Governor Christie Signs Key Reform Agenda Legislation to Transform System on Long-Overdue Arbitration Reform

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Trenton, NJ – Fulfilling a critical element of his Reform Agenda, Governor Chris Christie today signed comprehensive arbitration reform legislation as part of a wider set of far-reaching reforms designed to curb property tax costs for hard-working New Jerseyans. The measure is the result of a bipartisan agreement reached on December 9 with legislative leadership to change the long-overdue interest arbitration reform process by providing municipalities with the tools they need to rein in property tax costs and live within their means.

"Today, Trenton is demonstrating what can be done when we work together to find substantive solutions to the issues facing the hard-working taxpayers of our state," said Governor Christie. "Working with Senate President Steve Sweeney, Assembly Speaker Sheila Oliver, Senate Minority Leader Tom Kean and Assembly Minority Leader Alex DeCroce, we are delivering meaningful and substantive reform to New Jerseyans, transforming the interest arbitration process and providing a long-term solution that will help local governments keep property taxes down and costs under control.

"Our work, however, is not done, and I urge the legislative leadership to keep the momentum going by acting on other critical pieces of the tool kit of reforms that will ultimately help to keep property taxes low. New Jerseyans can no longer afford inaction and delay which is why the legislature must move on real, comprehensive civil service reform as I have proposed, not a watered-down version," concluded Governor Christie.

The civil service bill proposed by the legislature falls short by, among other things, not offering municipalities the option to opt-out of the antiquated and burdensome civil service requirements. As proposed by Governor Christie, arbitration and civil service reform get at the root of the problem faced by many local governments struggling to live within their means – ever-expanding operational costs.

Also awaiting legislative action is Governor Christie's conditional veto of Senate Bill 2220, which would more effectively stop the abuse of sick and vacation benefits and prevent future use of sick days -- meant for employees who are sick -- as supplemental cash payouts for employees who already have generous pensions. Among improvements to the original bill, the conditional veto would phase out the practice of distributing cash payouts for sick days by prohibiting supplemental compensation for sick days that accumulate after the effective date of the legislation. It would also suspend supplemental compensation for any employee under indictment for a crime that involves or touches his or her public office and mandate the forfeiture of any supplemental compensation if convicted. The Governor continues to urge the legislature to act quickly to adopt the substantive changes in the conditional veto. The news release outlining the Governor's conditional veto can be found HERE.

The bipartisan agreement signed into law today mirrors Governor Christie's call for a meaningful cap that matches the tax levy cap of 2.0. This 2 percent cap will be applied to all salary items, such as across the board and cost of living increases, step increment payments and longevity pay. In addition, there will be no additional exceptions for non-salary economic terms moving forward. The agreement also created a prohibition on allowing non-salary economic issues to be arbitrated above the cap, unless already included in an existing contract. This is an important provision because arbitrators will no longer be able to create new cost items in successor contracts.

The Christie Bipartisan Agreement on Interest Arbitration Reform signed today:

- Provides a meaningful cap of 2 percent on arbitration awards that will be applied to all salary items, such as the cost of across the board and cost of living increases, step increment payments and longevity pay.
- Has no Exceptions for Additional Non-Salary Economic Terms Moving Forward. The agreement prevents arbitrators from awarding any new economic items moving forward. The agreement creates a prohibition on allowing non-salary economic issues to be arbitrated above the cap, unless already included in an existing contract. All salary items are subject to a maximum 2 percent cap. This is an important provision because arbitrators will no longer be able to create new cost items in successor contracts.
- Eliminates Accruing Labor Costs By Creating a Fast Track Arbitration Process. The agreement transforms the system by putting in place concrete deadlines to help eliminate delays in the arbitration process, from contract negotiation to the receipt of the actual award. Traditionally, once a contract expires, labor costs continue to mount until a new contact is reached. Enforcing deadlines and speeding up the process will ensure timely implementation of new contracts and the cap on interest arbitration awards. Effective January 1, 2011, there will be a concrete deadline of 45 days from the filing of a request for interest arbitration to the date of award, without any extensions. All appeals must be decided within 30 days, if arbitrators do not comply with the 45 day deadline, they will be penalized financially.
- Caps Arbitrator Pay. The agreement will cap arbitrator compensation at $1,000 per day and $7,500 per case. Capping arbitrator pay will further incentivize speedy resolution of arbitration cases.
- Increases Ethical Standards and Training for Interest Arbitrators.
- Randomizes the Selection of Interest Arbitrators.

The legislation also creates a Task Force to examine the impact of interest arbitration reform and the effectiveness of the cap on restricting municipal spending. The taskforce will study the impact of the cap on taxes, services, expenditures, public safety, recruitment, retention and professionalism. The Governor will directly appoint four members and two members will be directly appointed by the Senate President and Assembly Speaker. The Task Force will provide its recommendations no later than December 31, 2013.

Since September, Governor Christie has been traveling the state to talk about the importance of enacting a tool kit of reforms to help local government leaders directly address cost drivers and manage within Cap 2.0 without adversely impacting core government services. Hundreds of mayors and local elected officials across political parties have voiced their support for the tool kit, and underscored the tool kit's importance in helping them manage their local budgets.

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Press Contact:
Michael Drewniak
Kevin Roberts
609-777-2600