



GOVERNMENT, LABOR, AND ELECTIONS COMMITTEE
House Bill 604
Arbitration Reform for State Employees Act of 2026
March 6, 2026
Unfavorable

Chair Wells, Vice Chair Kerr, and members of the committee, thank you for the opportunity to offer testimony on House Bill 604. House Bill 604 would represent the third significant and substantial overhaul to the collective bargaining statute in recent years. As written, the University System of Maryland (USM) respectfully opposes House Bill 604. The USM knows you're well aware of the current budget climate as we all are. We've suffered cuts over the past two fiscal years totaling 10%, equating to \$200 million. This is in addition to the \$133 million reduction in federal dollars, including grant funds. The imposition of additional policy changes at this time would be more than challenging for all of our campuses on top of these reductions.

The USM is comprised of twelve distinguished institutions, and three regional centers. We award eight out of every ten bachelor's degrees in the State. Each of USM's 12 institutions has a distinct and unique approach to the mission of educating students and promoting the economic, intellectual, and cultural growth of its surrounding community. These institutions are located throughout the state, from western Maryland to the Eastern Shore, with the flagship campus in the Washington suburbs. The USM includes three Historically Black Institutions, comprehensive institutions and research universities, and the country's largest public online institution.

Collective bargaining has existed in the State of Maryland, including for employees of USM's institutions, for more than twenty years. For two decades, the institutions (including now the Chancellor as part of the consolidated collective bargaining process) have negotiated successfully, and in good faith, with the exclusive representatives (AFSCME, MCEA, and FOP) of the twenty-five individual bargaining units across the USM and have reached agreement without the need for third-party intervention in almost every instance. The current collective bargaining process provides every incentive for the parties to compromise, a vital aspect of any labor agreement. And AFSCME Maryland Council 3 and the USM were able to reach an agreement on the first ever system-wide contract for AFSCME-represented workers. The existing process under the statute works. Like the legislative process, the negotiation process can be challenging, but if allowed to work to its natural conclusion, it renders a good product.

Putting the ultimate decision-making authority into the hands of a single third party is inconsistent with the process of collective bargaining and could have serious fiscal consequences for the USM, particularly its smaller institutions. While House Bill 604 purports to bind the Governor to include appropriations in his budget necessary to fund implementation of all wage and other terms and conditions of employment in each MOU, it is unclear whether the General Assembly would be obligated to ultimately fund those terms. If those terms go unfunded, House Bill 604 would essentially create an unfunded mandate, binding the institutions to "take all actions necessary to carry out and effectuate the final written award and place into effect the memorandum of understand." The

unintended result of which would likely be an increase in tuition and fees and/or a reduction in services and positions.

Additionally, the bill significantly and unrealistically restricts the timeframe for negotiations to between July 1 and September 30. Not only does negotiation of a successor contract typically take more than three months to complete, but the negotiation of a new contract can take 18 months or more to negotiate if the parties are meeting on a frequent and regular basis. Note that, under existing law, all terms of an MOU continue in full force and effect until a successor agreement is negotiated. House Bill 604 creates a conflict of interest, real or perceived, on the part of the arbitrator, and infringes on the rights and authority of the Public Employee Relations Board. Utilization of a paid arbitrator throughout the process will easily total thousands or tens of thousands of dollars in addition to the attorney fees and costs of experts such as an economist.

While there are certain states and local jurisdictions that make a binding interest arbitration process available, binding interest arbitration is a process generally reserved to public safety employees such as those in police and fire units that are typically smaller and have a unique set of needs and circumstances. Even in those states where regular staff employees have access to an interest arbitration process, that process is often vastly different from the one outlined in House Bill 604. Many of those states utilize a multi-stage impasse resolution process, an appeal/review process is available, and they do not utilize the same decision-maker at every step of the process. States such as CA, IL, OH, PA, OR, MT, and WA, for example, do not have a binding interest arbitration requirement for public higher education employees.

Alternatives to the bill as proposed may include: exclusion of the USM from the bill; tightening and strengthening the existing statutory process without a complete overhaul of the collective bargaining statute; amending the bill so the third-party arbitrator's decision is binding as to non-economic matters only; amending the bill to apply only to public safety units; utilizing a multi-stage interest arbitration process that includes a panel of arbitrators; and/or pushing back the effective date to July 2028.

The USM greatly values the dedication and hard work of its employees who keep our institutions running in support of our providing an affordable and accessible education for Maryland students and their families. The USM remains committed to providing competitive wages and benefits to recruit and retain a highly skilled workforce. Both the institutions and the USM can continue to successfully do that, in part, through good faith negotiations under the existing process with the exclusive representatives across the System.

For these reasons, the USM respectfully opposes House Bill 604. If the committee is inclined to move this bill, the USM would appreciate inclusion in discussions of potential amendments.



UNIVERSITY SYSTEM
of MARYLAND

