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Fitch: SCOTUS Janus Ruling Impact Limited for State and Local Credit.

Fitch Ratings-New York-27 June 2018: Today's Supreme Court ruling regarding the funding of public sector collective bargaining activities is not likely to have a meaningful effect on state and local government finances, according to Fitch Ratings.

The ruling for the plaintiff in Janus vs. AFSCME Council 31 eliminates the requirement that non-union public sector employees pay "agency fees" to contribute to the cost of collective bargaining and related activities. It reverses a 40-year-old SCOTUS decision that allowed public sector unions to require such fees.

Regardless of the legal framework, state and local governments remain limited in their ability to control labor spending. This was recently demonstrated by the influence on budgeted spending of mass labor actions by public school teachers in several states.

Twenty-eight states have adopted right-to-work laws. The Janus ruling essentially creates the same framework for the other 22 states and the District of Columbia for public-sector employees. "States with right-to-work laws that limit collective bargaining powers can still confront labor-related spending pressures," said Fitch Managing Director Amy Laskey.

Any change to a state or local government's expenditure flexibility that arises from the decision is likely to be incremental. "A productive and flexible working relationship can be achieved regardless of the legal structure, in which case the workforce evaluation is a neutral factor," said Laskey.

"What Investors Want to Know: The Impact of a Changing Labor Environment on Credit Quality" is available at www.fitchratings.com or by clicking on the above link.

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