HB 350

Department of Fiscal Services

Maryland General Assembly

FISCAL NOTE

House Bill 350 (The Speaker, et al.) (Administration)
Appropriations

State Employees - Collective Bargaining

This Administration bill establishes a system of collective bargaining for all employees in the Executive Branch of State government, except elected and appointed employees, executives, certain managers, temporary employees, contractual employees, faculty employees of a State institution of higher education, and an employee entitled to participate in collective bargaining under another law. Bargaining rights are provided over wages, hours, and working conditions, except matters relating to the Maryland State Retirement and Pension Systems.

The bill includes an effective date of July 1, 1996 and provides that the provisions of this bill supersede any other law, executive order, or administrative regulation.

Fiscal Summary

State Effect: The Governor's FY 1997 budget includes about $285,000 in general fund expenditures to support this bill, although these expenditures are not contingent on the enactment of this bill. In relation to the budget, general fund expenditures would increase by an additional $1.1 million in FY 1997 to administer collective bargaining laws and negotiate contract agreements. In addition, expenditures could increase by an estimated $26 to $39 million in fiscal 1998 and annually thereafter to meet any wage and benefit concessions provided in employee contract agreements. The fiscal summary box includes administrative and negotiation expenses only. Future year expenditures reflect the full-year costs for administration and negotiation with adjustment for inflation. Revenues would not be affected.

(in millions)	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
GF Revenues	$0.00	$0.00	$0.00	$0.00	$0.00
GF Expenditures	$1.14	$1.21	$1.26	$1.30	$1.35
Net Effect	($1.14)	($1.21)	($1.26)	($1.30)	($1.35)

Note: ( ) - decrease; GF - general funds; FF - federal funds; SF - special funds

Local Effect: None.

Small Business Effect: A small business impact statement was not provided by the Administration in time for inclusion in this fiscal note. A revised fiscal note will be issued when the Administration's assessment becomes available.

Fiscal Analysis

Bill Summary: Major provisions of the bill include:

- The bill establishes a State Labor Relations Board comprised of five members, including the Secretary of Labor, Licensing, and Regulation and four members of the public appointed by the Governor. Members are entitled to compensation and reimbursement under standard State travel regulations. The board may appoint an Executive Director who may employ professional consultants. The Department of Labor, Licensing, and Regulation (DLLR) is responsible for administrative support to the board.

- The board is responsible for administering and enforcing the collective bargaining laws and may establish criteria for bargaining units, supervise elections of exclusive employee representatives, investigate unfair labor practices, resolve impasses in collective bargaining, and hold hearings in accordance with State grievance procedures to resolve any issues or complaints.

- The bill establishes management's exclusive domain to determine the State's overall mission; maintain and improve efficiencies and effectiveness of operations; hire, direct, supervise, assign, schedule, and evaluate employees; promote, discipline, discharge, transfer, retain, and lay off employees; and take actions to carry out the mission of the employer in situations of emergency.

- The bill prohibits strike activity and provides that an appointing authority can take disciplinary action, including termination of employment, against an employee who participates in a strike. The board may revoke the certification of an exclusive representative who engages in any illegal strike activity.

- The Governor must designate one or more representatives to bargain on behalf of the State and the exclusive employee representative shall designate one or more representatives to bargain on behalf of the represented employees. The parties must make every effort to conclude negotiations in time for inclusion by the principal unit in its budget request to the Governor.

- The contract term for a collective bargaining agreement must be no less than one year and no more than three years.

- The first step in resolving an impasse dispute over the terms and conditions of a contract agreement is mediation with the costs shared equally by the parties. If the impasse continues, the board may define the area or areas of dispute and order the parties to begin fact-finding. Fact-finding is to be conducted by a tripartite fact-finding board with one member appointed by each party and a third member selected jointly by the parties. The fact-finding panel must make written findings of facts and recommendations. The recommendations must be the last position advocated by one of the parties. The board must direct the parties to comply with the fact-finders' recommendations if the recommendations are supported by competent and material evidence.

- The President of the Senate and the Speaker of the House may designate a representative to attend fact-finding proceedings.

- The collective bargaining agreement must be ratified by the Governor and the employees in the bargaining unit.

State Expenditures: The Department of Fiscal Services (DFS) advises that this bill provides collective bargaining rights to about 61,100 employees with total wage and benefits of approximately $2.6 billion. DFS estimates that the total administrative and negotiation costs of collective bargaining would be $1.4 million in fiscal 1997 which reflects a three-month start-up delay. In addition, the State could incur additional expenses of $26 to $39 million to meet any wage and benefit adjustments provided through contract settlements in fiscal 1998 and annually thereafter. Details of this estimate are provided below.

State Labor Relations Board and Staff ($776,258): DFS estimates that the State Labor Relations Board would require a staff of 11 professional employees and 3 clerical employees to administer and enforce collective bargaining laws, supervise elections of employee representatives, investigate unfair labor practices, resolve impasses in collective bargaining, and hold hearings to resolve issues and complaints. As a result, general fund expenditures would increase by $757,058 in fiscal 1997. This figure includes salaries of $477,100, fringe benefits, ongoing operating expenses, $128,000 in one-time start-up costs, and reflects a three-month start-up delay for all new positions. The annual recurring costs for the State Labor Relations Board would be about $800,000 and includes (1) full salaries with 3.5% annual increases and 3% employee turnover; and (2) 2% annual increases in ongoing operating expenses.

