To the Senate:

Pursuant to Article V, Section I, Paragraph 14 of the New Jersey Constitution, I am returning Senate Bill No. 1869 with my recommendations for reconsideration.

In December of 2010, New Jersey enacted landmark legislation revising the State’s public interest arbitration process to improve the resolution of contract disputes between public employers and bargaining units representing police and firefighters. The new law, which enjoyed sweeping bipartisan support in the Legislature, imposed a 2% cap on salary increases awarded through arbitration, eliminated frustrating delays in the arbitration process, reduced fees for arbitrators, and randomized their selection to ensure fair and equitable decisions. To allow for proper study and analysis of these new standards, the law provided that the 2% salary cap would expire on April 1, 2014 and created a task force to make recommendations concerning its continuation.

These reforms were lauded by mayors, council-members, county freeholders and members of the Legislature from both parties as a critical tool to help local officials control property taxes. Indeed, in the decade before I became Governor, property taxes in New Jersey had increased nearly 70%, making our local tax burden the highest in the nation. While enactment of the historic 2% property tax levy cap was a critical first step in controlling our ever-escalating property taxes, I cautioned the Legislature that the cap alone would not solve the State’s property tax crisis. Instead, the path to meaningful property tax reform requires that local elected officials hold the tools needed to control spending.
Without question, the reforms to New Jersey’s arbitration system enacted in 2010 have been effective in controlling spending and helping municipalities limit property tax increases. According to the Police and Fire Public Interest Arbitration Impact Task Force, for all interest arbitration awards that were subject to the 2010 reforms, the average cost increase to municipalities amounted to 1.92%, significantly less than the 5% to 7% increases provided in the preceding contracts for many of those same bargaining units. Moreover, according to the Task Force’s findings, the 2010 reforms were also effective in slowing the rate of cost increases for contract negotiations that were settled voluntarily. This data demonstrates, undeniably, that the 2010 reforms and the 2% cap on arbitration awards have effectively controlled cost increases to municipalities for police and fire personnel and helped local governments stay within the 2% property tax levy cap. Extending the successful and essential control on arbitration awards enacted in 2010 is therefore the sensible and logical course.

The Legislature has chosen to sunset the salary cap on interest arbitration awards on December 31, 2017, rather than making the cap permanent. As noted, the 2010 law provided for the present sunset, as well as the establishment of a task force to study the Act’s considerable reforms. Over the last three years, the arbitration salary cap has effectively balanced the interests of taxpayers and public safety employees, and emerged as an invaluable tool for local officials to constrain property taxes. Continuing that control is a priority of my Administration, and an important part of my commitment to constrain property taxes in our State. I am mindful, however, that future governors, legislatures, and elected officials may
chart a different course based on further study of these reforms, or differing priorities. Therefore, I recommend preserving the bill’s December 31, 2017 sunset provision, so that future policymakers are afforded the flexibility to evaluate the arbitration cap at a later date.

Regrettably, the bill in its present form would weaken the cap on arbitration awards by imprudently permitting salary increases in excess of 2% under certain circumstances. These proposed exceptions to the 2% limitation will necessarily impact the ability to provide other necessary municipal services while adhering to the overall 2% property tax levy cap. As such, the bill’s provisions fall short of the meaningful property tax reforms that we achieved together in 2010 and that the citizens of this State still urgently need and deserve. Therefore, I recommend slight modifications to this bill to ensure that all parties to the arbitration process are treated equally, and that the efficient and documented savings produced since 2010 remain effective through 2017.

Accordingly, I herewith return Senate Bill No. 1869 and recommend that it be amended as follows:

Page 3, Section 1, Line 20: After “meeting as” insert “a” and after “mediation” insert “session”

Page 3, Section 1, Line 21: Delete “The interest arbitration process shall not proceed until 14”

Page 3, Section 1, Line 22: Delete in its entirety

Page 3, Section 1, Line 38: Delete “Each party shall submit three”

Page 3, Section 1, Line 39: Delete in its entirety

Page 3, Section 1, Line 40: Delete “submitted by each party are the same,” and insert “On the first business day following receipt of an interest arbitration petition,”
Page 3, Section 1, Line 43: Delete “If one name submitted by each party is the same, that”

Page 3, Section 1, Lines 44-45: Delete in their entirety

Page 3, Section 1, Line 46: Delete “arbitrator from among the names submitted that were the same.”

