

Department of Legislative Services
Maryland General Assembly
2011 Session

FISCAL AND POLICY NOTE

House Bill 743
Economic Matters

(Delegate W. Miller, *et al.*)

Labor and Employment - Labor Organizations - Right to Work

This bill specifies that an employer may not require, as a condition of employment or continued employment, an employee or prospective employee to (1) join or remain a member of a labor organization; (2) pay any dues, fees, assessments, or other charges to a labor organization; or (3) pay any charity or another third party, an equivalent amount in lieu of a payment to a labor organization. The bill repeals various provisions of State law that authorize an employer, including the State and units of government, to require that an employee pay a fee (service, maintenance, or representation fee) to a labor organization to which the employee is not a member.

The bill applies only prospectively and may not be interpreted to apply to a collective bargaining agreement entered into before the bill's October 1, 2011 effective date.

Fiscal Summary

State Effect: Potential minimal increase in general fund revenues and expenditures due to the bill's penalty provisions. The bill relieves the Comptroller's Office of the operational burden associated with collection of approximately \$4 million annually in nonmember service fees on behalf of the exclusive representative of certain bargaining units (assuming a \$10 fee per biweekly pay period). The Office of the Attorney General can carry out the bill's enforcement requirements with existing budgeted resources. The criminal penalty provisions of the bill are not expected to materially affect general fund revenues or expenditures.

Local Effect: The circuit courts can likely handle any potential increase in litigation with existing resources. The criminal penalty provisions of the bill are not expected to materially affect local government finances or operations.

Small Business Effect: Potential meaningful. Prohibiting an employer or labor organization from requiring employees to join, remain members of, or pay dues to a labor organization may reduce wages and thereby lower operating costs for small businesses. The effects will be felt most strongly in industries with a strong union presence, such as construction.

Analysis

Bill Summary: The bill allows an employee to pursue a civil cause of action against an employer that violates the bill's provisions. If an employer is found liable for a violation, the employee or prospective employee is entitled to injunctive relief, damages, court costs, and reasonable attorney's fees.

The Attorney General must (1) take any steps necessary to ensure effective enforcement of the bill; (2) investigate all related complaints; and (3) commence all related prosecutions. The bill specifies that the Attorney General has all the powers and duties vested in State's Attorneys under law with respect to criminal prosecutions related to the bill's provisions.

An individual who violates the bill's provisions is guilty of a misdemeanor and is subject to maximum penalties of imprisonment for one year and/or a fine of \$1,000. A person other than an individual who violates the bill's provisions is likewise guilty of a misdemeanor but is only subject to a fine of up to \$1,000.

The bill does not apply to (1) employers and employees covered by the Federal Railway Act; (2) federal employers and employees; and (3) employers and employees on exclusive federal enclaves.

Current Law/Background: State law specifies that it is the policy of the State that negotiation of terms and conditions of employment should result from a voluntary agreement between employees and the employer and, thus, each individual worker must be fully free to associate, organize, and designate a representative for negotiation of terms and conditions of employment. This process must be free from coercion, interference, or restraint by an employer in (1) designation of a representative; (2) self-organization; and (3) other concerted activity for the purpose of collective bargaining or other mutual aid or protection. State law establishes a procedure for certifying a labor organization as the bargaining representative for a workplace, and a majority of employees must vote in favor of joining a union in order for a workplace to unionize.

“Right-to-Work” Laws

The federal Taft-Hartley Act of 1947 banned “closed shops,” which are places of employment bound by an agreement to hire only the members of a particular union. However, the Taft-Hartley Act, as amended, allowed for the continued existence of “union shops,” which are places of employment that require employees to join a union within a certain number of days after being hired. Many states have banned union shops; these states are referred to as “right-to-work” states. **Exhibit 1** depicts the 22 states that have established right-to-work laws that include provisions similar to the bill.

Exhibit 1 **States with Established “Right-to-Work” Laws**

Alabama	Iowa	North Carolina	Texas
Arizona	Kansas	North Dakota	Utah
Arkansas	Louisiana	Oklahoma	Virginia
Florida	Mississippi	South Carolina	Wyoming
Georgia	Nebraska	South Dakota	
Idaho	Nevada	Tennessee	

Source: Department of Legislative Services

Maryland law does not prohibit the existence of union shops. In cases where a union exists in a workplace but employees are not required to join, State law does not prohibit a labor organization from assessing a fee – sometimes called a service fee, shop fee, or agency fee – to nonmember employees who receive wage increases and/or additional benefits residually due to a collective bargaining agreement that is successfully negotiated by a labor organization on behalf of its members.

State Employees May Be Assessed Service Fees

Chapter 187 of 2009 authorizes the State to collectively bargain with the exclusive representative of a bargaining unit for service fees from State employees who are not members of that exclusive representative. Thus, employees who are in a bargaining unit but are not members of any employee organization must pay the service fee if a fee is successfully negotiated. Likewise, employees who are dues-paying members of an employee organization that is not the exclusive representative must also pay any negotiated service fee.

Chapter 187 specifies that service fees may not be bargained for in negotiations between an employee organization and a University System of Maryland (USM) institution, Morgan State University, St. Mary's College of Maryland, or Baltimore City Community College.

