, less the general fund result. For indicators three through five, one result will be calculated for the combined funds. For indicators six through nine, one result will be calculated for all funds, except the capital projects fund. The scores for each of the nine financial indicators will be used to arrive at a current overall score for each local government.

¹ The general fund calculation for indicators one and two for towns will consist of the general town-wide and highway town-wide funds together (one combined result for each indicator), and will only consist of the general fund for cities, counties, and villages.

² We selected the combined funds for each class of local government by including the funds that are the most common for each class and also the funds that generally account for the largest percentage of each class’s financial activity.

Local Government Environmental Indicators

An in-depth explanation of each of the environmental indicator calculations has been included in Appendix C. Eight categories including 14 environmental indicators³ will be used for evaluating demographic and economic factors affecting local governments. These indicators are outlined in the following table, which includes the calculation and the purpose for each of the environmental indicators.

Local Government Environmental Indicators		
Category	Environmental Indicator	Purpose
1. Population	1. Change in Population 1990 to 2010	To identify local governments where total population has declined over the last two decades or significantly declined over the last decade.
2. Age	2. Change in Median Age of Population 2000 to 2010	To identify local governments where the median age of their residents has increased.
	3. Median Age of Population 2010	To identify the median age of the residents of a local government.
3. Poverty	4. Child Poverty Rate 2010	To identify the child poverty rate of the local government.
	5. Change in Child Poverty Rate 2000 to 2010	To identify local governments where the child poverty rate has increased.
4. Property Value	6. Change in Property Value	To identify local governments where property values have declined.
	7. Property Value Per Capita	To identify the property wealth of the local government.
5. Employment Base	8. Change in Unemployment Rate	To identify local governments where the unemployment rate has increased.
	9. Unemployment Rate	To identify the unemployment rate of the local government.
	10. Change in Total Jobs in County	To identify local governments that are within counties in which the total jobs in the county have declined.
6. Intergovernmental Revenues	11. Reliance on State and Federal Aid	To identify the dependence of the local government on State and federal funding.
	12. Change in State and Federal Aid	To identify local governments where State and federal aid revenues have declined.
7. Constitutional Tax Limit	13. Constitutional Tax Limit Exhausted	To determine the extent to which a city or village has exhausted its tax limit.
8. Sales Tax Receipts	14. Change in Local Sales Tax Receipts	To identify counties where local sales tax receipts have declined.

Population – Changes in population can provide insight into the health of the local economy and can pose challenges to a local government’s finances. Declining population in a local government may affect property values and the associated tax base, which affects a local government’s revenues. Additionally, despite the fact that population is declining, local government officials are often unable to cut the associated costs since many expenditures, including debt service, personal services and employee benefits, are fixed in the short term.

³ All 14 environmental indicators will not be used to evaluate each class of local government. Appendix D contains a table outlining the environmental indicators that will be used to evaluate each class of local government.

Age – The age of the population provides important insight into the service needs within a community. A local government with an increasing or already high median age may require additional services (i.e., public transportation and healthcare), resulting in additional expenditures. The two indicators in this category are the current median age of the population and the trend in the age (whether the population is trending older or younger).

Poverty – The level of poverty within a local government provides important insight into the service needs within a community. The two indicators in this category are the current poverty rate – as measured by the child poverty rate – and the trend in the level of child poverty. We specifically selected the child poverty rate because this rate is a more accurate indicator of the actual poverty level in a community.

Property Value – Property value is a useful sign of the health of a local economy and also may affect real property taxes, which is one of the local government's major revenue sources. A local government with declining property values needs to increase its tax rate(s) in order to raise the same amount of real property tax revenues. The two indicators in this category evaluate the current property wealth and the trend in a local government's property value.

Employment Base – The level of unemployment and the change in available jobs provide information on the economic activity of an area and also may affect a local government's revenues. A local government with an increasing unemployment rate, high unemployment rate, and/or declining available jobs indicates that its residents are experiencing reductions in personal income. Therefore, the residents' ability to support the local economy is diminished. This may result in a significant decline in the local government's revenues that are based on economic activity (i.e., sales tax receipts). The three indicators in this category evaluate the current unemployment rate, the trend in the unemployment rate and the trend in the total jobs in the county in which the local government is located.

Intergovernmental Revenues – The extent to which a local government's operations are supported by intergovernmental revenues from State and federal sources can pose challenges to a local government's finances. A local government with a large dependence on State and federal funding can have a greater revenue risk (vulnerability to reductions of such revenues) because the local government does not control most intergovernmental revenues. The two indicators in this category evaluate the local government's current level of dependence on intergovernmental revenues and the trend in intergovernmental revenues.

Constitutional Tax Limit – This category is applied to cities and villages only, as towns and counties are not subject to the constitutional tax limit. The extent to which a city or village has exhausted its constitutional tax limit reduces its financing options. A city or village that has exhausted a significant amount of its constitutional tax limit loses flexibility in its revenue structure and may not be able to sustain the current level of services provided to its residents.

Sales Tax Receipts – This category is applied to counties only, as this revenue source is not allocated in a uniform manner to cities, towns and villages. The change in sales tax receipts (as an indicator of consumer spending) can provide insight into the health of the local economy. Adverse changes can pose challenges to a county's finances. A county with declining sales tax receipts will need to generate additional revenues to sustain the current level of services provided to its residents. The effects of such change will vary according to the significance of sales tax as a portion of the total revenues realized by a county.

A score will be calculated for each of the applicable environmental indicators to arrive at an overall score for each local government. An explanation of the scoring of each environmental indicator and the overall scoring has been included in Appendix D.

School District Financial Indicators

The financial indicators for schools are slightly different than for local governments, reflecting the different operating environment for schools. Seven financial indicators within four categories were developed for evaluating school districts, which are outlined in the table below. An in-depth explanation of each of the financial indicator calculations has been included in Appendix E.

School District Financial Indicators		
Category	Financial Indicator	Purpose
1. Year-End Fund Balance	1. Unassigned Fund Balance	To identify the amount of fund balance that is available in the general fund to provide a cushion for revenue shortfalls or expenditure overruns.
	2. Total Fund Balance	To identify the amount of fund balance that is available to be used to fund operations, provide a cushion for revenue shortfalls or expenditure overruns, and/or is reserved for specific future purposes.
2. Operating Deficits	3. Operating Deficit	To identify school districts that are incurring operating deficits.
3. Cash Position	4. Cash Ratio	To identify the ability of the school district to liquidate current liabilities.
	5. Cash % of Monthly Expenditures	To identify the ability of the school district to fund the ensuing fiscal year's operations from available cash.
4. Use of Short-Term Debt	6. Short-Term Debt Issuance	To identify the amount of short-term debt that was issued to meet obligations (cash flow).
	7. Short-Term Debt Issuance Trend	To identify the trend in the issuance of short-term debt.

Year-End Fund Balance – The level of a school district’s year-end fund balance can affect its ability to deal with revenue shortfalls and expenditure overruns. A negative or low level of fund balance can affect the school district’s ability to provide services at current levels. In addition, since fund balance is the accumulated results of the school district’s financial operations over time, it is a strong measure of financial condition and is not usually affected by short-term circumstances. Two financial indicators were chosen in this category to evaluate a school district’s unassigned fund balance level and total fund balance.

Operating Deficits – Annual operating results are a good measure of the recent financial operations and the direction that a school district’s finances are headed. School districts that have multiple years of operating deficits or a significant operating deficit in one fiscal year can face financial hardship. Additionally, multiple years of operating deficits are a reliable sign that a school district’s budget is not structurally balanced – that its current revenues are not sufficient to support current expenditures. One financial indicator was selected in this category to evaluate the trend of operating deficits and determine whether the school district incurred a significant operating deficit in its most recently completed fiscal year.

Cash Position – Another way to evaluate fiscal health is to determine whether an entity has enough cash to pay its bills on time. A school district with a low level of cash and short-term investments may not be able to pay its current obligations (insolvency). The two financial indicators in this category evaluate the ability to liquidate current liabilities and the ability to fund the ensuing fiscal year’s operations from available cash.

Use of Short-Term Debt – School districts in fiscal stress are more likely to issue short-term debt in order to meet obligations. A school district that increasingly relies on the issuance of short-term debt indicates that the school district has cash-flow issues that are not being resolved. The two financial indicators in this category evaluate the amount of short-term debt that was issued in the last fiscal year as well as the trend in the issuance of short-term debt.

When calculating the financial indicators for school districts, only the district’s general fund will be used. A score will be calculated for each of the seven financial indicators to arrive at a current overall score for each school district. An explanation of the scoring of each financial indicator and the overall scoring has been included in Appendix F.

School District Environmental Indicators

Six environmental indicators within five categories will be used for evaluating other factors affecting school district finances, which are outlined in the table below. An in-depth explanation of each of the environmental indicator calculations has been included in Appendix G.

School District Environmental Indicators		
Category	Environmental Indicator	Purpose
1. Property Value	1. Change in Property Value	To identify school districts where property values have declined.
2. Enrollment	2. Change in Enrollment	To identify school districts where enrollment has declined.
3. Budget Votes	3. Trend in First Budget Vote Being Defeated	To identify school districts where their budget was defeated during the first vote multiple times.
	4. Change in Approval % First Budget Vote	To identify school districts where the approval percentage of their budget during the first budget vote has declined.
4. Graduation Rate	5. Graduation Rate %	To identify the graduation rate of the school district.
5. Free or Reduced Priced Lunch	6. Free or Reduced Priced Lunch %	To identify an indicator of the poverty rate of the school district.

Property Value – Property value is a useful sign of the health of the local economy and also may affect one of the school district’s major revenue sources (real property taxes). A school district with declining property values needs to increase its tax rate(s) in order to raise the same amount of real property tax revenues. This indicator evaluates the trend in a school district’s property value.

Enrollment – Changes in school district enrollment can provide insight into the health of the local economy and can pose challenges to a school district’s finances. A school district with declining enrollment may experience a decline in property values and the associated tax base, which may affect a school district’s revenues. Additionally, despite the fact that enrollment is declining, school districts are often unable to cut the associated costs since many expenditures, including debt service, personal services, and employee benefits, are fixed in the short term.

Budget Votes – The level of community support for a school district’s budget directly affects the school district’s ability to incur the expenditures that are anticipated. Additionally, because of the onset of the tax cap starting with the 2012-13 fiscal year, the level of community support for a school district’s budget will directly affect the school district’s ability to raise real property taxes, its major source of revenue. The two indicators in this category identify school districts that had their budgets defeated during the first vote multiple times, and school districts that have had a declining approval percentage for the first budget vote.

Graduation Rate – Graduation rates may affect the school district’s expenditures. A low graduation rate may indicate a school district has students with higher needs that require additional academic services, resulting in additional expenditures for the district.

Free or Reduced Price Lunch – The percentage of students eligible for free or reduced price lunch is directly correlated with the poverty rate. A high percentage of students that are eligible for free or reduced price lunch indicates a school district has students with higher needs that require additional services, resulting in additional expenditures for the district.

A score will be calculated for each of the six environmental indicators to arrive at an overall score for each school district. An explanation of the scoring of each environmental indicator and the overall scoring has been included in Appendix H.

Internal Verification

There will be several steps of internal verification performed by OSC prior to finalizing a list of local governments and school districts that will be classified as in “significant fiscal stress,” “moderate fiscal stress,” or “susceptible to fiscal stress.” Specifically, for each unit initially identified, the data and calculations that were used to determine these units’ classification (significant fiscal stress, moderate fiscal stress, or susceptible to fiscal stress) will be reviewed and verified. The internal verification process will also consist of verification of the data and calculations for a sample of units not identified as subject to fiscal stress.

The draft scoring will then be shared with each local government and school district that is identified as in or susceptible to fiscal stress for their review before the list is finalized.

Assistance Provided to Local Governments

Once the Fiscal Stress Monitoring System has identified local governments and school districts experiencing some level of fiscal stress, there is an array of services that OSC can provide to these units. The services will be provided through the OSC regional office that has oversight responsibility for the identified unit(s).

Budget Reviews – Review the unit’s budget prior to adoption by the governing board to ensure that the significant revenue and expenditure projections are reasonable, and that the budget is structurally balanced.

Technical Assistance – Contact each unit to discuss the indicators that resulted in the fiscal stress designation. Provide additional guidance to the unit via on-site technical assistance.

Multi-Year Financial Planning – Provide each unit with the information to access OSC’s on-line multi-year financial planning tool. Provide any hands-on assistance the unit needs to fully utilize the tool and develop a multi-year plan, identify its fiscal issues and develop a corrective action plan.

Publications and Resources – Provide units with a predetermined set of local government management guides and other publications related to financial management (e.g., financial condition analysis, multi-year financial and capital planning, etc.). Provide units with a five-year financial comparison of the data filed in their annual update document/ST-3 in an Excel spreadsheet.

Training – Advise each unit about the full menu of training that OSC offers, including online training, regional training, and association and conference trainings.

Appendix A

Local Government Financial Indicator Calculations

The following contains an in-depth explanation of each of the financial indicator calculations:

Assigned and Unassigned Fund Balance – The general fund's assigned fund balance, except for assigned appropriated fund balance (account code 915 only), plus unassigned fund balance (account code 917) divided by the general fund's gross expenditures¹ (EOU) during the same fiscal year. A result will be calculated for the general fund. The combined funds' assigned fund balance, except for assigned appropriated fund balance (account code 915 only), plus unassigned fund balance (account code 917 and account code 924 for enterprise funds) divided by the combined funds' gross expenditures (EOU) during the same fiscal year. A result will be calculated for the combined funds, less the general fund result.

Total Fund Balance – The general fund's total fund balance at fiscal year end divided by the general fund's gross expenditures (EOU) during the same fiscal year. A result will be calculated for the general fund. The combined funds' total fund balance at fiscal year end divided by the combined funds' gross expenditures (EOU) during the same fiscal year. A result will be calculated for the combined funds, less the general fund result.

Operating Deficits – The combined funds' gross revenues³ (ROS) minus gross expenditures (EOU) at fiscal year end divided by the combined funds' gross expenditures during the same fiscal year (EOU). One result will be calculated for the combined funds.

Cash Ratio – The total of the combined funds' cash and investments (account codes 200-223, 450, and 451) at fiscal year end divided by the combined funds' current liabilities (account codes 600-626 and 631-668 minus account codes 280, 290, and 295) during the same fiscal year. One result will be calculated for the combined funds.

Cash as a Percentage of Monthly Expenditures – The total of the combined funds' cash and investments (account codes 200, 201, 450, and 451) at fiscal year end divided by the combined funds' average monthly gross expenditures (EOU) during the same fiscal year. One result will be calculated for the combined funds.

Short-Term Debt Issuance – The total of short-term debt (revenue anticipation notes (RANs), tax anticipation notes (TANs), and budget notes) that was issued during the fiscal year divided by the general fund's total revenues⁶ during the same fiscal year.

¹ "Gross Expenditures" consist of expenditures plus other uses (transfer activity) for any of the calculations that they are included in.

³ "Gross Revenues" consist of revenues plus other sources (transfer activity) for any of the calculations that they are included in.

⁶ "Total Revenues" only consist of revenues and not other sources (no transfer activity) for any of the calculations that they are included in.

