HB 1420

Department of Fiscal Services

Maryland General Assembly

FISCAL NOTE

House Bill 1420 (Delegate C. Mitchell, *et al.*)
Appropriations

Maryland Public Employee Labor Relations Act

This bill provides collective bargaining rights to all Maryland public employees including employees of the State or any political subdivision of the State, any public or quasi-public body, a university system that is not subject to State and federal income taxation, and the representatives of the executive and legislative branches of State government. Employees have the right to bargain over wages, hours, and working conditions including any terms related to hiring, promoting, retiring, disciplining, terminating, or rewarding public employees, and subcontracting bargaining unit work.

The bill does not apply to public employees covered by any other statewide collective bargaining law or to the employees of Baltimore City. In addition, a county may exclude its public employees from coverage until July 1, 1998 and may pass its own collective bargaining legislation to take effect not later than July 1, 1998.

Fiscal Summary

State Effect: General fund expenditures would increase by about $2.3 million in FY 1998 to administer collective bargaining laws and negotiate contract agreements. In addition, general, special, and federal fund expenditures could increase by an estimated $35 to $53 million in FY 1999 and annually thereafter to meet any wage and benefit concessions provided in employee contract agreements (not included in table). Future year expenditures reflect the full-year costs for administration and negotiations with adjustments for inflation. Revenues would not be affected.

(in millions)	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
GF Revenues	$0.00	$0.00	$0.00	$0.00	$0.00
GF Expenditures	$2.32	$2.51	$2.60	$2.69	$2.78
Net Effect	($2.32)	($2.51)	($2.60)	($2.69)	($2.78)

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

Local Effect: Potential significant increase in expenditures for numerous counties and municipalities. Revenues would not be affected. **This bill imposes a mandate on a unit of local government.**

Small Business Effect: None. This bill would not directly affect small businesses.

Fiscal Analysis

Bill Summary: Major provisions of the bill include:

- The bill establishes the Maryland Public Employee Labor Relations Board comprised of a chairman of the board who will serve full-time and four part-time members. Each member of the board is entitled expense reimbursement under the standard State travel regulations. The board may employ a staff including counsel. The board must issue opinions and establish rules and regulations concerning collective bargaining laws, mediate negotiations, resolve disputes concerning the most appropriate bargaining unit, certify employee exclusive representatives, and investigate unfair labor practices.

- If an impasse occurs in negotiating an agreement, the board must mediate the grievance until it is resolved or until an arbitrator is appointed. If there is no agreement before the 60th day before budget hearings, an arbitrator will be selected. The arbitrator will issue a binding award covering all issues in dispute. The parties must share the cost of arbitration equally. If either party fails to comply with an arbitrator's award, the injured party or the board may petition the circuit court for enforcement. The party prevailing on the petition for enforcement is entitled to costs and attorneys' fees.

- A collective bargaining agreement must contain a "no-strike" clause, a "no-lockout" clause, a provision for payroll deductions for membership dues and services fees, and grievance procedures which provide for binding arbitration. The costs of arbitration are to be shared equally by the parties.

It is assumed that this bill would apply to all State employees not already covered by collective bargaining statutes and would therefore supersede the executive order that currently subjects approximately 40,000 State employees to collective bargaining.

State Expenditures: The Department of Fiscal Services (DFS) advises that this bill provides collective bargaining rights to about 216,000 public employees with total wage and benefits of approximately $9.7 billion. DFS estimates that the total administrative and negotiation costs of collective bargaining would be $2.3 million in fiscal 1998 which reflects the October 1, 1997 effective date. In addition the State could incur additional expenses of $32 to $48 million to meet any wage and benefit adjustments provided through contract settlements. Details of this estimate are provided below.