Employees may not be required to pay a service fee due to specified religious objections. However, such employees are required to pay up to an amount equal to the negotiated service fee to a nonprofit charitable organization. To receive this exemption, employees must provide proof of payment to the exclusive representative and the Department of Budget and Management.

While an exclusive representative bargains for all members of a particular bargaining unit, only some of these individuals pay union membership dues to the representing organization. A service fee is paid by an employee to his or her bargaining unit's exclusive representative to offset costs attributable to the collective bargaining process. Generally, this fee is less than the fee charged for union dues.

Maryland Bargaining Units

Exhibit 2 shows the number of State employees in each bargaining unit. Maryland's collective bargaining law applies to employees of the Executive Branch departments, the Maryland Insurance Administration, the State Department of Assessments and Taxation, the State Lottery Agency, USM, Morgan State University, St. Mary's College of Maryland, and Baltimore City Community College.

Certain Executive Branch employees within the State do not have these rights, such as elected government officials; political appointees or employees by special appointment; or any supervisory, managerial, or confidential employees of an Executive Branch department, USM institution, or other State college or university, including faculty.

Proposed Collective Bargaining Agreement Includes Service Fee Requirements

A proposed memorandum of understanding (MOU) between AFSCME, the American Federation of Labor and Congress of Industrial Organizations (AFL-CIO), and the State regarding bargaining units A, B, C, D, and F includes a provision requiring all employees who are covered by the MOU but who are not members of AFSCME to pay AFSCME a service fee as a condition of continued employment with the State. The requirement to pay the service fee is effective July 1, 2011, or within 30 calendar days of employment with the bargaining unit. The amount of the service fee is not specified in the proposed MOU but must not exceed the amount of dues uniformly required of AFSCME members. The MOU requires the State to automatically withhold from the biweekly salary of each

employee who is not an AFSCME member the service fee as determined without the necessity of a written, signed authorization of the employee.

A proposed MOU between AFSCME, the Teamsters, and the State includes similar service fee provisions for bargaining unit H.

Service Fees in Other States

In 2009, 23 other states either required state employees to pay a service fee or allowed the fee to be mandated through collective bargaining. In some states, employees with a religious objection to paying the fee are exempt from paying it. In all states, some employees, such as managers or confidential employees, are exempt from the collective bargaining law. In some states, supervisors are exempt. **Exhibit 3** lists the states where service fees are authorized.

Exhibit 2

State of Maryland Bargaining Units

(Excluding Higher Education Units)

<u>Unit</u>	<u>Unit Name</u>	<u>Number of Employees</u>	<u>Exclusive Representative</u>
A	Labor and Trades	1,659	AFSCME MD
B	Administrative, Technical, and Clerical	5,429	AFSCME MD
C	Regulatory, Inspection, and License	499	AFSCME MD
D	Health and Human Services (nonprof.)	1,803	AFSCME MD
E	Health Care Professionals	1,904	AFT – Healthcare MD
F	Social and Human Services Professionals	3,919	AFSCME MD
G	Engineering, Scientific, and Administrative Professionals	4,734	MPEC
H	Public Safety and Security	9,393	AFSCME/Teamsters
I	Sworn Police Officers	1,657	SLEOLA

Note: AFSCME = American Federation of State, County, and Municipal Employees; AFT = American Federation of Teachers; MPEC = Maryland Professional Employees Council; SLEOLA = State Law Enforcement Officers' Labor Alliance

Source: Department of Budget and Management, February 2011

Exhibit 3
States Allowing Public Sector Service Fees

Alaska	Hawaii	Minnesota	New York	Vermont
California	Illinois	Montana	Ohio	Washington
Connecticut	Maine	New Hampshire	Oregon	Wisconsin
Delaware	Massachusetts	New Jersey	Pennsylvania	
District of Columbia	Michigan	New Mexico	Rhode Island	

Source: Department of Legislative Services

Supreme Court Rulings

The U.S. Supreme Court has issued several opinions relating to the right of a public-sector exclusive representative to collect service fees from nonunion members. In *Abood v. Detroit Board of Education*, 431 U.S. 209 (1977), the court found that, while an exclusive representative could collect a fee from nonunion members, the fee revenues could not be used to support ideological causes not germane to the organization's duties as the collective bargaining representative. In another case, the *Chicago Teachers Union v. Hudson*, 475 U.S. 292 (1986), the court held that, in order to protect nonunion members' constitutional rights to freedom of speech and association, the union's collection of agency fees must "include an adequate explanation of the basis for the fee, a reasonably prompt opportunity to challenge the amount of the fee before an impartial decision maker, and an escrow for the amounts reasonably in dispute while such challenges are pending."

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Baltimore, Carroll, Cecil, Harford, Montgomery, and St. Mary's counties; Maryland Association of Counties; cities of Bowie and Takoma Park; Maryland Municipal League; Maryland Higher Education Commission; University System of Maryland; Maryland State Department of Education; Judiciary (Administrative Office of the Courts); Office of the Attorney General; Comptroller's Office; Department of Budget and Management; Department of Health and Mental Hygiene; Department of

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Labor, Licensing, and Regulation; Department of Natural Resources; Department of Public Safety and Correctional Services; Department of State Police; Maryland Department of Transportation; Department of Legislative Services

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