Appendix A

Local Government Financial Indicator Calculations

Short-Term Debt Issuance Trend – The number of years that short-term debt (RANs, TANs, and budget notes) was issued over the last three fiscal years.

Personal Service and Employee Benefits as a Percentage of Revenues – The total of all funds' (except the capital projects fund) personal services expenditures and employee benefits expenditures (expenditure object codes .1 and .8) at fiscal year end divided by all funds' (except the capital projects fund) total revenues (except revenue account code 5791 – proceeds of advanced refunding bonds) during the same fiscal year. One result will be calculated for all funds (except the capital projects fund).

Debt Service as a Percentage of Revenues – The total of all funds' (except the capital projects fund) debt service expenditures (expenditure object codes .6 and .7) at fiscal year end divided by all funds' (except the capital projects fund) total revenues (except revenue account code 5791 – proceeds of advanced refunding bonds) during the same fiscal year. One result will be calculated for all funds (except the capital projects fund).

Appendix B

Local Government Financial Indicators Scoring

Local Government Financial Indicators Scoring			
Financial Indicator	Scoring - Points	Max Points	Scoring-Weighted Average
1. Assigned and Unassigned Fund Balance	General Fund Result 3 Points = Less Than or Equal to 3.33% Last Fiscal Year 2 Points = Greater Than 3.33% But Less Than or Equal to 6.67% Last Fiscal Year 1 Point = Greater Than 6.67% But Less Than or Equal to 10% Last Fiscal Year 0 Points = Greater Than 10% Last Fiscal Year Combined Funds Result Minus General Fund Result 1 Point = Negative % When the General Fund % is Subtracted from the Combined Funds % for the Last Fiscal Year	4	50%
2. Total Fund Balance	General Fund Result 3 Points = Less Than or Equal to 10% Last Fiscal Year 2 Points = Greater Than 10% But Less Than or Equal to 15% Last Fiscal Year 1 Point = Greater Than 15% But Less Than or Equal to 20% Last Fiscal Year 0 Points = Greater Than 20% Last Fiscal Year Combined Funds Result Minus General Fund Result 1 Point = Negative % When the General Fund % is Subtracted from the Combined Funds % for the Last Fiscal Year	4	
3. Operating Deficit	Combined Funds Result 3 Points = Deficits in Three of Last Three Fiscal Years or a Deficit in the Last Fiscal Year Less Than or Equal to -10% 2 Points = Deficits in Two of Last Three Fiscal Years 1 Point = Deficit in One of Last Three Fiscal Years 0 Points = No Deficits in Last Three Fiscal Years	3	10%
4. Cash Ratio	Combined Funds Result 3 Points = Less Than or Equal to 50% Last Fiscal Year 2 Points = Greater Than 50% But Less Than or Equal to 75% Last Fiscal Year 1 Point = Greater Than 75% But Less Than or Equal to 100% Last Fiscal Year 0 Points = Greater Than 100% Last Fiscal Year	3	20%
5. Cash % of Monthly Expenditures	Combined Funds Result (Villages and Towns) 3 Points = Less Than or Equal to 33.3% Last Fiscal Year 2 Points = Greater Than 33.3% But Less Than or Equal to 66.7% Last Fiscal Year 1 Point = Greater Than 66.7% But Less Than or Equal to 100% Last Fiscal Year 0 Points = Greater Than 100% Last Fiscal Year Combined Funds Result (Cities and Counties) 3 Points = Less Than or Equal to 50% Last Fiscal Year 2 Points = Greater Than 50% But Less Than or Equal to 100% Last Fiscal Year 1 Point = Greater Than 100% But Less Than or Equal to 150% Last Fiscal Year 0 Points = Greater Than 150% Last Fiscal Year	3	
6. Short-Term Debt Issuance	All Funds Result 3 Points = Greater Than 15% Last Fiscal Year 2 Points = Greater Than 5% But Less Than or Equal to 15% Last Fiscal Year 1 Point = Greater Than 0% But Less Than or Equal to 5% Last Fiscal Year 0 Points = 0% Last Fiscal Year	3	10%
7. Short-Term Debt Issuance Trend	All Funds Result 3 Points = Issuance in Each of Last Three Fiscal Years or Issued a Budget Note in Last Fiscal Year 2 Points = Issuance in Each of Last Two Fiscal Years 1 Point = Issuance in Last Fiscal Year 0 Points = No Issuance	3	
8. Personal Services and Employee Benefits % Revenues	All Funds Result 3 Points = Last Three Fiscal Years Average Greater Than or Equal to 75% 2 Points = Last Three Fiscal Years Average Greater Than or Equal to 70% But Less Than 75% 1 Point = Last Three Fiscal Years Average Greater Than or Equal to 65% But Less Than 70% 0 Points = Last Three Fiscal Years Average Less Than 65%	3	10%
9. Debt Service % Revenues	All Funds Result 3 Points = Last Three Fiscal Years Average Greater Than or Equal to 20% 2 Points = Last Three Fiscal Years Average Greater Than or Equal to 15% But Less Than 20% 1 Point = Last Three Fiscal Years Average Greater Than or Equal to 10% But Less Than 15% 0 Points = Last Three Fiscal Years Average Less Than 10%	3	
Total		29	100%

Appendix B

Local Government Financial Indicators Scoring

The categories will be given different weights to reflect their relative importance in measuring financial stress. The total maximum number of points that a local government can receive is 29 points. If a local government receives an overall score greater than or equal to 65 percent of the total points, it will be considered in significant fiscal stress; if a local government receives an overall score greater than or equal to 55 percent of the total points, but less than 65 percent of the total points, it will be considered in moderate fiscal stress; if a local government receives an overall score greater than or equal to 45 percent of the total points, but less than 55 percent of the total points, it will be considered susceptible to fiscal stress; and if a local government receives an overall score less than 45 percent of the total points, it will not be considered in fiscal stress.

Local Government Classifications of Fiscal Stress	
Percentage of Total Points	Classification of Fiscal Stress
65% – 100%	Significant Fiscal Stress
55% – 64.9%	Moderate Fiscal Stress
45% – 54.9%	Susceptible to Fiscal Stress
0% – 44.9%	Not in Fiscal Stress

Appendix C

Local Government Environmental Indicator Calculations

The following contains an in-depth explanation of each of the environmental indicator calculations:

Change in Population 1990 to 2010 – The local government's total population from the 2000 Census minus the local government's total population from the 1990 Census divided by the local government's total population from the 1990 Census. Additionally, the local government's total population from the 2010 Census minus the local government's total population from the 2000 Census divided by the local government's total population from the 2000 Census.

Change in Median Age of Population 2000 to 2010 – The local government's total population median age from the 2010 Census minus the local government's total population median age from the 2000 Census divided by the local government's total population median age from the 2000 Census.

Median Age of Population 2010 – The median age of the residents of a local government based on the 2010 Census.

Child Poverty Rate 2010 – The child poverty rate of the local government based on the 2010 Census. The statewide average poverty rate was 19.90 percent based on the 2010 Census. This information will be updated as data becomes available.

Change in Child Poverty Rate 2000 to 2010 – The local government's child poverty rate from the 2010 Census minus the local government's child poverty rate from the 2000 Census. This information will be updated as data becomes available.

Change in Property Value – The local government's full value of its real property for the most current fiscal year minus the full value for the prior fiscal year divided by the full value for the prior fiscal year.

Property Value Per Capita – The local government's full value of its real property for the most current fiscal year divided by the local government's total population as of the 2010 Census.

Change in Unemployment Rate – The unemployment rate for the local government for the most current year minus the unemployment rate for the local government for the prior year. Unemployment rates are only available for local governments with a population of 25,000 or more. Therefore, for local governments that have a population of less than 25,000, we used the unemployment rate for the county that the local government most resides in.

Appendix C

Local Government Environmental Indicator Calculations

Unemployment Rate – The unemployment rate of the local government for the most current year. Unemployment rates are only available for local governments with a population of 25,000 or more. Therefore, for local governments that have a population of less than 25,000, we used the unemployment rate for the county that the local government most resides in.

Change in Total Jobs in County – The total jobs in the county for the most current year minus the total jobs in the county for the prior year. For each local government, we used the data for the county that the local government most resides in.

Reliance on State and Federal Aid – All funds' (except the capital projects fund) State and federal aid revenues (revenue account codes 3000 through 4000 minus account codes 3960 and 4960) at fiscal year end for the current fiscal year divided by all funds' (except the capital projects fund) total revenues at fiscal year end for the current fiscal year. One result will be calculated for all funds (except the capital projects fund).

Change in State and Federal Aid – All funds' (except the capital projects fund) State and federal aid revenues (revenue account codes 3000 through 4000 minus account codes 3960 and 4960) at fiscal year end for the current fiscal year minus all funds' (except the capital projects fund) State and federal aid revenues (revenue account codes 3000 through 4000 minus account codes 3960 and 4960) at fiscal year end for the prior fiscal year divided by all funds' (except the capital projects fund) State and federal aid revenues (revenue account codes 3000 through 4000 minus account codes 3960 and 4960) at fiscal year end for the prior fiscal year. One result will be calculated for all funds (except the capital projects fund).

Constitutional Tax Limit – The city or village tax levy subject to the tax levy limit divided by its tax limit. The tax limit is computed by multiplying taxable real property by a certain percentage enumerated in the State Constitution.

Change in Local Sales Tax Receipts – The local sales tax receipts for the most current 12 months minus the local sales tax receipts for the prior 12 months divided by the local sales tax receipts for the prior 12 months. The local sales tax receipts represent the amount that is distributed to counties on a monthly basis from OSC. We used the change in the consumer price index (CPI) for the same time period as the change in local sales tax receipts for scoring purposes.

Appendix D

Local Government Environmental Indicators Scoring

Local Government Environmental Indicators Scoring							
Environmental Indicator	Scoring Points	County		City and Village		Town	
		Max. Points	Scoring Weighted Average	Max. Points	Scoring Weighted Average	Max. Points	Scoring Weighted Average
1. Change in Population 1990 to 2010	3 Points = Change Between 1990 and 2000 and 2000 and 2010 are Both Less Than 0% or Change Between 2000 and 2010 Less Than -10% 2 Points = Change Between 2000 and 2010 Less Than or Equal to -5% 1 Point = Change Between 2000 and 2010 Less Than 0% But Greater Than -5% 0 Points = Change Between 2000 and 2010 Greater Than or Equal to 0%	3	15%	3	15%	3	20%
2. Change in Median Age of Population 2000 to 2010	3 Points: Greater Than or Equal to 25% 2 Points: Greater Than or Equal to 20% But Less Than 25% 1 Point: Greater Than or Equal to 15% But Less Than 20% 0 Points: Less Than 15%	3	10%	3	10%	3	10%
3. Median Age of Population 2010	1 Point: Greater Than or Equal to 50 0 Points: Less Than 50	1		1		1	
4. Child Poverty Rate 2010	3 Points: Greater Than or Equal to 39.80% (Twice the Statewide Average) 2 Points: Greater Than or Equal to 29.85% (One and Half Times the Statewide Average) But Less Than 39.80% 1 Point: Greater Than or Equal to 19.90% (Statewide Average) But Less Than 29.85% 0 Points: Less Than 19.90% (Statewide Average)	3	10%	3	15%	3	20%
5. Change in Child Poverty Rate 2000 to 2010	1 Point: Greater Than 0% Points 0 Points: Less Than or Equal to 0% Points	1		1		1	
6. Change in Property Value	3 Points = Four Fiscal Years Average Less Than or Equal to -4% or Change Between Last Two Fiscal Years Less Than -10% 2 Points = Four Fiscal Years Average Less Than or Equal to -2% But Greater Than -4% 1 Point = Four Fiscal Years Average Less Than or Equal to -1% But Greater Than -2% 0 Points = Four Fiscal Years Average Greater Than -1%	3	25%	3	30%	3	30%
7. Property Value Per Capita	3 Points: Less Than or Equal to \$10,000. 2 Points: Greater Than \$10,000 But Less Than or Equal to \$20,000 1 Point: Greater Than \$20,000 But Less Than or Equal to \$30,000 0 Points: Greater Than \$30,000	3		3		3	
8. Change in Unemployment Rate	1 Point: Greater Than 0% Points 0 Points: Less Than or Equal to 0% Points	1	10%	1	10%	1	10%
9. Unemployment Rate	1 Point: Greater Than Statewide Average (8.2% in 2011) 0 Points: Less Than or Equal to Statewide Average (8.2% in 2011)	1		1		1	
10. Change in Total Jobs in County	1 Point: Less Than 0 0 Points: Greater Than or Equal to 0	1		1		1	
11. Reliance on State and Federal Aid	3 Points = Four Fiscal Years Average Greater Than or Equal to 50% 2 Points = Four Fiscal Years Average Greater Than or Equal to 40% But Less Than 50% 1 Point = Four Fiscal Years Average Greater Than or Equal to 30% But Less Than 40% 0 Points = Four Fiscal Years Average Less Than 30%	3	10%	3	10%	3	10%
12. Change in State and Federal Aid	1 Point: Less Than 0% in Last Fiscal Year 0 Points: Greater Than or Equal to 0% in Last Fiscal Year	1		1		1	
13. Constitutional Tax Limit Exhausted	3 Points: Greater Than or Equal to 80% Last Fiscal Year. 2 Points: Greater Than or Equal to 65% But Less Than 80% Last Fiscal Year 1 Point: Greater Than or Equal to 50% But Less Than 65% Last Fiscal Year 0 Points: Less Than 50% Last Fiscal Year	0	0%	3	10%	0	0%
14. Change in Local Sales Tax Receipts	3 Points: Less Than 0% 2 Points: Greater Than or Equal to 6% But Less Than 1.35% (One Half the CPI Change) 1 Point: Greater Than or Equal to 1.35% But Less Than 2.7% (CPI Change) 0 Points: Greater Than or Equal to 2.7% (CPI Change)	3	20%	0	0%	0	0%
Total		27	100%	27	100%	24	100%

Appendix D

Local Government Environmental Indicators Scoring

The categories will be given different weights to reflect their relative importance in determining environmental conditions. The total maximum number of points that a county, city, or village can receive is 27 points. If a county, city, or village receives an overall score greater than or equal to 50 percent of the total points, it will be considered to have the worst environmental conditions, which will be notated by "###;" if a county, city, or village receives an overall score greater than or equal to 40 percent of the total points, but less than 50 percent of the total points, it will be considered to have the next level of negative environmental conditions, which will be notated by "##;" if a county, city, or village receives an overall score greater than or equal to 30 percent of the total points, but less than 40 percent of the total points, it will be considered to have the last level of negative environmental conditions, which will be notated by "#;" and if a county, city, or village receives an overall score less than 30 percent of the total points, it will not be considered to have negative environmental conditions and will not receive a notation.

The total maximum number of points that a town can receive is 24 points. If a town receives an overall score greater than or equal to 50 percent of the total points, it will be considered to have the worst environmental conditions, which will be notated by "###;" if a town receives an overall score greater than or equal to 40 percent of the total points, but less than 50 percent of the total points, it will be considered to have the next level of negative environmental conditions, which will be notated by "##;" if a town receives an overall score greater than or equal to 30 percent of the total points, but less than 40 percent of the total points, it will be considered to have the last level of negative environmental conditions, which will be notated by "#;" and if a town receives an overall score less than 30 percent of the total points, it will not be considered to have negative environmental conditions and will not receive a notation.