Page 7, Section 2, Lines 36-48: Delete in their entirety

Page 8, Section 2, Lines 1-33: Delete in their entirety

Page 8, Line 34: Insert new section 2 to read as follows:

“2. Section 3 of P.L.2010, c.105 (C.34:13A-16.8) is amended to read as follows:

3. a. There is established a task force, to be known as the Police and Fire Public Interest Arbitration Impact Task Force.

b. The task force shall be comprised of eight members as follows:

(1) four to be appointed by the Governor;

(2) two to be appointed by the Senate President; and

(3) two to be appointed by the Speaker of the General Assembly.

c. All appointments shall be made within 30 days of the effective date of P.L.2010, c.105 (C.34:13A-16.7 et al.). Vacancies in the membership shall be filled in the same manner as the original appointments. The members of the task force shall serve without compensation but may be reimbursed, within the limits of funds made available to the task force, for necessary travel expenses incurred in the performance of their duties.

d. (1) The task force shall organize as soon as is practicable upon the appointment of a majority
of its members and shall select a chairperson from among the appointees of the Governor and a vice chairperson from among the appointees of the Legislature. The Chair of the Public Employment Relations Commission shall serve as non-voting executive director of the task force.

(2) The task force shall meet within 60 days of the effective date of P.L.2010, c.105 (C.34:13A-16.7 et al.) and shall meet thereafter at the call of its chair. In furtherance of its evaluation, the task force may hold public meetings or hearings within the State on any matter or matters related to the provisions of this act, and call to its assistance and avail itself of the services of the Public Employment Relations Commission and the employees of any State department, board, task force or agency which the task force determines possesses relevant data, analytical and professional expertise or other resources which may assist the task force in discharging its duties under this act. Each department, board, commission or agency of this State is hereby directed, to the extent not inconsistent with law, to cooperate fully with the task force and to furnish such information and assistance as is necessary to accomplish the purposes of this act. In addition, in order to facilitate the work of the task force, the Public Employment Relations Commission shall post on its website all collective negotiations agreements and interest arbitration awards entered or awarded after the date of enactment, including a summary of contract or arbitration award terms in a standard format.
developed by the Public Employment Relations Commission to facilitate comparisons. All collective negotiations agreements shall be submitted to the Public Employment Relations Commission within 15 days of contract execution.

e. (1) It shall be the duty of the task force to study the effect and impact of the arbitration award cap upon local property taxes; collective bargaining agreements; arbitration awards; municipal services; municipal expenditures; municipal public safety services, particularly changes in crime rates and response times to emergency situations; police and fire recruitment, hiring and retention; the professional profile of police and fire departments, particularly with regard to age, experience, and staffing levels; and such other matters as the members deem appropriate and necessary to evaluate the effects and impact of the arbitration award cap.

(2) Specifically, the task force shall study total compensation rates, including factors subject to the arbitration award cap and factors exempt from the arbitration award cap, of police and fire personnel throughout the state and make recommendations thereon. The task force also shall study the interest arbitration process and make recommendations concerning its continued use in connection with police and fire labor contracts disputes. The task force shall make findings as to the relative growth in total compensation cost attributable to factors subject to the arbitration award cap and to factors exempt from the
arbitration award cap, for both collective bargaining agreements and arbitration awards.

f. The task force shall report its findings, along with any recommendations it may have, to the Governor and the Legislature annually[, on or before April 1 of each year]. The task force's final report due on or before [April 1, 2014] December 31, 2017 shall include, in addition to any other findings and recommendations, a specific recommendation for any amendments to the arbitration award cap. Upon the filing of its final report on or before [April 1, 2014] December 31, 2017, the task force shall expire.”

Page 8, Section 3, Line 41:
After “relate to” delete “a”

Page 8, Section 3, Line 41:
After “negotiated” delete “agreement” and insert “agreements”

Page 8, Section 3, Line 42:
Delete “April 2, 2014” and insert “that effective date”

Page 8, Section 3, Line 43:
After “2014]” insert “and including” and after “whereupon” insert “after December 31, 2017”

Page 8, Section 3, Line 46:
After “expired” delete “on or after April 2, 2014 but”

Page 8, Section 3, Line 46:
After “prior to” insert “or on”

Page 8, Section 3, Line 47:
After “December 31, 2017” delete “and” and insert “but”

Page 8, Section 3, Line 48:
After “reached.” Delete “When final settlement between the parties in all such”

Page 9, Section 3, Lines 1-10:
Delete in their entirety
Respectfully,

[seal] /s/ Chris Christie
Governor

Attest:

/s/ Dominick DiRocco
Senior Counsel to the Governor