



April 13, 2011

Senator Steve Lathrop  
Chairman  
Committee on Business and Labor  
Nebraska State Legislature  
Lincoln, Nebraska 68509

RE: LB397

Dear Chairman Lathrop and Members of the Committee:

Early discussions on this issue led us to four main outcomes against which we have measured ideas and the committee amendment. These outcomes are:

1. Impact all facets of government
2. Result in the opportunity for cost savings and/or cost containment for every facet of government
3. Allow elected officials and public employers to manage the budget they were elected to manage
4. Provide for a transparent means to resolve labor disputes

Working within the parameters of the current framework for resolving public sector labor disputes, LB 397 does attempt to make some positive changes to the collective bargaining process that include:

- Directing for pension analysis when calculating compensation;
- Recognizing the need to consider cost of living differences between cities of differing size and location;
- Encouraging resolution of disputes prior to the year in which an agreement would take effect;
- Giving school boards the authority to provide incentive pay to teachers in certain areas or those designated by the Department of Education as academically under achieving, a concept that could be expanded to other government divisions.

However the legislation falls far short when analyzed against the Chambers' established four principles. Below are suggested changes to the current legislation. With these changes, it would be necessary to include an emergency clause in order for the legislation to be enacted as quickly as possible.

**1. Comprehensive reform should impact all facets of government**

Public Schools. While approximately 60% of property tax goes to public schools and approximately 80% of a school's budget is devoted to personnel expenses, there is very little in the legislation pertaining to public schools. *We encourage you to include meaningful changes pertaining to public education.*

**2. Comprehensive reform should result in the opportunity for cost savings and/or cost containment for every facet of government**

Mandatory Bargaining for Police and Fire Safety. The amendment states that fire and police staffing issues related to employee safety would be a mandatory subject of collective bargaining, and that all other staffing issues would be “permissive” issues of bargaining. This is counter to current practice which leaves staffing decisions to public employers. *We encourage you to remove the provision pertaining to mandatory bargaining for police and fire minimum staffing.*

Defined Benefit Pension Plans. Defined Contribution The amendment both prohibits comparing defined benefit retirement plans and defined contribution retirement plans, and requires that the value of the plans to be compared. First, this needs to be clarified to ensure that an employer is credited for the full value of a defined benefit plan, even if it is not a prevalent plan among members of an array. Second, it should be clarified that the party asking for consideration of the plans pays for the substantial costs that would be involved with conducting actuarial studies for each member of an array that offers such a plan. *We encourage you to allow comparisons and clarify who is paying the expense.*

Freeze Clause and Monitoring Process. The amendment would allow public employees who are deemed to have been overcompensated to have their compensation package frozen rather than reduced, providing a “soft landing.” This should be amended to allow for compensation reductions in cases where it would be deemed the most appropriate action. It should also include language that more clearly defines the process for monitoring and acting on changes in compensation levels among array members.

*We encourage you to require the reduction of benefits or wages if appropriate and clarify the monitoring process.*

Public Schools. As mentioned in point number one, there is very little in the legislation pertaining to public schools including a lack any cost containment measures. *We encourage you to include cost containment provisions.*

**3. Comprehensive reform should allow elected officials and public employers to manage the budget they were elected to manage**

Remove the Array System. Create a system whereby the CIR utilizes existing wage/data information in order to market price jobs rather than using the array system. In this situation the CIR would determine appropriate compensation packages based on data available to all human resource professionals. That would provide a more accurate indication of average compensation than would data a selected group of employers. This would also negate the need for utilizing the Commission’s subpoena powers for private employers, as well as address the difficulties in finding minimum 70 percent job matches and separating the Lincoln and Omaha metropolitan areas from the rest of the state.

Mediation. Develop a system whereby the CIR provides recommendations rather than binding decisions and ultimate decision on contract are made by the governing body.

**4. Comprehensive reform should provide for a transparent means to resolve labor disputes**

Multiple Mechanisms. There are at least four processes for resolving labor disputes. *We encourage you to simplify the process.*

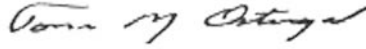
Cost of Living. There is a provision allowing the CIR to take into consideration “economic variables” when making comparisons to entities outside of Nebraska. *We encourage you to make this mandatory.*

It may be possible to make LB397 better by amending it to address each of the above issues as well as several other matters. However, the process for resolving public sector disputes would remain broken. LB397 does not meet the criteria of meaningful, significant, comprehensive reform.

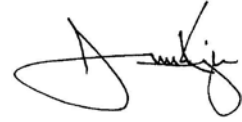
Sincerely,



Jeffrey M. Scherer  
Chairman  
Nebraska State Chamber  
Of Commerce and Industry



Tonn M. Ostergard  
Chairman  
Lincoln Chamber  
of Commerce



Jim Krieger  
Chairman  
Greater Omaha  
Chamber