Appendix E

School District Financial Indicator Calculations

The following contains an in-depth explanation of each of the financial indicator calculations:

Unassigned Fund Balance – The general fund's unassigned fund balance, except for reserve for tax reduction (account code 917 only), divided by the general fund's gross expenditures⁷ (EOU) during the same fiscal year.

Total Fund Balance – The general fund's total fund balance at fiscal year end divided by the general fund's gross expenditures (EOU) during the same fiscal year.

Operating Deficits – The general fund's gross revenues⁸ (ROS) minus gross expenditures (EOU) at fiscal year end divided by the general fund's gross expenditures (EOU) during the same fiscal year.

Cash Ratio – The total of the general fund's cash and investments (account codes 200-223, 450, and 451) at fiscal year end divided by the general fund's current liabilities (account codes 600-626 and 631-668 minus account codes 280, 290, and 295) during the same fiscal year.

Cash as a Percentage of Monthly Expenditures – The total of the general fund's cash and investments (account codes 200, 201, 450, and 451) at fiscal year end divided by the general fund's average monthly gross expenditures (EOU) during the same fiscal year.

Short-Term Debt Issuance – The total of short-term debt (RANs, TANs, and budget notes) that was issued during the fiscal year divided by the general fund's total revenues⁹ during the same fiscal year.

Short-Term Debt Issuance Trend – The number of years that short-term debt (RANs, TANs, and budget notes) was issued over the last three fiscal years.

⁷ "Gross Expenditures" consist of expenditures plus other uses (transfer activity) for any of the calculations that they are included in.

⁸ "Gross Revenues" consist of revenues plus other sources (transfer activity).

⁹ "Total Revenues" only consist of revenues and not other sources (no transfer activity).

Appendix F

School District Financial Indicators Scoring

School District Financial Indicators Scoring			
Financial Indicator	Scoring Points	Max Points	Scoring Weighted Average
1. Unassigned Fund Balance	3 Points = Less Than or Equal to 1% Last Fiscal Year 2 Points = Greater Than 1% But Less Than or Equal to 2% Last Fiscal Year 1 Point = Greater Than 2% But Less Than or Equal to 3% Last Fiscal Year 0 Points = Greater Than 3% Last Fiscal Year	3	50%
2. Total Fund Balance	3 Points = Less Than or Equal to 0% Last Fiscal Year 2 Points = Greater Than 0% But Less Than or Equal to 5% Last Fiscal Year 1 Point = Greater Than 5% But Less Than or Equal to 10% Last Fiscal Year 0 Points = Greater Than 10% Last Fiscal Year	3	
3. Operating Deficit	3 Points = Deficits in Three of Last Three Fiscal Years Less Than or Equal to -1% or a Deficit in the Last Fiscal Year Less Than or Equal to -3% 2 Points = Deficits in Two of Last Three Fiscal Years Less Than or Equal to -1% 1 Point = Deficit in One of Last Three Fiscal Years Less Than or Equal to -1% 0 Points = No Deficits Less Than or Equal to -1% in Last Three Fiscal Years	3	20%
4. Cash Ratio	3 Points = Less Than or Equal to 50% Last Fiscal Year 2 Points = Greater Than 50% But Less Than or Equal to 75% Last Fiscal Year 1 Point = Greater Than 75% But Less Than or Equal to 100% Last Fiscal Year 0 Points = Greater Than 100% Last Fiscal Year	3	20%
5. Cash % of Monthly Expenditures	3 Points = Less Than or Equal to 33.3% Last Fiscal Year 2 Points = Greater Than 33.3% But Less Than or Equal to 66.7% Last Fiscal Year 1 Point = Greater Than 66.7% But Less Than or Equal to 100% Last Fiscal Year 0 Points = Greater Than 100% Last Fiscal Year	3	
6. Short-Term Debt Issuance Amount	3 Points = Greater Than 15% Last Fiscal Year 2 Points = Greater Than 5% But Less Than or Equal to 15% Last Fiscal Year 1 Point = Greater Than 0% But Less Than or Equal to 5% Last Fiscal Year 0 Points = 0% Last Fiscal Year	3	10%
7. Short-Term Debt Issuance Trend	3 Points = Issuance in Each of Last Three Fiscal Years or Issued a Budget Note in Last Fiscal Year 2 Points = Issuance in Each of Last Two Fiscal Years 1 Point = Issuance in Last Fiscal Year 0 Points = No Issuance	3	
Total		21	100%

Appendix F

School District Financial Indicators Scoring

The categories will be given different weights to reflect their relative importance in measuring financial stress. The total maximum number of points that a school district can receive is 21 points. If a school district receives an overall score greater than or equal to 65 percent of the total points, it will be considered in significant fiscal stress; if a school district receives an overall score greater than or equal to 45 percent of the total points, but less than 65 percent of the total points, it will be considered in moderate fiscal stress; if a school district receives an overall score greater than or equal to 25 percent of the total points, but less than 45 percent of the total points, it will be considered susceptible to fiscal stress; and if a school district receives an overall score less than 25 percent of the total points, it will not be considered in fiscal stress.

School District Classifications of Fiscal Stress	
Percentage of Total Points	Classification of Fiscal Stress
65% – 100%	Significant Fiscal Stress
45% – 64.9%	Moderate Fiscal Stress
25% – 44.9%	Susceptible to Fiscal Stress
0% – 24.9%	Not in Fiscal Stress

Appendix G

School District Environmental Indicator Calculations

The following contains an in-depth explanation of each of the environmental indicator calculations:

Change in Property Value – The school district's full value for the most current fiscal year minus the school district's full value for the prior fiscal year divided by the school district's full value for the prior fiscal year.

Change in Enrollment – The school district's enrollment for the most current fiscal year minus the school district's enrollment for the prior fiscal year divided by the school district's enrollment for the prior fiscal year.

Trend in First Budget Vote Being Defeated – In fiscal years prior to the 2012-13 fiscal year budget vote, a majority of total votes had to be "yes" (more than 50 percent) or the budget would be defeated. Starting with the 2012-13 fiscal year budget vote and budget votes in fiscal years after, a majority of total votes had to be "yes" (more than 50 percent) or the budget would be defeated if it did not include an override of the tax cap. Alternatively, a supermajority of total votes had to be "yes" (more than 60 percent) or the budget would be defeated if it included an override of the tax cap.

Change in Approval Percentage for the First Budget Vote – The approval percentage for the first budget vote for the most current fiscal year minus the approval percentage for the first budget vote for last fiscal year. The approval percentage consists of the total number of "yes" votes for the first budget vote divided by the total number of votes cast for the first budget vote.

Graduation Rate Percentage – The total number of students that graduated in the most current fiscal year divided by the number of students that entered 9th grade four years prior. The number of students who graduated in the most current fiscal year consists of students who graduated within four years with a local diploma, Regents diploma, or Regents with an advanced designation diploma.

Free or Reduced Priced Lunch Percentage – The total number of students in Kindergarten through 6th grade who are eligible for free or reduced priced lunch for the most current fiscal year divided by the total K-6 enrollment for the most current fiscal year.

Appendix H

School District Environmental Indicators Scoring

School District Environmental Indicators Scoring			
Environmental Indicator	Scoring - Points	Max Points	Scoring Weighted Average
1. Change in Property Value	3 Points = Four Fiscal Years Average Less Than or Equal to -4% or Change Between Last Two Fiscal Years Less Than -10% 2 Points = Four Fiscal Years Average Less Than or Equal to -2% But Greater Than -4% 1 Point = Four Fiscal Years Average Less Than or Equal to -1% But Greater Than -2% 0 Points = Four Fiscal Years Average Greater Than -1%	3	30%
2. Change in Enrollment	3 Points = Four Fiscal Years Average Less Than or Equal to -3.5% 2 Points = Four Fiscal Years Average Less Than or Equal to -2.5% But Greater Than -3.5% 1 Point = Four Fiscal Years Average Less Than or Equal to -1.5% But Greater Than -2.5% 0 Points = Four Fiscal Years Average Greater Than -1.5%	3	20%
3. Trend in First Budget Vote Being Defeated	3 Points = Budget Vote Defeated First Time Four of Last Four Fiscal Years 2 Points = Budget Vote Defeated First Time Three of Last Four Fiscal Years 1 Point = Budget Vote Defeated First Time Two of Last Four Fiscal Years 0 Points = Budget Vote Defeated First Time One or None of Last Four Fiscal Years	3	15%
4. Change in Approval % First Budget Vote	3 Points = Four Fiscal Years Average Less Than or Equal to -9% Points and Last Fiscal Year Approval % Less Than 60% 2 Points = Four Fiscal Years Average Less Than or Equal to -6% Points But Greater Than -9% Points and Last Fiscal Year Approval % Less Than 60% 1 Point = Four Fiscal Years Average Less Than or Equal to -3% Points But Greater Than -6% Points and Last Fiscal Year Approval % Less Than 60% 0 Points = Four Fiscal Years Average Greater Than -3% Points	3	
5. Graduation Rate %	3 Points = Graduation % Below 1.5 Standard Deviations of That Fiscal Year's Average Graduation Rate % in Three or More of Last Four Fiscal Years 2 Points = Graduation % Below 1.5 Standard Deviations of That Fiscal Year's Average Graduation Rate % in Two of Last Four Fiscal Years 1 Point = Graduation % Below 1.5 Standard Deviations of That Fiscal Year's Average Graduation Rate % in One of Last Four Fiscal Years 0 Points = Graduation % Below 1.5 Standard Deviations of That Fiscal Year's Average Graduation Rate % in None of Last Four Fiscal Years	3	15%
6. Free or Reduced Priced Lunch %	3 Points = Three Fiscal Years Average Greater Than or Equal to 75% 2 Points = Three Fiscal Years Average Greater Than or Equal to 65% But Less Than 75% 1 Point = Three Fiscal Years Average Greater Than or Equal to 55% But Less Than 65% 0 Points = Three Fiscal Years Average Less Than 55%	3	20%
Total		18	100%

Appendix H

School District Environmental Indicators Scoring

We recognize that there are instances in which some of the environmental indicators are not applicable to each school district. For example, school districts that include only grades K-6 will not have a graduation rate percentage and dependent school districts will not have budget vote data. When these instances occur, the environmental indicators that are not applicable to the school district will not be evaluated. Instead, the school district's overall environmental indicator score will be calculated by proportionately redistributing the weighted average for the environmental indicator categories that are not applicable to the school district to the other environmental indicator categories that are applicable. This will result in all school districts' overall environmental indicator scores being equitable and comparable to each other.

The categories will be given different weights to reflect their relative importance in determining environmental conditions. The total maximum number of points that a school district can receive is 18 points. If a school district receives an overall score greater than or equal to 60 percent of the total points, it will be considered to have the worst environmental conditions, which will be notated by "###;" if a school district receives an overall score greater than or equal to 45 percent of the total points, but less than 60 percent of the total points, it will be considered to have the next level of negative environmental conditions, which will be notated by "##;" if a school district receives an overall score greater than or equal to 30 percent of the total points, but less than 45 percent of the total points, it will be considered to have the last level of negative environmental conditions, which will be notated by "#;" and if a school district receives an overall score less than 30 percent of the total points, it will not be considered to have negative environmental conditions and will not receive a notation.

Appendix I

Summary of Public Comments and Responses

The proposed Fiscal Stress Monitoring System was shared with all local governments and school districts for their review and comment during a 60-day comment period. We want to thank all of the individuals who submitted comments during the open comment period. We evaluated the comments received and took them into consideration in finalizing the Fiscal Stress Monitoring System. The following contains a summary of the public comments and OSC's responses, including the resulting changes that were made.

Early Warning System

We received comments that the Fiscal Stress Monitoring System is not an early warning system because it provides information that local government and school district officials are already aware of. The Fiscal Stress Monitoring System is in fact an early warning system because it identifies both local governments and school districts that are currently in fiscal stress, and those that are susceptible to fiscal stress. Admittedly, in this initial application of the indicators, those places that were already in fiscal stress did not get the "early warning" when they first became susceptible to stress conditions. In the future, we anticipate that most localities and school districts will be first identified as susceptible to fiscal stress before the system identifies them as in fiscal stress. The Fiscal Stress Monitoring System will provide information to both local officials and the public that can be used to allow for early actions to prevent local governments and school districts from ending up in severe fiscal stress.

Bond Rating

We received comments that a local government's and/or school district's bond rating should be factored in to the Fiscal Stress Monitoring System. Additionally, we received comments that the Fiscal Stress Monitoring System is a duplication of work that is already performed by credit rating agencies. Bond ratings were not factored into the Fiscal Stress Monitoring System because they are not available for the vast majority of local governments and school districts. Also, for that reason, the Fiscal Stress Monitoring System is not a duplication of effort.

Unique Local Factors and Intangibles

We received comments that the Fiscal Stress Monitoring System does not take into account local governments' and/or school districts' unique local factors and intangibles (i.e., financial management practices). However, while there may be variations in such intangibles, they must eventually show up and influence the financial information we are evaluating. Otherwise, they are variations that do not have an impact on fiscal health.

Classification Terminology

We received comments that the "nearing fiscal stress" financial indicator classification should be amended because it can be construed as always being negative with regard to the fiscal direction of a local government or school district. After careful consideration, we have decided to amend the "nearing fiscal stress" financial indicator classification to "susceptible to fiscal stress." The classification of "susceptible to fiscal stress" classifies units that are not currently in fiscal stress, but instead are exhibiting conditions that could lead them into fiscal stress in the short run.

Appendix I

Summary of Public Comments and Responses

Overall Financial and Environmental Score

We received comments that the report should contain more clarification as to how the overall financial and environmental scores will be calculated. As a result, we have provided more information in the report. The overall financial and environmental scores that will be used to determine the fiscal stress classification and environmental indicator notation will be calculated as percentages. The reason the scores will be calculated as percentages (i.e., 45.50 percent), instead of as total point amounts (i.e., 11.35), is because the thresholds for determining the fiscal stress classification and environmental indicator notation are based on percentages.

Weighted Average Scoring

We received comments that the report should contain more clarification as to how the weighted average scoring is applied. As a result, we have included an example below of how the weighted average scoring is applied. The example below is in relation to the financial indicators for local governments, but can be used as a guide for applying weighted averages to the financial indicators for school districts and the environmental indicators for both local governments and school districts.

Financial Indicator Categories							
Row		Year-End Fund Balance	Operating Deficits	Cash Position	Use of Short-Term Debt	Fixed Costs	Overall Score
1	Maximum Category Score	8	3	6	6	6	
2	Town of "Example" Category Score	6	1	4	5	0	
3	Score as a % of Total (Row 2 divided by Row 1)	75.00%	33.33%	66.67%	83.33%	0.00%	
4	Assigned Weight	50.00%	10.00%	20.00%	10.00%	10.00%	
5	Weighted Score (Row 3 multiplied by Row 4)	37.50%	3.33%	13.33%	8.33%	0.00%	62.50%

In the example above, the Town of "Example" received an overall score of 62.50 percent, which was computed by adding the weighted scores that were calculated for each of the five financial indicator categories. The Town of "Example" would receive a financial indicator classification of in "moderate fiscal stress" because it received an overall score greater than or equal to 55 percent of the total points, but less than 65 percent of the total points.

