

Department of Legislative Services  
Maryland General Assembly  
2011 Session

FISCAL AND POLICY NOTE  
Revised

House Bill 756  
Appropriations

(Delegate Oaks, *et al.*)

Finance

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Baltimore City - Binding Arbitration - Police Officers

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This bill requires binding arbitration between Baltimore City and the certified employee organization representing city police officers regarding direct compensation if collective bargaining negotiations have not produced a written agreement by March 1 of any year and one of the parties request arbitration.

The bill outlines the process for binding arbitration, and specifies that the findings of the board of arbitration are final and binding on both the Mayor and City Council of Baltimore. The costs of binding arbitration must be paid equally by the city and the exclusive representative.

The bill takes effect July 1, 2013.

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Fiscal Summary

**State Effect:** None.

**Local Effect:** Baltimore City expenditures related to binding arbitration proceedings may increase by a significant amount beginning in FY 2014. Potential significant increase in the costs for direct compensation for Baltimore City police officers beginning in FY 2014. Although such a potential impact cannot be reliably quantified, *for illustrative purposes only*, a 1% increase in salary for covered police officers could exceed \$2.0 million. Revenues are not affected. **This bill imposes a mandate on a unit of local government.**

**Small Business Effect:** None.

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## **Analysis**

**Bill Summary:** The board of arbitration has three members, one appointed by the mayor and one appointed by the certified employee organization representing the bargaining unit. These two members choose the third (who will serve as the chair) from a list furnished by the American Arbitration Association. The bill limits the time in which the board must be appointed and the time in which the board must rule.

The arbitration board must identify the major issues in the dispute, review positions of all parties, and take into consideration a number of factors, including wages, benefits, hours, and other working conditions of other police departments and other public safety employees in Maryland and comparable metropolitan areas of other states, as well as cost-of-living. The board has the power to administer oaths, compel the attendance of witnesses, and require evidence by subpoena. After hearing witnesses and considering evidence, the board must (by written decision) order the implementation of the last proposal of one of the parties, in its entirety. This decision is the final decision, and there are no provisions for appeal.

Direct compensation is defined as wages, salaries, longevity, shift differential, bonuses if applicable, and leave with monetary value. Direct compensation does not include (1) pensions or any benefit that is to be paid on or after an employee's retirement or termination of employment; or (2) issues that do not relate to direct compensation, such as, but not limited to, job security, disciplinary procedures, investigations and actions, promotions, deployment or scheduling, including eligibility and assignment to details and positions, loss of leave as provided in the general orders, or issues relating to eligibility for overtime compensation.

**Current Law:** Binding arbitration is required between Baltimore City and the certified organizations representing city firefighters and fire officers, if collective bargaining proceedings have not produced a written agreement by March 1 of any year and arbitration is requested by one of the parties.

The board of arbitration has three members, one appointed by the mayor and one appointed by the certified employee organization representing the bargaining unit. These two members choose the third (who will serve as the chair) from a list furnished by the American Arbitration Association. Statute limits the time in which the board must be appointed and the time in which the board must rule.

The board is required to identify the major issues in the dispute, review positions of all parties, and take into consideration a number of factors, including wages, benefits, hours, and other working conditions of other fire departments and other public safety employees in Maryland and comparable metropolitan areas of other states, as well as cost-of-living.

The board has the power to administer oaths, compel the attendance of witnesses, and require evidence by subpoena. After hearing witnesses and considering evidence, the board must (by written decision) order the implementation of the last proposal of one of the parties, in its entirety. This decision is the final decision, and there are no provisions for appeal.

**Background:** Chapter 704 of 1985 codified the binding arbitration provisions regarding collective bargaining negotiations between Baltimore City and the certified organization(s) representing City Firefighters and Fire Officers. According to Baltimore City, binding arbitration services for the fiscal 2010-2011 MOU between the city and the International Association of Fire Fighters, Locals 734 (firefighters) and 964 (fire officers) cost approximately \$330,100. This includes direct costs for an arbiter, a court reporter, hotel fees for hearing dates, and attorneys. Additional indirect costs of approximately \$52,700 were also incurred for research and preparation for the hearings.

Baltimore City police officers are in two bargaining units; Unit I includes police officers, police agents, and flight officers, and Unit II includes police sergeants and lieutenants. Together, the units comprise approximately 2,915 officers. The current memorandum of understanding (MOU) for both units became effective July 1, 2010, and expires June 30, 2011. Each MOU does not automatically renew. If an agreement is not reached before the expiration of a contract, usually the parties agree to the terms and conditions of the contract will be extended until such an agreement is reached.

Baltimore City advises that it has not yet begun collective bargaining negotiations with the representative for either police bargaining unit, although it expects negotiations to begin soon.

**Local Fiscal Effect:** Beginning in fiscal 2014, to the extent that collective bargaining negotiations with either police bargaining unit do not conclude by March 1, and either party requests binding arbitration, Baltimore City expenditures could increase significantly and comparable to those paid during the most recent City-Fire Union arbitrations, which totaled approximately \$382,800. However, the costs of binding arbitration must be paid equally by the city and the exclusive representative.

Any future costs associated with the outcome of binding arbitration proceedings depend on the wages and salaries associated with the final agreement, as chosen by the board of arbitration. These additional costs could be significant. *For illustrative purposes only*, a 1% increase in salary for covered police officers could exceed \$2.0 million.

## **Additional Information**

**Prior Introductions:** HB 1098 of 2010 passed the House with amendments and received a favorable report from the Senate Finance Committee. The bill passed the Senate on second reading and was special ordered. No further action was taken on the bill. Its cross file, SB 613, received a favorable with amendments report from the Senate Finance Committee, however, no further action was taken on the bill. SB 509 of 2007 passed the Senate and received a hearing in the House Appropriations Committee, but no further action was taken. Its cross file, HB 1167, received a hearing in the House Appropriations Committee, but no further action was taken.

**Cross File:** None.

**Information Source(s):** Baltimore City, Department of Legislative Services

**Fiscal Note History:** First Reader - March 7, 2011  
ncs/hlb Revised - House Third Reader - April 1, 2011

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Analysis by: Michael Sanelli

Direct Inquiries to:  
(410) 946-5510  
(301) 970-5510