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

Fitch Ratings-New York-31 May 2018: A potentially landmark Supreme Court ruling concerning public school teachers and right-to-work laws is not likely to have a meaningful effect on state and local government finances, according to Fitch Ratings in a new report.

Recent mass labor actions by public school teachers in several states are shedding light on the practical limitations state and local governments face in managing expenditures. Meanwhile, the SCOTUS is set to rule shortly in Janus vs. AFSCME Council 31, which could potentially eliminate the requirement that non-union public sector employees pay "agency fees" to contribute to the cost of collective bargaining and related activities. If the SCOTUS rules for the plaintiff, it would reverse a precedent-setting SCOTUS decision from 40 years ago.

28 states have adopted right-to-work laws. The Janus ruling, if favorable to the plaintiff, would convey this legal framework throughout the country. Regardless of the legal framework, state and local governments remain limited in their ability to control labor spending. 'States with right-to-work laws that limit collective bargaining powers can still confront labor-related spending pressures,' said Managing Director Amy Laskey.

Any change to 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.

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