Maryland Public Employee Labor Relations Board ($1,050,201): It is estimated that the State Labor Relations Board would require a staff of 18 professional employees and five clerical employees to administer and enforce collective bargaining laws for all public employees. As a result, general fund expenditures would increase by $1,050,201 in fiscal 1998. This figure includes salaries of $652,662, fringe benefits, ongoing operating costs, and one-time start-up costs of $178,000, and reflects the October 1, 1997 effective date. Future year expenditures would increase by about $1.2 million and include (1) full salaries with 3.5% annual increases and 3% employee turnover; and (2) 2% annual increases in ongoing operating expenses.

Members of the Maryland Public Employee Labor Relations Board would be entitled to expense reimbursements under standard State travel regulations. Expense reimbursements would depend upon the time, location, and frequency of the board's meetings. It is assumed that any reimbursements for the four part-time board members would be minimal.

Contract Negotiation Costs ($584,251): It is estimated that the State would need a staff of ten professional employees and four clerical employees to handle contract negotiations with the exclusive representatives. As a result, general fund revenues and expenditures would increase by $584,251 in fiscal 1998. This figure includes salaries of $380,124, fringe benefits, ongoing operating costs, and $72,000 in one-time start-up costs, and reflects the October 1, 1997 effective date. Future year expenditures would increase by about $700,000 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 ($82,497): 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. 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 bureau would be $82,497, which includes salaries, fringe benefits, ongoing operating costs, and one-time computer expenses of $56,700, and reflects the October 1, 1997 effective date. Future year expenditures would be about $30,000 which reflects (1) full salary with 3.5% annual increases and 3% employee turnover; and (2) 2% annual increases in ongoing operating expenses.

Grievance Disputes ($600,000): The dispute resolution process for a grievance impasse may be negotiated by the employer and the employee's exclusive representative but must include binding arbitration. DFS assumes that the parties would submit a grievance impasse to the Office of Administrative Hearings (OAH) before appealing to an arbitrator. It is estimated that 800 grievance impasses would not be resolved by OAH and would be referred to an arbitrator. The average daily cost of an arbitrator is $1,500, including stenographic services. If the average length of an arbitrator's hearing is one day, the average annual cost of arbitration services to resolve grievance disputes would be $1.2 million. These costs are to be split equally by the parties involved. The State's share of this cost would be $600,000.

Impasse Resolution Expenses ($7,500): The bill provides that an impasse over the terms of a contract agreement (interest impasse) are to be mediated by the board and if not resolved within 60 days before the budget submission date, must be referred to an arbitrator for a binding award. The daily cost of an arbitrator is $1,500, including stenographic services. The average length of an arbitrator's hearing to resolve an interest impasse is five days. It is assumed that the State would be involved in two arbitration hearings annually. The cost of arbitration is to be split equally by the parties involved. The State's cost for interest impasse arbitration would be about $7,500 annually.

Wage and Benefit Adjustments ($35 to $53 million): It is estimated that collective bargaining rights would increase the State's total wage and benefit expenditures for affected employees by 1% to 1.5% annually. The bill extends collective bargaining rights to about 75,000 State employees and about 11,000 contractual employees with total wage and benefits of approximately $3.5 billion. Therefore, wage and benefit expenditures could increase by $35 to $53 million annually. It is assumed that the State's expenditures for wage and benefit adjustments would increase in fiscal 1999 and would continue to increase annually thereafter.

Local Expenditures: Six counties and Baltimore City provide collective bargaining rights to most public employees; three counties provide collective bargaining rights to a limited number of employees; and nine municipalities provide collective bargaining rights to some members of the municipal work force. The bill would require all counties to provide collective bargaining rights to most employees by July 1, 1998.

The counties would expend additional resources to negotiate contract agreements and to resolve impasses which arise during the negotiation of contract agreements and grievance disputes. The costs to the counties would depend on the number of bargaining units recognized and the number of employees affected. In addition, the counties could incur additional expenses to meet any wage and benefit concessions provided in employee contract agreements.

Information Source(s): Comptroller's Office, Office of Administrative Hearings, Baltimore

City, Prince George’s County, Talbot County, Department of Fiscal Services

Fiscal Note History: First Reader - March 12, 1997

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