Appendix I

Summary of Public Comments and Responses

Funds Used for Each Local Government Financial Indicator

We received comments that the report should contain more clarification as to which funds are being used to calculate each of the nine financial indicators for local governments. As a result, we have included additional information in the report. When calculating the financial indicators for local governments, the general fund and combined funds will be used for indicators one and two (two results for each indicator), the combined funds for indicators three through five (one result for each indicator), and all funds, except the capital projects fund, for indicators six through nine (one result for each indicator). We selected the combined funds for each class of local government by including the funds that are the most common for each class and also the funds that generally account for the largest percentage of each class's financial activity.

Calculation of Local Government Financial Indicators

We received comments that the report should contain more clarification regarding how to calculate a result for each of the nine financial indicators for local governments. As a result, we have included additional information in the report. For indicators one and two, a result will be calculated for the general fund (step one), and one result will be calculated for the combined funds, less the general fund result (step two). For indicators three through five, one result will be calculated for the combined funds. For indicators six through nine, one result will be calculated for all funds, except the capital projects fund. When multiple funds are used (combined funds or all funds, except the capital projects fund) for each of the nine financial indicators, each of the separate fund's data will be added together to come up with one combined result. A separate result will not be calculated for each of the funds contained within the combined funds and/or all funds.

Fund Balance Classifications

We received comments that the report should contain more clarification on the fund balance classifications that are used for financial indicators one and two for both local governments and school districts. As a result, we have attached a link to a bulletin on our website that outlines the various classifications of fund balance (including both assigned and unassigned) and the account codes that are applicable to each classification of fund balance. The bulletin can be found at:

<http://osc.state.ny.us/localgov/pubs/releases/gasb54.pdf>

Local Government Financial Indicator One (Calculation)

We received comments that financial indicator one for local governments should not include assigned appropriated fund balance (account code 914). We considered these comments and performed additional analysis to determine if this change would improve the financial condition evaluation of local governments. Based on our analysis, we concluded that this change did improve the financial condition evaluation of local governments. As a result, we amended financial indicator one for local governments to consist of assigned fund balance, except for assigned appropriated fund balance, plus unassigned fund balance divided by gross expenditures. Based on the amendment that we made to the financial indicator calculation, we also amended the scoring thresholds for this financial indicator. The scoring thresholds consist of the following: less than or equal to 3.33 percent (3 points), less than or equal to 6.67 percent (2 points), less than or equal to 10 percent (1 point), and greater than 10 percent (0 points).

Appendix I

Summary of Public Comments and Responses

Local Government Financial Indicators Number One and Two (Funds)

We received comments that financial indicators one and two for local governments should look at more funds than just the general fund (such as the water and sewer funds). Financial indicators one and two for local governments do take into account more funds than just the general fund. Specifically, for indicators one and two, a result will be calculated first for the general fund¹⁰ only (step one – possible 0-3 points). There also is a second calculation for indicators one and two, which consists of calculating a result for the combined funds. The combined funds vary by class of local government. For instance, the combined funds for cities consists of the general, all water, and all sewer funds. Once the combined funds result has been calculated (percentage), the general fund result (percentage) that was calculated in step one will be subtracted from it (step two – possible 0-1 points). This calculation adds an additional point if the combined funds have a lower percentage than the general fund percentage. The reasoning behind this is that if the combined funds' percentage is lower than the general fund's percentage, it could mean that the general fund is currently supporting the local government's other operating funds or may have to in the near future.

Fund Balance Trend Indicator

We received comments that an indicator should be developed that evaluates the change in a local government's and/or school district's fund balance level (declining balance). We considered an indicator that would evaluate the change in fund balance for both local governments and school districts. However, we concluded that the operating deficit financial indicator that we had already developed would indicate the change in a local government's and school district's fund balance level.

Scoring Thresholds for Local Government Financial Indicators

We received comments that the scoring thresholds for the local government financial indicators under the categories of year-end fund balance and cash position should vary by class of local government. We considered these comments and performed additional analysis (various scoring threshold scenarios) to determine if these changes would improve the financial condition evaluation of local governments. Based on our analysis, we concluded that there should be a variation between the scoring thresholds for cities and counties versus villages and towns for cash as a percentage of monthly expenditures financial indicator. As a result, we amended the scoring thresholds for this financial indicator for cities and counties, but kept the original scoring thresholds for villages and towns. The amendments that were made were increasing the scoring thresholds for cities and counties from less than or equal to 33.3 percent to less than or equal to 50 percent (3 points), from less than or equal to 66.7 percent to less than or equal to 100 percent (2 points), from less than or equal to 100 percent to less than or equal to 150 percent (1 point), and from greater than 100 percent to greater than 150 percent (0 points). These amendments were made based on the difference between cities' and counties' versus villages' and towns' revenue cycles at the beginning of the fiscal year.

¹⁰ The general fund calculation for indicators one and two for towns will consist of the general town-wide and highway town-wide funds together (one combined result for each indicator), and will only consist of the general fund for cities, counties, and villages.

Appendix I

Summary of Public Comments and Responses

Weighted Averages for Local Government Financial Indicators

We received comments that the weighted averages that were assigned to the local government financial indicator categories of year-end fund balance, operating deficits, and cash position should be changed. We considered these comments and performed additional analysis (various reallocations of weighted averages between categories) to determine if these changes would improve the financial condition evaluation of local governments. Based on our analysis, we concluded that the reallocation of weighted averages between categories from the original weighted averages did not improve the financial condition evaluation of local governments. As a result, we did not amend the weighted averages for the local government financial indicator categories.

Gross Revenues, Gross Expenditures, and Total Revenues

We received comments that the report should contain more clarification as to the meaning of gross revenues, gross expenditures, and total revenues that are included in the financial indicator calculations. As a result, we have included additional information in the report. "Gross Revenues" consist of revenues plus other sources (transfer activity), "Gross Expenditures" consist of expenditures plus other uses (transfer activity), and "Total Revenues" only consist of revenues and not other sources (no transfer activity).

Change in Local Sales Tax Receipts Environmental Indicator

We received comments that the change in local sales tax receipts environmental indicator should not only be applied to counties, but also to any other local governments that collect sales tax receipts or receive distributions from their respective counties because of its significance as a revenue source. This indicator was only applied to counties because it was developed as an environmental indicator to provide insight into the health of the local economy (consumer spending), and not as a financial indicator. While we acknowledge that sales tax receipts are a significant revenue source for many local governments, the Fiscal Stress Monitoring System does not evaluate individual revenues (i.e., real property taxes, sales tax receipts, etc.) for financial purposes.

Tax-Exempt Property Indicator

We received comments that an indicator should be developed in relation to the total amount and annual change in the total amount of tax-exempt property within a local government's and/or school district's boundaries. We obtained tax-exempt property data from the New York State Office of Real Property Tax Services, which we then analyzed to determine if it provided information that was useful in determining a local government's or school district's level of fiscal stress. Based on our analysis, we concluded that a tax-exempt property indicator does not provide information that correlates with a local government's or school district's level of fiscal stress.

Appendix I

Summary of Public Comments and Responses

School District Financial Indicator One

We received comments that financial indicator one for school districts should not include assigned fund balance, but instead should only include unassigned fund balance. We considered these comments and performed additional analysis to determine if this change would improve the financial condition evaluation of school districts. Based on our analysis, we concluded that this change did improve the financial condition evaluation of school districts. As a result, we amended financial indicator one for school districts to consist of the general fund's unassigned fund balance, except for the reserve for tax reduction (account code 917 only), divided by the general fund's gross expenditures.

Scoring Thresholds for School District Financial Indicators

We received comments that the scoring thresholds – under the categories of year-end fund balance and operating deficits – for the school district financial indicators should be changed. We considered these comments and performed additional analysis (various scoring threshold scenarios) to determine if these changes would improve the financial condition evaluation of school districts. Based on our analysis, we concluded that there should be changes in the scoring thresholds for financial indicators one and three. As a result, we amended the scoring thresholds for these financial indicators.

Based on the amendment that we made to the calculation for financial indicator one, we also amended the scoring thresholds for this financial indicator. The proposed scoring thresholds consisted of the following: less than or equal to 0 percent (3 points), greater than 0 percent but less than or equal to 2 percent (2 points), greater than 2 percent but less than or equal to 5 percent (1 point), and greater than 5 percent (0 points). The amended scoring thresholds consist of the following: less than or equal to 1 percent (3 points), greater than 1 percent but less than or equal to 2 percent (2 points), greater than 2 percent but less than or equal to 3 percent (1 point), and greater than 3 percent (0 points).

We also made amendments to the scoring thresholds for financial indicator three. The proposed scoring thresholds consisted of the following: deficits in three of the last three fiscal years of less than or equal to -1.5 percent (3 points), deficits in two of the last three fiscal years that are less than or equal to -1.5 percent (2 points), deficits in one of the last three fiscal years of less than or equal to -5 percent (1 point), and no deficits in the last three fiscal years (0 points). The amended scoring thresholds include: deficits in three of the last three fiscal years that are less than or equal to -1 percent, or a deficit in the last fiscal year that is less than or equal to -3 percent (3 points), deficits in two of the last three fiscal years of less than or equal to -1 percent (2 points), deficits in one of the last three fiscal years of less than or equal to -1 percent (1 point), and no deficits of less than or equal to -1 percent in the last three fiscal years (0 points).

Evaluation and Scoring of Special Act Districts

We received comments that the financial indicators that were developed for school districts should be different for evaluating and scoring special act districts. The Fiscal Stress Monitoring System will not evaluate or score special act districts or non-operational districts.

Appendix I

Summary of Public Comments and Responses

Weighted Averages for School District Financial Indicators

We received comments that the weighted averages that were assigned to the school district financial indicator categories of year-end fund balance, operating deficits, and cash position should be changed. We considered these comments and performed additional analysis (various reallocations of weighted averages between categories) to determine if these changes would improve the financial condition evaluation of school districts. Based on our analysis, we concluded that the reallocation of weighted averages between categories from the original weighted averages did not improve the financial condition evaluation of school districts. As a result, we did not amend the weighted averages for the school district financial indicator categories.

School District Environmental Indicators

We received comments that each of the school district environmental indicators are not applicable to each school district, and therefore, the scoring should be changed when evaluating school districts when this is the case. We recognize that there are instances in which some of the environmental indicators are not applicable to each school district. For example, school districts that include only grades K-6 will not have a graduation rate percentage and dependent school districts will not have budget vote data. When these instances occur, the environmental indicators that are not applicable to the school district will not be evaluated. Instead, the school district's overall environmental indicator score will be calculated by proportionately redistributing the weighted average for the environmental indicator categories that are not applicable to the school district to the other environmental indicator categories that are applicable. This will result in all school districts' overall environmental indicator scores being equitable and comparable to each other. Additional clarification has been added to the report in relation to this issue.

Weighted Averages for School District Environmental Indicators

We received comments that the weighted averages that were assigned to all of the school district environmental indicator categories should be changed. We considered these comments and performed additional analysis (various reallocations of weighted averages between categories) to determine if these changes would improve the environmental condition evaluation of school districts. Based on our analysis, we have amended the weighted averages that were assigned to the school district environmental indicator categories. Specifically, we amended the weighted averages as follows: the enrollment category has been increased from 10 percent to 20 percent, the budget votes category has been decreased from 25 percent to 15 percent, the graduation rate category has been decreased from 25 percent to 15 percent, and free or reduced price lunch category has been increased from 10 percent to 20 percent.

Reporting Results

We received comments that the financial classification and environmental notation for each local government and school district should not be publicly released until the preliminary results are reviewed with the chief fiscal officer of each unit. The draft scoring will be shared with each local government and school district that is identified as in or susceptible to fiscal stress for their review before the list is finalized.

Thomas P. DiNapoli • New York State Comptroller

Division of Local Government and School Accountability

Central Office Directory

Andrew A. SanFilippo, Executive Deputy Comptroller

(Area code for the following is 518 unless otherwise specified)

Executive474-4037
Steven J. Hancox, Deputy Comptroller
Nathalie N. Carey, Assistant Comptroller

Audits, Local Government Services and Professional Standards 474-5404
(Audits, Technical Assistance, Accounting and Audit Standards)

Local Government and School Accountability Help Line.....(855)478-5472 or 408-4934
(Electronic Filing, Financial Reporting, Justice Courts, Training)

New York State Retirement System
Retirement Information Services
Inquiries on Employee Benefits and Programs.....474-7736

Bureau of Member Services.....474-1101
Monthly Reporting Inquiries474-1080
Audits and Plan Changes474-0167
All Other Employer Inquiries.....474-6535

Division of Legal Services
Municipal Law Section474-5586

Other OSC Offices
Bureau of State Expenditures486-3017
Bureau of State Contracts.....474-4622

**Mailing Address
for all of the above:**

Office of the State Comptroller
111 State Street, Albany, New York 12242
www.dos.ny.gov/osc-state.nyu.us

Regional Office

Directory

Andrew A. SanFilippo, Executive Deputy Comptroller

Steven J. Hancox, Deputy Comptroller (518) 474-4037

Nathalie N. Carey, Assistant Comptroller

Cole H. Hickland, Director • **Jack Dougherty**, Director

Direct Services (518) 474-5480

BINGHAMTON REGIONAL OFFICE - H. Todd Eames, Chief Examiner

State Office Building, Suite 1702 • 44 Hawley Street • Binghamton, New York 13901-4417

Tel (607) 721-8306 • Fax (607) 721-8313 • Email: Muni-Binghamton@osc.state.ny.us

Serving: Broome, Chenango, Cortland, Delaware, Otsego, Schoharie, Sullivan, Tioga, Tompkins counties

BUFFALO REGIONAL OFFICE – Robert Meller, Chief Examiner

295 Main Street, Suite 1032 • Buffalo, New York 14203-2510

Tel (716) 847-3647 • Fax (716) 847-3643 • Email: Muni-Bufferalo@osc.state.ny.us

Serving: Allegany, Cattaraugus, Chautauqua, Erie, Genesee, Niagara, Orleans, Wyoming counties

GLENS FALLS REGIONAL OFFICE - Jeffrey P. Leonard, Chief Examiner

One Broad Street Plaza • Glens Falls, New York 12801-4396 •

Tel (518) 793-0057 • Fax (518) 793-5797 • Email: Muni-GlensFalls@osc.state.ny.us

Serving: Albany, Clinton, Essex, Franklin, Fulton, Hamilton, Montgomery, Rensselaer, Saratoga, Schenectady, Warren, Washington counties

HAUPPAUGE REGIONAL OFFICE – Ira McCracken, Chief Examiner

NYS Office Building, Room 3A10 • Veterans Memorial Highway • Hauppauge, New York 11788-5533