Members of the State Labor Relations Board are eligible for compensation and expense reimbursements in accordance with standard State travel regulations. The board is to be comprised of the Secretary of Labor, Licensing, and Regulation and four members of the public. It is assumed that the board would meet at least four times monthly in fiscal 1997. Assuming that board members would receive a per diem compensation of $100, general fund expenditures would increase by $19,200 in fiscal 1997. It is assumed that the board would meet less frequently in future years and that the total compensation would be about $9,600 annually.

Expense reimbursements would depend upon the time, location, and frequency of the board's meetings. It is expected that the reimbursements for board members could be handled with the existing resources of DLLR.

Contract Negotiation Costs ($409,417): DFS estimates that the State would need a staff of six professional employees and three clerical employees to handle contract negotiations with the exclusive representatives. This estimate is based on the assumption that the State would limit the number of bargaining units to 12 or less. As a result, general fund expenditures would increase by $409,417 in fiscal 1997. This figure includes salaries of $268,480, fringe benefits, ongoing operating expenses, $51,000 in one-time start-up costs, and reflects a three-month start-up delay for all new positions. The annual recurring costs for negotiations would be about $500,000 which includes (1) full salaries with 3.5% annual increases and 3% employee turnover; and (2) 2% annual increases in ongoing operating expenses.

Central Payroll Bureau ($77,842): The bill specifies that the board must certify to the Comptroller any entitlements of an employee organization to dues and services fees specified in a collective bargaining agreement and provides that only the employee organization certified as exclusive representative is entitled to receive payments through payroll deductions. Therefore, all other labor organization dues and related insurance deductions must be cancelled and a system must be established to control the service fees and dues deductions.

The Central Payroll Bureau would incur one-time costs of approximately $56,700 to establish software methodology to implement the service fees and dues deductions and to eliminate current payroll deductions to labor organizations. In addition, the bureau would need to hire an employee to handle the ongoing administrative functions related to service fees and membership dues. The first-year cost to the Central Payroll Bureau would be $77,842, which includes salaries of $14,346, fringe benefits, ongoing operating costs, and one-time computer expenses of $56,700. This estimate reflects a three-month start-up delay. Future year expenditures would be about $30,000 which reflects (1) full salaries with 3.5% annual increases and 3% employee turnover; and (2) 2% annual increase in ongoing operating expenses.

Grievance Disputes ($150,000): DFS assumes that the State Labor Relations Board would be actively involved in resolving employee grievance disputes and that any grievance not resolved by the board would be referred to the Office of Administrative Hearings (OAH). As a result, OAH's expenses would increase by $150,000 in fiscal 1997 which reflects a three-month start-up delay. Future year expenditures would increase by approximately $200,000 to reflect a full year of hearings with 2% increases for inflation. This estimate is in addition to the $1.2 million which is already appropriated to OAH to resolve employee disputes and other personnel related matters.

Impasse Resolution Expenses ($10,000): The bill provides that contract disputes are to be resolved through mediation services and a tripartite fact-finding board. The cost of mediation is approximately $1,000 a day, including stenographic services. The cost of a tripartite fact-finding board is about $3,000 a day, including stenographic services. The average mediation and fact-finding hearing is five days.

Research indicates that 15% of collective bargaining contract negotiations are settled though dispute resolution methods. Assuming that the State bargains with 12 bargaining units and negotiates contracts for a two-year term, it follows that the State would be involved in at least one mediation and fact-finding session annually. The annual cost for these mediation and fact-finding sessions would be about $20,000. The costs are to be shared equally by the parties involved. The State's cost for impasse dispute resolution would be about $10,000 annually.

Wage and Benefits Adjustments ($26 to $39 million): DFS estimates that collective bargaining rights would increase the State's total wage and benefit expenditures for affected employees by 1% to 1.5% annually. This bill extends collective bargaining rights to about 61,100 State employees with total wage and benefits of approximately $2.6 billion. Therefore, wage and benefits could increase by $26 to $39 million annually. It is assumed that the State's expenditures for wage and benefits adjustments would increase in fiscal 1998 and would continue to increase annually thereafter.

Department of Labor, Licensing, and Regulation's Estimate of the Cost of Collective Bargaining: The Department of Labor, Licensing, and Regulation (DLLR), estimates that the total cost of collective bargaining for fiscal 1997 would be about $695,000 and advises that of this amount about $285,000 is included in the Governor's proposed fiscal 1997 budget. However, these expenditures are not contingent upon the enactment of this bill. In providing this estimate, DLLR has assumed that the fiscal 1997 appropriation for the Office of Administrative Hearings (OAH) is sufficient to handle any employee grievance activity related to this bill.

Recap of FY 1997 Administrative and Negotiation Costs of Collective Bargaining Prepared by DFS

	FY 1997 Cost
State Labor Relation Board & Staff	$776,258
Contract Negotiation Costs	$409,417
Central Payroll Bureau	$77,842
Grievance Disputes	$150,000
Impasse Resolution Expenses	$10,000
Subtotal	$1,423,517
Less Governor's Appropriation in FY 1997 Budget	($285,426)
Total Cost in Relation to the Budget	$1,138,091

Information Source(s): Department of Labor, Licensing, and Regulation; Comptroller of the Treasury - Central Payroll Bureau; State Department of Education; Department of State Police; Department of Human Resources; University of Maryland; Office of Administrative Hearings; Department of Budget and Fiscal Planning; Department of Fiscal Services

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