Tel (631) 952-6534 • Fax (631) 952-6530 • Email: Muni-Hauppauge@osc.state.ny.us

Serving: Nassau, Suffolk counties

NEWBURGH REGIONAL OFFICE – Tenneh Blamah, Chief Examiner

33 Airport Center Drive, Suite 103 • New Windsor, New York 12553-4725

Tel (845) 567-0858 • Fax (845) 567-0080 • Email: Muni-Newburgh@osc.state.ny.us

Serving: Columbia, Dutchess, Greene, Orange, Putnam, Rockland, Ulster, Westchester counties

ROCHESTER REGIONAL OFFICE – Edward V. Grant Jr., Chief Examiner

The Powers Building • 16 West Main Street – Suite 522 • Rochester, New York 14614-1608

Tel (585) 454-2460 • Fax (585) 454-3545 • Email: Muni-Rochester@osc.state.ny.us

Serving: Cayuga, Chemung, Livingston, Monroe, Ontario, Schuyler, Seneca, Steuben, Wayne, Yates counties

SYRACUSE REGIONAL OFFICE – Rebecca Wilcox, Chief Examiner

State Office Building, Room 409 • 333 E. Washington Street • Syracuse, New York 13202-1428

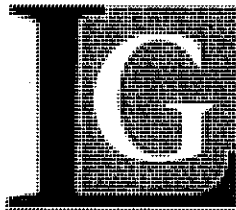
Tel (315) 428-4192 • Fax (315) 426-2119 • Email: Muni-Syracuse@osc.state.ny.us

Serving: Herkimer, Jefferson, Lewis, Madison, Oneida, Onondaga, Oswego, St. Lawrence counties

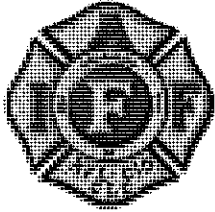
STATEWIDE AUDIT - Ann C. Singer, Chief Examiner

State Office Building, Suite 1702 • 44 Hawley Street • Binghamton, New York 13901-4417

Tel (607) 721-8306 • Fax (607) 721-8313



New York State
Office of the State Comptroller
Division of Local Government and School Accountability
110 State Street, 12th Floor • Albany, New York 12236



INTERNATIONAL ASSOCIATION OF FIRE FIGHTERS

HAROLD A. SCHAITBERGER
General President

January 29, 2013

Honorable Andrew M. Cuomo, Governor
State of New York
State Capitol Building
Albany, NY 12224

Dear Governor Cuomo,

I am disappointed and angered at your proposal to eviscerate the binding arbitration rights of New York fire fighters. Quite frankly, we would expect this type of an attack from conservative governors in Right to Work states. We certainly do not expect such a frontal assault on front line fire fighters and police officers from a purportedly progressive governor in a state that has been a citadel for organized labor.

New York has always been in the forefront of providing public employees with work place and bargaining rights since the passage of the Taylor Law in 1967. Since 1976, fire fighters throughout the state of New York have enjoyed binding arbitration provisions designed to provide a fair and equitable outcome for disputed contractual issues and eliminate the potential for work stoppages. From that point forward, every governor both Democrat and Republican has extended these protections without any diminishment of rights.

Your budgetary proposal that is also contained in Assembly Bill 3007/Senate Bill 2607 to insert "an ability to pay" clause into the statute is a thinly veiled attempt to render the law inoperable. I recognize that these provisions do not apply to FDNY members. Never-the-less, your proposal will negatively impact over 6,000 fire fighters in 102 jurisdictions throughout the state. Our economists believe that, as crafted, your proposal would effectively allow 95% of jurisdictions to avoid binding interest arbitration by falling into a "fiscally distressed" category.

The men and women fighting fires and responding to emergencies across New York have earned their right of binding arbitration. They deserve to have a Governor who stands with the state's first responders, not one who shamelessly attempts to undo over thirty-five years of workplace fairness and democracy in a legislative sleight of hand maneuver.

I sincerely hope that you will withdraw this ill-conceived proposal.

Sincerely,

Harold A. Schaitberger
General President



OPPOSE Memorandum

Mario F. Cilento
President

Terrence L. Melvin
Secretary-Treasurer

Mike Neidl
Legislative Director

OPPOSE CAP ON BINDING ARBITRATION

Part Q, A2607/A3007 (Education, Labor and Family Assistance Executive Budget Bill)

The New York State AFL-CIO, representing 2.5 million union members and their families as well as our retirees and their families opposes the above referenced legislation.

The executive budget includes a dramatic alteration to the state's binding arbitration law which will lessen the collective bargaining rights of as many as 25,000 firefighters and police officers across the state. Touted as mandate relief, in reality it's a distraction that does nothing to address municipalities' underlying fiscal problems.

Binding arbitration is a part of the state's civil service law that applies to police, fire and a select few other areas of public service. It continues the collective bargaining process and provides an alternative method for resolving a contract impasse. This additional avenue recognizes just how calamitous a disruption in critical services such as police and fire could be.

The budget proposal would limit compensation awards in binding arbitration decisions to 2 percent in financially distressed localities. But arbitrators are already charged with considering a local government's ability to pay under current law amongst other factors; therefore the cap seems like a solution in search of a problem. In practice, this proposal prevents the arbitrator from considering any factor other than the synthetic cap, which is clearly not in the spirit of the original statute.

A 2010 study published in the Cornell Industrial Labor Relations Review found no evidence statewide that the presence of arbitration leads to higher wage levels than those negotiated without arbitration. A rollback is only a diminishment of rights, not a cost saver.

Local governments have real problems to solve, but binding arbitration, which ensures the continuity of vital public services, is not one of them.

Therefore, this Federation urges this proposal be defeated.

For further information, contact the Legislative Department at 518-436-8516.

Memo #4/2013
MN:eb/opeiu-153

American Federation of Labor and Congress of Industrial Organizations



815 Sixteenth Street, N.W.
Washington, D.C. 20006
(202) 637-5000
www.aflcio.org

EXECUTIVE COUNCIL

RICHARD L. TRUMKA
PRESIDENT

ELIZABETH H. SHULER
SECRETARY-TREASURER

ARLENE HOLT BAKER
EXECUTIVE VICE PRESIDENT

Michael Sacco
Robert A. Scardelletti
Chyde Rivers
William Hite
James C. Little
Randl Weingarten
Patrick D. Finley
Robert McElrath
Ken Howard
General Holiefield
Terry O'Sullivan
Lawrence J. Hanley
James Callahan
J. David Cox

Frank Hurt
R. Thomas Bultenbarger
Cecil Roberts
Larry Cohen
Rose Ann DeMoro
Rogelio "Roy" A. Flores
Malcolm B. Futhy Jr.
Robert Reardon
James Boland
Lee A. Saunders
Veda Shook
Loretta Johnson
DeMaurice Smith

Michael Goodwin
Harold Schaltberger
Leo W. Gerard
Gregory J. Junemann
Fred Redmond
Fredric V. Rolando
Newton B. Jones
Baldemar Velasquez
Bruce R. Smith
James Andrews
Walter W. Wise
Capt. Lee Moak
Sean McGarvey

William Lucy
Edwin D. Hill
James Williams
Nancy Wohlforth
Matthew Loeb
Diann Woodard
D. Michael Langford
John W. Wilhelm
Bob King
Maria Elena Durazo
Cliff Guffey
Joseph J. Nigro
Laura Reyes

February 21, 2013

The Honorable Andrew M. Cuomo
Governor of New York
State of New York
State Capitol Building
Albany, NY 12224

Dear Governor Cuomo:

On behalf of more than 2 million proud unionized AFL-CIO members throughout New York, I am writing to let you know that I strongly oppose your recent proposal to strip New York fire fighters and police officers of their arbitration rights.

I know that Mario Cilento, president of the New York State AFL-CIO, and Mike McManus, president of the Professional Fire Fighters of New York, have registered their strong opposition to your ill-conceived proposal. The labor movement stands for unity and solidarity. An attack on one group of employees is an affront to us all.

Fire fighters and police officers risk their lives daily serving the cities, towns and counties of New York. For over 35 years, they have enjoyed arbitration rights. Governors of both parties embraced and respected the need for providing public safety officers arbitration in place of the right to strike. It has been a fair and equitable bargain for many years.

I would not be surprised at this type of action from an avowedly anti-union Republican governor. But it is simply unacceptable for a Democratic governor in New York to launch an overt attack against bargaining rights.

Letter to The Honorable Andrew M. Cuomo
Page Two
February 21, 2013

Since the passage of the Taylor Law in 1967, the Empire State has been a bastion for public sector unionism. Your proposal, which is also memorialized in Assembly Bill 3007/Senate Bill 2607, to insert "an ability to pay" clause into the existing arbitration statute, in effect, renders the law inoperable.

The police officers, paramedics and fire fighters of New York deserve binding arbitration protections.

The entire labor movement is watching these events unfold. I respectfully request that you withdraw this offensive and ill-conceived proposal.

Sincerely,



Richard L. Trumka
President

RLT/jhl

cc Honorable Sheldon Silver, Speaker, New York State Assembly
Honorable Dean Skelos, Republican Conference Leader, New York State Senate
Honorable Jeffrey Klein, Independent Democrat Conference Leader, New York State Senate
Honorable Andrea Stewart-Cousins, Democratic Conference Leader, New York State Senate
Mario Cilento, President, New York State AFL-CIO
Harold A. Schaitberger, General President, IAFF
Michael McManus, President, New York State Professional Fire Fighters Association
William Romaka, 1st District Vice President, International Association of Fire Fighters

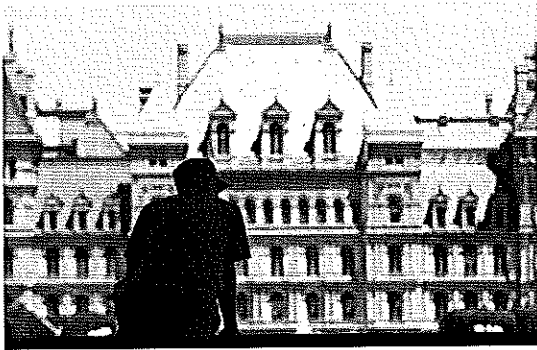
ROCHESTER

Democrat and Chronicle

Circulation: 154,599

February 26, 2013

Maintain binding arbitration in New York



For nearly 40 years, New York law has provided first responders and the municipalities in which they serve with an effective option to bring conclusion to contract disputes that reach a negotiating impasse. The process, used as a last resort and in less than 10 percent of all negotiations, is known as binding arbitration.

By enacting this measure into law, the state Legislature protected the public from strikes by ensuring that critical fire, police and emergency services were maintained, even during times when contract negotiations were difficult or stalled. It also provided fundamental fairness and an assurance that the merits of both sides' points of view are heard.

A proposal in Gov. Andrew Cuomo's 2013-14 draft budget, however, could jeopardize the success of binding arbitration by affecting the independent judgment of the arbitrator and forcing resolution to meet a modified set of standards that threatens the integrity of contract negotiations. In short, the recommendation creates a designation of a "distressed city," and under its current form can be manipulated through fiscal sleight-of-hand that disguises the resources of a municipality and penalizes first responders.

Every minute of the day across New York, firefighters and first responders answer emergency calls for help. Last year, in the cities of Buffalo, Rochester and Syracuse fire fighters responded to more than 100,000 structure fires, vehicle accidents or health emergencies.

It is important to note that the state's Taylor Law prohibits first responders from taking a job action when they are without the certainty and security of a contract. However, when it was first enacted, without the benefit provided by the binding arbitration process, numerous strikes occurred and public safety was compromised.

Further, there is clear evidence that firefighters are trying to be part of the solution to the challenges faced by many communities during tough fiscal times. Earlier this month, Johnstown firefighters made concessions in order to save jobs and help the city balance its books. Eighteen months ago, Syracuse firefighters made concessions to help the city save money, including cutting the number firefighters assigned to various round-the-clock shifts. It is unlikely that these savings would have been realized under the Governor's proposed construct.

In recent years, all New Yorkers have come to fully appreciate the valuable role that first responders play in all of our communities, and the importance of the continuity of emergency services.

Independent research also has concluded that binding arbitration is good for municipalities and taxpayers. Cornell University and the Massachusetts Institute of Technology detailed the "Long Haul Effects of Interest Arbitration." Their report rightly concluded this: Strikes have been avoided, and the use of binding arbitration has not resulted in an escalation of wages.

These two conclusions, researched and evaluated by some of the best minds in the country, endorse the binding arbitration process. As an experienced participant in contract discussions, I know that the process ensures that negotiations are conducted in good faith.

Michael McManus is president of the 18,000-member New York State Professional Fire Fighters Association.



New York State Professional Fire Fighters Association, Inc.

119 Washington Avenue, Suite 306, Albany, NY 12210
Phone: 518-436-8827 • 1-800-238-8827 • Fax: 518-436-8830
E Mail: profire@nyspffa.org
www.nyspffa.org

Binding Arbitration Helps Ensure Public Protection

(475 Words – Feb 26, 2013)

By Michael McManus

For nearly 40 years, New York law has provided first responders and the municipalities in which they serve with an effective option to bring conclusion to contract disputes that reach a negotiating impasse. The process, used as a last resort and in less than 10 percent of all negotiations, is known as binding arbitration.

By enacting this measure into law, the state legislature protected the public from strikes by ensuring that critical fire, police and emergency services were maintained, even during times when contract negotiations were difficult or stalled. It also provided fundamental fairness and an assurance that the merits of both sides' points-of-view are heard.

A proposal in Governor Andrew Cuomo's 2013-14 draft budget, however, could jeopardize the success of binding arbitration by affecting the independent judgment of the arbitrator and forcing resolution to meet a modified set of standards that threatens the integrity of contract negotiations. In short, the recommendation creates a designation of a "distressed city," and under its current form can be manipulated through fiscal sleight-of-hand that disguises the resources of a municipality and penalizes first responders.

It is important to note that the state's Taylor Law prohibits first responders from taking a job action when they are without the certainty and security of a contract. However, when it was first enacted, without the benefit provided by the binding arbitration process, numerous strikes occurred and public safety was compromised.

The most disturbing and potentially devastating occurred on November 6, 1973 in New York City when 338 alarms and 80 fires endangered entire neighborhoods in Brooklyn and Queens. Fortunately, during the 5 ½ hour strike, no lives were lost, and an arbitration agreement was structured to ensure that the safety of the community would no longer be compromised.

Every minute of the day across New York, fire fighters and first responders answer emergency calls for help. And, while departments all across the state have made concessions to help cities balance the books, some critics have twisted the facts and assert that overtime is a result of binding arbitration rather than critical need or short staffed rosters.

In recent years, all New Yorkers have come to fully appreciate the valuable role that first responders play in all of our communities, and the importance of the continuity of emergency services.

Independent research also has concluded that binding arbitration is good for municipalities and taxpayers. Cornell University and the Massachusetts Institute of Technology (MIT) detailed the "Long Haul Effects of Interest Arbitration." Their report rightly concluded this: Strikes have been avoided, and the use of binding arbitration has not resulted in an escalation of wages.

These two conclusions, researched and evaluated by some of the best minds in the country, endorse the binding arbitration process. As an experienced participant in contract discussions, I know that the process ensures that negotiations are conducted in good faith.

McManus is president of the 18,000-member New York State Professional Fire Fighters Association.

Newsday

Circulation: 397,973

February 28, 2013

Letter: Arbitration creates no burden

Your recent op-ed by E.J. McMahon on Gov. Andrew M. Cuomo's proposal to reduce the options presented to firefighters, police officers and municipalities when contract negotiations reach an impasse is short on the truth and long on embellishment ["Stronger push needed on arbitration," Opinion, Feb. 25].

At issue is a law, due to expire later this year, that has established binding arbitration to ensure that the public is protected from threats posed by fire or other emergencies, even when labor and management are unable to resolve ongoing contract disputes.

While many communities are feeling the burdens of a loss of population and a struggling economy, it is a false assertion that taxpayers pay a heavy price because of binding arbitration. An independent study by Cornell University and the Massachusetts Institute of Technology concluded that strikes have been avoided, and the use of binding arbitration has not resulted in an escalation of wages.

I cannot allow the daily sacrifices and risks made by first responders to be misrepresented and diminished. The truth is that New York's full-time professional fire fighters have earned the respect of their neighbors and the right to a fair negotiating process.

Michael McManus, Albany

Editor's note: The writer is the president of the New York State Professional Fire Fighters Association.

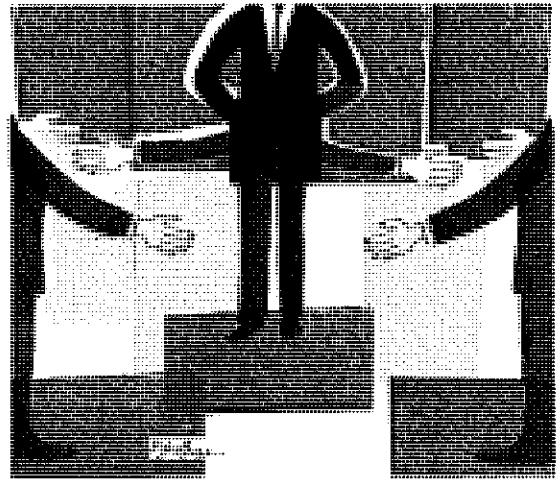


Photo credit: Tribune Media Services / Donna Grethen | The truth is that New York's full-time professional fire fighters have earned the respect of their neighbors and the right to a fair negotiating process.



THE ASSEMBLY
STATE OF NEW YORK
ALBANY

PETER J. ABBATE, JR.
Assemblyman 49th District
Kings County

February 12, 2013

CHAIRMAN
Committee on
Governmental Employees

COMMITTEES
Aging
Benefits
Consumer Affairs & Protection
Labor

Honorable Sheldon Silver
Speaker - New York State Assembly
Room 932 Legislative Office Building
Albany, New York 12248

Dear Speaker Silver:

Thank you for continuing to entrust me with the responsibility of Chairing the Assembly Governmental Employees Committee. The opportunity has been both challenging and rewarding and I look forward to continuing to work to protect the rights and benefits of our State's public workforce. To that end, I have several comments regarding the Governor's proposed 2013-14 Executive Budget as it affects public sector employees and retirees.

Interest Arbitration Reform

This Executive proposal limits interest arbitration awards for local governments. Under this proposal:

- An arbitration panel settling a dispute between an employee organization and a public employer (municipality or school district) would have to find that public employer is fiscally distressed one of two ways:

1. Their average full value property tax rate over five years is higher than 75% statewide.

Simplified, this would be calculated by taking the five year average of a municipality's real estate tax revenue, divided by their real estate value. If this number is higher than 75% of municipalities statewide, then they would be considered fiscally distressed.

2. Their average general fund balance percentage over five years is less than 5% statewide.

This would be calculated by taking the five year average of a municipality's general fund balance and dividing it by their total expenditures. If the resulting percentage is less than 5% of municipalities statewide, then they would be considered fiscally distressed.

- If a public employer is determined to be fiscally distressed:
 - o The panel could not award increases in the terms and conditions of employment for the two years that the determination is binding, except for a yearly 2% increase directly related to compensation.
 - o However, if a public employer's health costs rise above a 2% increase in either year, the excess amount will be reduced from the employees' 2% compensation increase.

For example, if health insurance costs go up 5%, then the 3% over the cap will be deducted from the aggregate 2% allowed for compensation increases.

Recommendation: Oppose

The Committee is concerned with this proposal because it has no direct budget implications to the State of New York or any localities across the State. It has no identified cost savings tied to it for this year or future years. The proposal is non-budgetary and should be considered outside the budget process.

Sincerely,

Peter J. Abbate, Jr.
Member of Assembly

cc: Hon. Herman D. Farrell, Jr.
LouAnn Ciccone
Matt Howard
Jennifer Best
Erin Smith
Julianne Haggerty



PROFESSIONAL FIRE FIGHTERS of ARIZONA

61 E. Columbus Avenue • Phoenix, Arizona 85012 • (602) 265-7332 • FAX (602) 265-1461

February 11, 2013

Honorable Andrew M. Cuomo, Governor
State of New York
The Capitol
Albany, NY 12224

Dear Governor Cuomo,

As a member of the fire service, we are not concerned about the community or neighborhood in which you grew up; the color of your skin; the school you attended, or any of a host of other features, experiences or preferences that define many as individuals. However, the fire service shares an unbreakable bond, that may be best characterized as an overwhelming concern about the welfare and fairness extended to all those with whom we serve.

I am writing to you today, not as a constituent, but as President of the Professional Fire Fighters of Arizona. We cannot stand by while our family of brother and sisters in the fire service are the target of repeated affirmative acts by you since becoming Governor that are simply unacceptable. Particularly as a Democratic Governor.

More specifically, we find your actions during your first two years as the state's chief executive to be disproportionately punitive to the members of the fire service by seeking to divide New York's first responders by creating a new pension tier, before the impact of a modification enacted in 2010 was known.

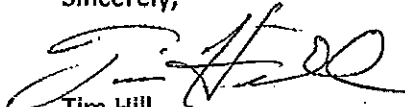
In recent days, we once again see that you have advanced legislation that erodes the rights of fire fighters by seeking to circumvent the process of binding arbitration when local contract negotiations break down. This is a cynical act, and one which we may have expected to originate from the desks of conservative governors in "Right to Work States."

We are disappointed, that you have taken such a hard turn-away from New York's progressive labor tradition.

And, while we once felt that you possessed qualities that reflected our fundamental core values, and were the type of figure that we could all rally behind, sadly we have learned that that your actions and record are to the contrary. We question your sincerity, are confused by your ideology and simply are unable to understand your true political compass.

We call on you to withdraw your proposal. Those of us who work and represent our members in Right to Work for Less states need to be able to point to progressive governors and states such as New York to say, "Here is how it's done, here is how workers should be treated". An attack on the rights of New York's Fire Fighters is truly damaging to all of us across the country and is not to be taken lightly.

Sincerely,

A handwritten signature in black ink, appearing to read "Tim Hill", written in a cursive style.

Tim Hill
President

ARKANSAS

PROFESSIONAL FIRE FIGHTERS

8619 Chicot Rd, Little Rock AR 72209, P-501-565-1660, F- 501-568-9181
President Ed Jaros Cell 501-517-4230 E-Mail - ejaros@apffa.org
Legislative Chairperson Wade Marshal Cell 501-3170135 E-Mail - presidentlocal2765@hotmail.com
Sec/Treas Keith Fulmore Cell - 501-804-3167E- Mail - apffsec@sbcglobal.net
APFF WEB SITE www.apffa.org

February 10, 2013

Honorable Andrew M. Cuomo, Governor
State of New York
The Capitol
Albany, NY 12224

Dear Governor Cuomo,

As a member of the fire service, we are not concerned about the community or neighborhood in which you grew up; the color of your skin; the school you attended, or any of a host of other features, experiences or preferences that define many as individuals. However, the fire service shares an unbreakable bond, that may be best characterized as an overwhelming concern about the welfare and fairness extended to all those with whom we serve.

I am writing to you today, not as a constituent, but as President of Arkansas Professional Fire Fighters Association. We cannot stand by while our family of brother and sisters in the fire service are the target of repeated affirmative acts by you since becoming Governor that are simply unacceptable.

More specifically, we find your actions during your first two years as the state's chief executive to be disproportionately punitive to the members of the fire service by seeking to divide New York's first responders by creating a new pension tier, before the impact of a modification enacted in 2010 was known.

In recent days, we once again see that you have advanced legislation that erodes the rights of fire fighters by seeking to circumvent the process of binding arbitration when local contract negotiations break down. This is a cynical act, and one which we may have expected to originate from the desks of conservative governors in "Right to Work States."

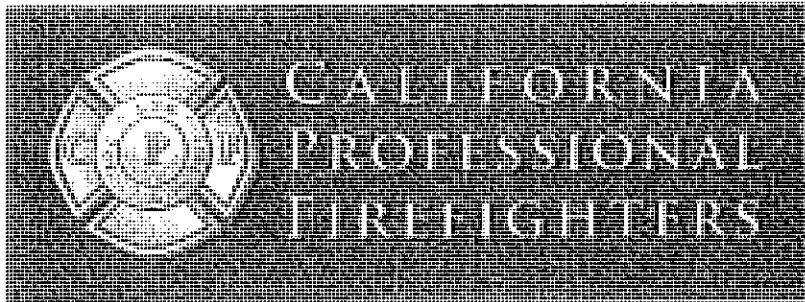
We are disappointed, that you have taken such a hard turn-away from New York's progressive labor tradition.

And, while we once felt that you possessed qualities that reflected our fundamental core values, and were the type of figure that we could all rally behind, sadly we have learned that that your actions and record are to the contrary. We question your sincerity, are confused by your ideology and simply are unable to understand your true political compass.

We call on you to withdraw your proposal. An attack on the rights of New York's Fire Fighters is an attack on all of us.

Sincerely,

Edward Jaros
President
Arkansas Professional Fire Fighters



State Council of the International Association of Fire Fighters • California Labor Federation • AFL-CIO

February 4, 2013

Honorable Andrew M. Cuomo, Governor
State of New York
State Capitol Building
Albany, NY 12224

Dear Governor Cuomo,

As a member of the fire service, we are not concerned about the community or neighborhood in which you grew up; the color of your skin; the school you attended, or any of a host of other features, experiences or preferences that define many as individuals. However, the fire service shares an unbreakable bond, that may be best characterized as an overwhelming concern about the welfare and fairness extended to all those with whom we serve.

I am writing to you today, not as a constituent, but as President of the California Professional Firefighters. We cannot stand by while our family of brother and sisters in the fire service are the target of repeated affirmative acts by you since becoming Governor that are simply unacceptable.

More specifically, we find your actions during your first two years as the state's chief executive to be disproportionately punitive to the members of the fire service by seeking to divide New York's first responders by creating a new pension tier, before the impact of a modification enacted in 2010 was known.

In recent days, we once again see that you have advanced legislation that erodes the rights of fire fighters by seeking to circumvent the process of binding arbitration when local contract negotiations break down. This is a cynical act, and one which we may have expected to originate from the desks of conservative governors in "Right to Work States."

We are disappointed, that you have taken such a hard turn-away from New York's progressive labor tradition.

And, while we once felt that you possessed qualities that reflected our fundamental core values, and were the type of figure that we could all rally behind, sadly we have learned that that your actions and record are to the contrary. We question your sincerity, are confused by your ideology and simply are unable to understand your true political compass.

We call on you to withdraw your proposal. An attack on the rights of New York's Fire Fighters is an attack on all of us.

Sincerely,

Lou Paulson
PRESIDENT



UNIFORMED PROFESSIONAL FIRE FIGHTERS ASSOCIATION OF CONNECTICUT

AFFILIATED WITH INTERNATIONAL ASSOCIATION OF FIRE FIGHTERS
30 Sherman Street, West Hartford, CT 06110

Office: (860) 953-3200 Office Fax: (860) 953-3334 www.upffa.org

PRINCIPAL OFFICERS

Peter S. Carozza, Jr., *President*
Louis P. DeMici, *Secretary*
Robert P. Anthony, *Treasurer*



February 4, 2013

Honorable Andrew M. Cuomo, Governor
State of New York
The Capitol
Albany, NY 12224

Dear Governor Cuomo,

I am writing to you today, not as a constituent, but as President of the Uniformed Professional Fire Fighters of Connecticut. We cannot stand by while our family of brothers and sisters in the fire service are the target of repeated affirmative acts by you since becoming Governor that are simply unacceptable.

More specifically, we find your actions during your first two years as the state's chief executive to be disproportionately punitive to the members of the fire service by seeking to divide New York's first responders by creating a new pension tier, before the impact of a modification enacted in 2010 was known.

In recent days, we once again see that you have advanced legislation that erodes the rights of fire fighters by seeking to circumvent the process of binding arbitration when local contract negotiations break down. This is a cynical act, and one which we may have expected to originate from the desks of conservative governors in "Right to Work States."

We are disappointed, that you have taken such a hard turn-away from New York's progressive labor tradition.

And, while we once felt that you possessed qualities that reflected our fundamental core values, and were the type of figure that we could all rally behind, sadly we have learned that your actions and record are to the contrary. We question your sincerity, are confused by your ideology and simply are unable to understand your true political compass.

We call on you to withdraw your proposal. An attack on the rights of New York's Fire Fighters is an attack on all of us.

Sincerely,

Peter S. Carozza, Jr.
President



Walter M. O'Conner
President Emeritus

Raymond D. Shea
President Emeritus

Santo J. Alleano, Jr.
Vice President Emeritus

Patrick J. Shevlin III
Treasurer Emeritus



PROFESSIONAL FIRE FIGHTERS OF IDAHO



1326 Iris Street
Pocatello, Idaho 83201
(208) 478-2425

Ron Davies, President

February 1, 2013

Honorable Andrew M. Cuomo, Governor
State of New York
The Capitol
Albany, NY 12224

Dear Governor Cuomo,

As a member of the fire service, we are not concerned about the community or neighborhood in which you grew up; the color of your skin; the school you attended, or any of a host of other features, experiences or preferences that define many as individuals. However, the fire service shares an unbreakable bond, that may be best characterized as an overwhelming concern about the welfare and fairness extended to all those with whom we serve.

I am writing to you today, not as a constituent, but as President of the Professional Fire Fighters of Idaho Association. We cannot stand by while our family of brothers and sisters in the fire service are the target of repeated affirmative acts by you since becoming Governor that are simply unacceptable.

More specifically, we find your actions during your first two years as the state's chief executive to be disproportionately punitive to the members of the fire service by seeking to divide New York's first responders by creating a new pension tier, before the impact of a modification enacted in 2010 was known.

In recent days, we once again see that you have advanced legislation that erodes the rights of fire fighters by seeking to circumvent the process of binding arbitration when local contract negotiations break down. This is a cynical act, and one which we may have expected to originate from the desks of conservative governors in "Right to Work States."



PROUD MEMBER OF THE INTERNATIONAL ASSOCIATION OF FIRE FIGHTERS



We are disappointed, that you have taken such a hard turn-away from New York's progressive labor tradition.

And, while we once felt that you possessed qualities that reflected our fundamental core values, and were the type of figure that we could all rally behind, sadly we have learned that that your actions and record are to the contrary. We question your sincerity, are confused by your ideology and simply are unable to understand your true political compass.

We call on you to withdraw your proposal. An attack on the rights of New York's Fire Fighters is an attack on all of us.

Sincerely,



Ron Davies
President, Professional Fire Fighters of Idaho



PROUD MEMBER OF THE INTERNATIONAL ASSOCIATION OF FIRE FIGHTERS





Professional Fire Fighters of Maine

Affiliated
International Association of Firefighters



John Martell, President
Tel. 207-432-2370

41 Brickyard Cove Rd.
Harpwell, Maine 04079

February 11, 2013

Honorable Andrew M. Cuomo, Governor
State of New York
The Capitol
Albany, NY 12224

Dear Governor Cuomo,

As a member of the fire service, we are not concerned about the community or neighborhood in which you grew up; the color of your skin; the school you attended, or any of a host of other features, experiences or preferences that define many as individuals. However, the fire service shares an unbreakable bond, that may be best characterized as an overwhelming concern about the welfare and fairness extended to all those with whom we serve.

I am writing to you today, not as a constituent, but as President of the Professional Fire Fighters of Maine. We cannot stand by while our family of brother and sisters in the fire service are the target of repeated affirmative acts by you since becoming Governor that are simply unacceptable.

More specifically, we find your actions during your first two years as the state's chief executive to be disproportionately punitive to the members of the fire service by seeking to divide New York's first responders by creating a new pension tier, before the impact of a modification enacted in 2010 was known.

In recent days, we once again see that you have advanced legislation that erodes the rights of fire fighters by seeking to circumvent the process of binding arbitration when local contract negotiations break down. This is a cynical act, and one which we may have expected to originate from the desks of conservative governors in "Right to Work States."

We are disappointed, that you have taken such a hard turn-away from New York's progressive labor tradition.

And, while we once felt that you possessed qualities that reflected our fundamental core values, and were the type of figure that we could all rally behind, sadly we have learned that that your actions and record are to the contrary. We question your sincerity, are confused by your ideology and simply are unable to understand your true political compass.

We call on you to withdraw your proposal. An attack on the rights of New York's Fire Fighters is an attack on all of us.

John Martell
President, Professional Fire Fighters of Maine



Edward A. Kelly
President

Jay Colbert
Secretary-Treasurer

Professional Fire Fighters of Massachusetts

Affiliated with the International Association of Fire Fighters AFL-CIO CLC

February 1, 2013

Honorable Andrew M. Cuomo, Governor
State of New York
The Capitol
Albany, NY 12224

Dear Governor Cuomo,

As a member of the fire service, we are not concerned about the community of neighborhood in which you grew up; the color of your skin; the school you attended, or any of a host of other features, experiences or preferences that define many as individuals. However, the fire service shares an unbreakable bond, that may be best characterized as an overwhelming concern about the welfare and fairness extended to all those with whom we serve.

I am writing to you today, not as a constituent, but as President of the Professional Fire Fighters of Massachusetts. We cannot stand by while our family of brothers and sisters in the fire service are the targets of repeated affirmative acts by you since becoming Governor that are simply unacceptable.

More specifically, we find your actions during your first two years as the state's chief executive to be disproportionately punitive to the members of the fire service by seeking to divide New York's first responders by creating a new pension tier, before the impact of a modification enacted in 2010 was known.

In recent days, we once again see that you have advanced legislation that erodes the rights of fire fighters by seeking to circumvent the process of binding arbitration when local contract negotiations break down. This is a cynical act, and one which we may have expected to originate from the desks of conservative governors in "Right to Work States."

We are disappointed that you have taken such a hard turn-away from New York's progressive labor tradition.

And, while we once felt that you possessed qualities that reflected our fundamental core values, and were the type of figure that we could all rally behind, sadly we have learned that your actions and record are to the contrary. We question your sincerity, are confused by your ideology and simply are unable to understand your true political compass.

We call on you to withdraw your proposal. An attack on the rights of New York's Fire Fighters is an attack on all of us.

Sincerely,

Edward Kelly
President
Professional Fire Fighters of Massachusetts

2 Center Plaza

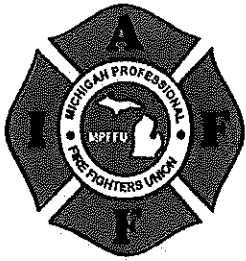
Suite 4M

Boston, MA 02108

☎ 617.523.4606

☎ 877.470.7336

PPFM.ORG



Michigan Professional **FIRE FIGHTERS UNION**

Mark Docherty
President

1651 Kingsway Ct., Ste. E, Trenton, MI 48183
(734) 675-0206 • fax (734) 675-6083

Terrence H. Chesney
Secretary-Treasurer

www.mpffu.org

February 16, 2013

Honorable Andrew M. Cuomo, Governor
State of New York
The Capitol
Albany, NY 12224

Dear Governor Cuomo,

As a member of the fire service, we are not concerned about the community or neighborhood in which you grew up; the color of your skin; the school you attended, or any of a host of other features, experiences or preferences that define many as individuals. However, the fire service shares an unbreakable bond, that may be best characterized as an overwhelming concern about the welfare and fairness extended to all those with whom we serve.

I am writing to you today, not as a constituent, but as President of Michigan Professional Fire Fighters Union. We cannot stand by while our family of brother and sisters in the fire service are the target of repeated affirmative acts by you since becoming Governor that are simply unacceptable.

More specifically, we find your actions during your first two years as the state's chief executive to be disproportionately punitive to the members of the fire service by seeking to divide New York's first responders by creating a new pension tier, before the impact of a modification enacted in 2010 was known.

In recent days, we once again see that you have advanced legislation that erodes the rights of fire fighters by seeking to circumvent the process of binding arbitration when local contract negotiations break down. This is a cynical act, and one which we may have expected to originate from the desks of conservative governors in "Right to Work States."

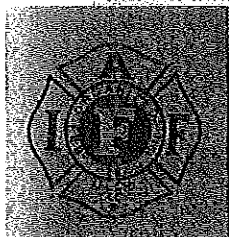
We are disappointed, that you have taken such a hard turn-away from New York's progressive labor tradition.

And, while we once felt that you possessed qualities that reflected our fundamental core values, and were the type of figure that we could all rally behind, sadly we have learned that that your actions and record are to the contrary. We question your sincerity, are confused by your ideology and simply are unable to understand your true political compass.

We call on you to withdraw your proposal. An attack on the rights of New York's Fire Fighters is an attack on all of us.

Respectfully,

Mark Docherty
President
Michigan Professional Fire Fighters Union



Minnesota Professional Fire Fighters

DISPATCHERS • EMT'S • FIRE FIGHTERS • INSPECTORS • PARAMEDICS IAFF-AFLCIO

February 24, 2013

Honorable Andrew M. Cuomo, Governor
State of New York
The Capitol
Albany, NY 12224

Dear Governor Cuomo,

As a member of the fire service, we are not concerned about the community or neighborhood in which you grew up; the color of your skin; the school you attended, or any of a host of other features, experiences or preferences that define many as individuals. However, the fire service shares an unbreakable bond, that may be best characterized as an overwhelming concern about the welfare and fairness extended to all those with whom we serve.

I am writing to you today, not as a constituent, but as President of the Minnesota Professional Fire Fighters Association. We cannot stand by while our family of brother and sisters in the fire service are the target of repeated affirmative acts by you since becoming Governor that are simply unacceptable.

More specifically, we find your actions during your first two years as the state's chief executive to be disproportionately punitive to the members of the fire service by seeking to divide New York's first responders by creating a new pension tier, before the impact of a modification enacted in 2010 was known.

In recent days, we once again see that you have advanced legislation that erodes the rights of fire fighters by seeking to circumvent the process of binding arbitration when local contract negotiations break down. This is a cynical act, and one which we may have expected to originate from the desks of conservative governors in "Right to Work States."

We are disappointed, that you have taken such a hard turn-away from New York's progressive labor tradition.

And, while we once felt that you possessed qualities that reflected our fundamental core values, and were the type of figure that we could all rally behind, sadly we have learned that that your actions and record are to the contrary. We question your sincerity, are confused by your ideology and simply are unable to understand your true political compass.

We call on you to withdraw your proposal. An attack on the rights of New York's Fire Fighters is an attack on all of us.

Sincerely,

Thomas A. Thornberg
President, Minnesota Professional Fire Fighters



AFFILIATED
INTERNATIONAL ASSOCIATION
OF FIREFIGHTERS

NEBRASKA PROFESSIONAL FIREFIGHTERS ASSOCIATION, AFL-CIO

Proudly Serving IAFF Affiliates Throughout the State!

241 Victory Lane • Lincoln, Nebraska 68528 • (402) 770-5547
www.npffa.org



February 13, 2013

Honorable Andrew M. Cuomo, Governor
State of New York
The Capitol
Albany, NY 12224

Dear Governor Cuomo,

As a member of the fire service, we are not concerned about the community or neighborhood in which you grew up; the color of your skin; the school you attended, or any of a host of other features, experiences or preferences that define many as individuals. However, the fire service shares an unbreakable bond, that may be best characterized as an overwhelming concern about the welfare and fairness extended to all those with whom we serve.

I am writing to you today, not as a constituent, but as President of the Nebraska Professional Fire Fighters Association. We cannot stand by while our family of brother and sisters in the fire service are the target of repeated affirmative acts by you since becoming Governor that are simply unacceptable.

More specifically, we find your actions during your first two years as the state's chief executive to be disproportionately punitive to the members of the fire service by seeking to divide New York's first responders by creating a new pension tier, before the impact of a modification enacted in 2010 was known.

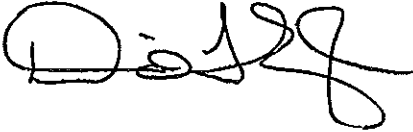
In recent days, we once again see that you have advanced legislation that erodes the rights of fire fighters by seeking to circumvent the process of binding arbitration when local contract negotiations break down. This is a cynical act, and one which we may have expected to originate from the desks of conservative governors in "Right to Work States."

We are disappointed, that you have taken such a hard turn-away from New York's progressive labor tradition.

And, while we once felt that you possessed qualities that reflected our fundamental core values, and were the type of figure that we could all rally behind, sadly we have learned that that your actions and record are to the contrary. We question your sincerity, are confused by your ideology and simply are unable to understand your true political compass.

We call on you to withdraw your proposal. An attack on the rights of New York's Fire Fighters is an attack on all of us.

Sincerely,

A handwritten signature in black ink, appearing to read 'D. Engler', with a stylized flourish at the end.

David T. Engler, President
Nebraska Professional Fire Fighters Association

PROFESSIONAL FIRE FIGHTERS

O F N E W H A M P S H I R E

The Honorable Andrew M. Cuomo
Governor of New York State
NYS State Capitol Building
Albany, NY 12224

February 25, 2013

SENT VIA EMAIL HARDCOPY USPS

Dear Governor Cuomo,

Years ago, as a young labor leader representing New Hampshire fire fighters, I became excited about the possibility of your father running for President of the United States. I found myself cheering him on, and watched the local news anxiously hoping that NH Democratic Party Chair Joe Grandmaison would walk into the Secretary of State's office and file the papers for your dad to run.

I believed in your father's philosophic beliefs and values for our country; I believed in them then and find them even more important today. President Reagan once defined America as a "shining city on a hill." Yet, it was Governor Mario Cuomo, speaking before the 1984 Democratic convention, who defined our nation as two different cities, one of splendor and glory where everyone is doing well, and another where people struggle to pay their mortgages, and young people worry about how to pay for their educations. He asked America to look past the shine and recognize both of these cities. To me, he was saying America cannot accept one city and ignore the other, and that Americans were responsible for it all. He meant that the problems that may affect one city were not to be used as polarizing issues or for creating different classes of those who have and those who have not. This lesson from your dad still holds true today, more than ever.

As a firefighter we do not ask if someone is rich or poor, old or young, what neighborhood they come from, or if they paid their taxes. We just respond when we are called. Our mission is to make the bad stop and leave the situation better than we found it. This is a covenant that we take seriously, a promise we made to those we serve, which may mean paying the ultimate sacrifice.

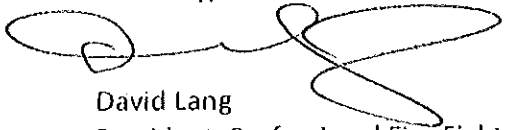
We are proud members of the middle class of this country. In order to protect and strengthen that important segment of our society, we must support and believe in workers' rights. These rights include strong collective bargaining laws and keeping the promises that were made. New York has always been a beacon for other states to follow with respect to the treatment of their

workers, and I would ask you not to stray from that. To change course away from strong workers' rights sets up the middle class for failure.

I am asking you to resist the temptation that other Governors have chosen by watering down collective bargaining laws. Use the office of Governor to lead, be the contrast against Wisconsin and Michigan.

Everyday firefighters all across this country set aside their differences and respond to the calls of our neighbors. We depend on each other, with a laser focused purpose of protecting our communities. Governor, I am asking you to protect the fire fighters of your state, just as they protect the state of New York each and every day. Set aside the differences and respond with us, not against us.

Sincerely,



David Lang

President, Professional Fire Fighters of New Hampshire

Cc. Mike Mullane, IAFF 3'rd DVP
Mike McManus, President NYSPFFA
Raymond Buckley, NHDP Chair

PROFESSIONAL FIRE FIGHTERS OF OKLAHOMA

AFL-CIO/CLC

AFFILIATED WITH INTERNATIONAL ASSOCIATION OF FIRE FIGHTERS

**Rick Beams
President**



**Jim L. Long
Secretary-Treasurer**

February 27, 2013

Honorable Andrew M. Cuomo, Governor
State of New York
The Capitol
Albany, NY 12224

Dear Governor Cuomo,

As a member of the fire service, we are not concerned about which community or neighborhood you grew up in; the color of your skin; the school you attended, or any of a host of other features, experiences or preferences that define many as individuals. However, the fire service shares an unbreakable bond, that may be best characterized as an overwhelming concern about the welfare and fairness extended to all those with whom we serve.

I am writing to you today, not as a constituent, but as President of The Professional Fire Fighters of Oklahoma. We cannot stand by while our family of brothers and sisters in the fire service are the target of repeated affirmative acts by you since becoming Governor that are simply unacceptable.

More specifically, we find your actions during your first two years as the state's chief executive to be disproportionately punitive to the members of the fire service by seeking to divide New York's first responders by creating a new pension tier, before the impact of a modification enacted in 2010 was known.

In recent days, we once again see that you have advanced legislation that erodes the rights of fire fighters by seeking to circumvent the process of binding arbitration when local contract negotiations break down. This is a cynical act, and one which we may have expected to originate from the desks of conservative governors in "Right to Work States."

We are disappointed, that you have taken such a hard turn-away from New York's progressive labor tradition.

And, while we once felt that you possessed qualities that reflected our fundamental core values, and were the type of figure that we could all rally behind, sadly we have learned that that your actions and record are to the contrary. We question your sincerity, are confused by your ideology and simply are unable to understand your true political compass.

6103 Melrose Lane
Okla. City, OK 73127



Ph# (405) 789-0061
Fax (405) 787-9387

We call on you to withdraw your proposal. An attack on the rights of New York's Fire Fighters is an attack on all of us.

Sincerely,

A handwritten signature in black ink that reads "Rick Beams". The signature is written in a cursive style with a long horizontal flourish extending to the right.

Rick Beams, President
Professional Fire Fighters of Oklahoma

PENNSYLVANIA PROFESSIONAL FIRE FIGHTERS ASSOCIATION

240 North Third Street – Suite 403 – Harrisburg, PA 17101



Affiliated with: -- International Association of Fire Fighters, American Federation of Labor, Congress of Industrial Organizations, Pennsylvania AFL-CIO, Local Labor Union

ART MARTYNUSKA

President

333 Meadow Drive
Johnstown, PA 15905
Office (717) 221-8800 ext 203
FAX (717) 221-8488
Mobile (814) 525-0536
amartynuska@ppffa.org

February 1, 2013

DAVID W. SCHMIDT

Secretary Treasurer
220 South 16th Street
Allentown, PA 18102
Office (717) 221-8800 ext 204
dschmidt@ppffa.org

Honorable Andrew M. Cuomo, Governor
State of New York
The Capitol
Albany, NY 12224

Dear Governor Cuomo,

DAVE CHIARAMONTE

Recording Secretary
31 Fairfield Avenue
Erie, PA 16509
Office (717) 221-8800 ext 205
dchiaramonte@ppffa.org

I am writing to you today, not as a constituent, but as President of Pennsylvania Professional Fire Fighters Association. We cannot sit by while our brother and sisters in the New York are the targets of constant acts by you since becoming Governor.

PETER F. HUF

Vice President
1224 Edmonds Avenue
Drexel Hill, PA 19026
Office (717) 221-8800 ext 206
phuf@ppffa.org

We view the myopic actions during your first two years as the state's chief executive to be unreasonably punitive to the members of the fire service. You have attempted to divide New York's first responders by creating a new pension tier, even before the impact of a modification enacted in 2010 was known.

GERALD TEDESCO

Vice President
520 Beckman Drive
McKeesport, PA 15132
Office (717) 221-8800 ext 207
jteDESCO@ppffa.org

You have advanced legislation that erodes the rights of fire fighters by circumventing the very fair process of binding arbitration. This "Right to Work" legislation demeans a profession that has been built on the blood, sweat, tears and souls of countless New York fire fighters who have made the ultimate sacrifice protecting your constituents.

RUSSELL P. CERAMI

BARRY J. BUSKEY
President, Emeritus

New York has always been a bastion of progressive labor tradition. We are dismayed by this dramatic shift away from what was once a "fair" state for fire fighters rights.

JOSEPH MATTA

Vice President, Emeritus

We question your sincerity, are confused by your ideology and simply are unable to understand your true political compass.

EDMUND HAHN

JOHN J. MCCORMICK

BARRY A. HALPIN

WILLIAM MURTHA

Trustees, Emeritus

Please withdraw your ill thought out proposal. Fire fighters who take an oath to make the supreme sacrifice if called upon deserve better.

STEPHEN RICHMAN

General Counsel

RICHARD POULSON

Legislative Counsel

Respectfully

Art Martynuska, President
Pennsylvania Professional Fire
Fighters Association



Tennessee Professional Fire Fighters Association

3441 Lakebrook Drive • Murfreesboro, TN 37130-1023
615-849-5416

February 20, 2013

Honorable Andrew M. Cuomo, Governor
State of New York
The Capitol
Albany, NY 12224

Dear Governor Cuomo,

As a member of the fire service, we are not concerned about the community or neighborhood in which you grew up; the color of your skin; the school you attended, or any of a host of other features, experiences or preferences that define many as individuals. However, the fire service shares an unbreakable bond, that may be best characterized as an overwhelming concern about the welfare and fairness extended to all those with whom we serve.

I am writing to you today, not as a constituent, but as President of Tennessee Professional Fire Fighters Association. We cannot stand by while our family of brothers and sisters in the fire service are the target of repeated affirmative acts by you since becoming Governor that are simply unacceptable.

More specifically, we find your actions during your first two years as the state's chief executive to be disproportionately punitive to the members of the fire service by seeking to divide New York's first responders by creating a new pension tier, before the impact of a modification enacted in 2010 was known.

In recent days, we once again see that you have advanced legislation that erodes the rights of fire fighters by seeking to circumvent the process of binding arbitration when local contract negotiations break down. This is a cynical act, and one which we may have expected to originate from the desks of conservative governors in "Right to Work States" such as here in Tennessee. States like New York have always been a shining light to those of us who live and work under oppressive labor laws or the lack there of fair laws to protect the middle class.

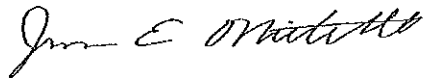
We are disappointed, that you have taken such a hard turn-away from New York's progressive labor tradition.

And, while we once felt that you possessed qualities that reflected our fundamental core values, and were the type of figure that we could all rally behind, sadly we have learned that that your actions and record are to the contrary. We question your sincerity, are confused by your ideology and simply are unable to understand your true political compass.

Members of the International Association of Fire Fighters

We call on you to withdraw your proposal. An attack on the rights of New York's Fire Fighters is an attack on all of us.

Sincerely,

A handwritten signature in black ink, appearing to read "James E. Mitchell". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

James E Mitchell, President
Tennessee Professional Fire fighters Association

3441 Lakebrook Drive
Murfreesboro, TN 37130
Email: tpffaprez@gmail.com



TEXAS STATE ASSOCIATION OF FIRE FIGHTERS

February 1, 2013

Honorable Andrew M. Cuomo, Governor
State of New York
The Capitol
Albany, NY 12224

Dear Governor Cuomo:

As a member of the fire service, we are not concerned about the community or neighborhood in which you grew up; the color of your skin; the school you attended, or any of a host of other features, experiences or preferences that define many as individuals. However, the fire service shares an unbreakable bond, that may be best characterized as an overwhelming concern about the welfare and fairness extended to all those with whom we serve.

I am writing to you today, not as a constituent, but as President of the Texas State Association of Fire Fighters. We cannot stand by while our family of brother and sisters in the fire service are the target of repeated affirmative acts by you since becoming Governor that are simply unacceptable.

More specifically, we find your actions during your first two years as the state's chief executive to be disproportionately punitive to the members of the fire service by seeking to divide New York's first responders by creating a new pension tier, before the impact of a modification enacted in 2010 was known.

In recent days, we once again see that you have advanced legislation that erodes the rights of fire fighters by seeking to circumvent the process of binding arbitration when local contract negotiations break down. This is a cynical act, and one which we may have expected to originate from the desks of conservative governors in "Right to Work States" like ours in Texas.

We are disappointed, that you have taken such a hard turn-away from New York's progressive labor tradition.

And, while we once felt that you possessed qualities that reflected our fundamental core values, and were the type of figure that we could all rally behind, sadly we have learned that that your actions and record are to the contrary. We question your sincerity, are confused by your ideology and simply are unable to your true political compass.

We call on you to withdraw your proposal. An attack on the rights of New York's Fire Fighters is an attack on all of us.

Respectfully,

A handwritten signature in black ink that reads "Guy F. Turner".

Guy F. Turner
President
Texas State Association of Fire Fighters



PROFESSIONAL FIRE FIGHTERS OF UTAH
International Association of Fire Fighters — AFL-CIO · CLC

January 12, 2013

Honorable Andrew M. Cuomo, Governor
State of New York
The Capitol
Albany, NY 12224

Dear Governor Cuomo,

As a member of the fire service, we are not concerned about the community or neighborhood in which you grew up; the color of your skin; the school you attended, or any of a host of other features, experiences or preferences that define many as individuals. However, the fire service shares an unbreakable bond, that may be best characterized as an overwhelming concern about the welfare and fairness extended to all those with whom we serve.

I am writing to you today, not as a constituent, but as President of [State] Fire Fighters Association. We cannot stand by while our family of brother and sisters in the fire service are the target of repeated affirmative acts by you since becoming Governor that are simply unacceptable.

More specifically, we find your actions during your first two years as the state's chief executive to be disproportionately punitive to the members of the fire service by seeking to divide New York's first responders by creating a new pension tier, before the impact of a modification enacted in 2010 was known.

In recent days, we once again see that you have advanced legislation that erodes the rights of fire fighters by seeking to circumvent the process of binding arbitration when local contract negotiations break down. This is a cynical act, and one which we may have expected to originate from the desks of conservative governors in "Right to Work States."

We are disappointed, that you have taken such a hard turn-away from New York's progressive labor tradition.

And, while we once felt that you possessed qualities that reflected our fundamental core values, and were the type of figure that we could all rally behind, sadly we have learned that that your actions and record are to the contrary. We question your sincerity, are

confused by your ideology and simply are unable to understand your true political compass.

We call on you to withdraw your proposal. An attack on the rights of New York's Fire Fighters is an attack on all of us.

Jack Tidrow
President
Professional Fire Fighters of Utah



PROFESSIONAL FIRE FIGHTERS OF VERMONT

20 Kimball Avenue, Suite 108 • South Burlington, VT 05403 • (802) 652-0085

February 8, 2013

Honorable Andrew M. Cuomo, Governor
State of New York
The Capitol
Albany, NY 12224

Dear Governor Cuomo,

As a member of the fire service, we are not concerned about the community or neighborhood in which you grew up; the color of your skin; the school you attended, or any of a host of other features, experiences or preferences that define many as individuals. However, the fire service shares an unbreakable bond, that may be best characterized as an overwhelming concern about the welfare and fairness extended to all those with whom we serve.

I am writing to you today, not as a constituent, but as President of The Professional Fire Fighters of Vermont. We cannot stand by while our family of brother and sisters in the fire service are the target of repeated affirmative acts by you since becoming Governor that are simply unacceptable.

More specifically, we find your actions during your first two years as the state's chief executive to be disproportionately punitive to the members of the fire service by seeking to divide New York's first responders by creating a new pension tier, before the impact of a modification enacted in 2010 was known.

In recent days, we once again see that you have advanced legislation that erodes the rights of fire fighters by seeking to circumvent the process of binding arbitration when local contract negotiations break down. This is a cynical act, and one which we may have expected to originate from the desks of conservative governors in "Right to Work States."

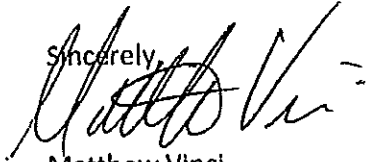
We are disappointed, that you have taken such a hard turn-away from New York's progressive labor tradition.

And, while we once felt that you possessed qualities that reflected our fundamental core values, and were the type of figure that we could all rally behind, sadly we have learned that that your actions and record are to the contrary. We question your sincerity, are confused by your ideology and simply are unable to understand your true political compass.

Page 2 – Governor Cuomo

We call on you to withdraw your proposal. An attack on the rights of New York's Fire Fighters is an attack on all of us.

Sincerely,

A handwritten signature in black ink, appearing to read "Matthew Vinci". The signature is written in a cursive style with a horizontal line through the middle of the letters.

Matthew Vinci
President

cc: Honorable Governor Peter Shumlin

Mike Mcmanus- President New York State Professional Fire Fighters Association ✓



Affiliated with: AFL-CIO
International Association of Fire Fighters
Washington State Labor Council

Washington State Council of Fire Fighters

February 7, 2013

Honorable Andrew M. Cuomo, Governor
State of New York
The Capitol
Albany, NY 12224

Dear Governor Cuomo:

As a member of the fire service, when we respond to a call for assistance, we are not concerned about the community or neighborhood in which you grew up; the color of your skin; the school you attended; or any of a host of other features, experiences or preferences that define many as individuals. However, the fire service shares an unbreakable bond, that may be best characterized as an overwhelming concern about the welfare and fairness extended to all those with whom we serve.

I am writing to you today, not as a constituent, but as President of the Washington State Council of Fire Fighters. We cannot stand by while our family of brothers and sisters in the fire service are the target of repeated affirmative acts by you since becoming Governor that are simply unacceptable.

More specifically, we find your actions during your first two years as the state's chief executive disproportionately punitive to the members of the fire service by seeking to divide New York's first responders by creating a new pension tier, before the impact of a modification enacted in 2010 is known.

In recent days, we once again see that you have advanced legislation which will erode the rights of fire fighters by seeking to circumvent the process of binding arbitration when local contract negotiations break down. This is a cynical act, and one which we may have expected to originate from the desks of conservative governors in "right to work" states.

We are disappointed, that you have taken such a hard turn away from New York's progressive labor tradition.

And, while we once thought you possessed qualities that reflect our fundamental core values and were the type of figure we could all rally behind, sadly we have learned that your actions and record are to the contrary. We question your sincerity, are confused by your ideology, and simply are unable to understand your true political compass.

We call on you to withdraw your proposal. An attack on the rights of New York's Fire Fighters is an attack on all of us.

Sincerely,

Kelly L. Fox
President

KLF:hck/opeiu23/aflcio

4848-0654-0818, v. 1

PROFESSIONAL FIRE FIGHTERS OF WISCONSIN, INC.

7 NORTH PINCKNEY STREET, SUITE 200, MADISON, WI 53703-2840

PHONE: (608) 251-5832 / FAX: (608) 251-8707

MEMBER OF INTERNATIONAL ASSOCIATION OF FIRE FIGHTERS

MEMBER OF WISCONSIN STATE AFL-CIO



MAHLON MITCHELL
STATE PRESIDENT

ALAN HEFTER
STATE VICE-PRESIDENT

STEVE WILDING
STATE SEC. / TREAS.

February 1, 2013

Honorable Andrew M. Cuomo, Governor
State of New York
The Capitol
Albany, NY 12224

Dear Governor Cuomo,

As a member of the fire service, we are not concerned about the community or neighborhood in which you grew up; the color of your skin; the school you attended; or any of a host of other features, experiences, or preferences that define many as individuals. However, the fire service shares an unbreakable bond that may be best characterized as an overwhelming concern about the welfare and fairness extended to all those with whom we serve.

I am writing to you today, not as a constituent, but as President of the Professional Firefighters of Wisconsin, Inc. We cannot stand by while our family of brothers and sisters in the fire service are the target of repeated affirmative acts by you since becoming governor that are simply unacceptable.

More specifically, we find your actions during your first two years as the state's chief executive to be disproportionately punitive to the members of the fire service by seeking to divide New York's first responders by creating a new position tier, before the impact of a modification enacted in 2010 was known.

In recent days, we once again see that you have advanced legislation that erodes the rights of fire fighters by seeking to circumvent the process of binding arbitration when local contract negotiations break down. This is a cynical act and one which we may have expected to originate from the desks of conservative governors in "Right to Work" states.

We are disappointed that you have taken such a hard turn-away from New York's progressive labor tradition. And, while we once felt that you possessed qualities that reflected our fundamental core values and were the type of figure that we could all rally behind, sadly, we have learned that your actions and record are to the contrary. We question your sincerity, are confused by your ideology and simply are unable to understand your true political compass.

We call on you to withdraw your proposal. An attack on the rights of New York's Fire Fighters is an attack on all of us!

Sincerely,

Mahlon Mitchell
State President
Professional Fire Fighters of Wisconsin, Inc.

