

Department of Legislative Services
Maryland General Assembly
2003 Session

FISCAL AND POLICY NOTE
Revised

House Bill 383 (Montgomery County Delegation and
Prince George's County Delegation)

Appropriations

Finance

Washington Suburban Sanitary Commission - Collective Bargaining and
Binding Arbitration
MC/PG 109-03

This bill establishes collective bargaining and binding arbitration for certain employees of the Washington Suburban Sanitary Commission (WSSC).

The bill applies prospectively and does not apply to any collective bargaining agreement for the service, labor, and trade unit that WSSC and employee representatives entered into before the bill's effective date.

Fiscal Summary

State Effect: None. The bill would not materially affect State activities or finances.

Local Effect: Increase in administrative costs for WSSC of \$135,000 in the initial year, declining to \$50,000 annually for the duration of the labor administrator's term, and a potential increase in personnel costs. Revenues are not affected. **This bill imposes a mandate on a unit of local government.**

Small Business Effect: None.

Analysis

Bill Summary: The bill establishes collective bargaining and binding arbitration for certain merit system employees of WSSC similar to that established under current law for

certain merit system employees of the Maryland-National Capital Park and Planning Commission.

The bill defines four employee bargaining units: (1) office/technical; (2) professional; (3) service, labor, and trade; and (4) a law enforcement unit that includes WSSC police. It also establishes requirements for the constitution and bylaws of employee organizations seeking to become the exclusive representative of a bargaining unit, as well as the process, by election, which an employee organization must follow to become certified as the exclusive representative of a bargaining unit. The bill also repeals the limit on maximum salary increases for WSSC employees.

The bill provides for a Labor Relations Administrator (LRA) and establishes the process for appointment of the LRA and the duties of the LRA in the collective bargaining and binding arbitration process. If WSSC and the exclusive representative cannot jointly agree on the selection of an LRA, then each will have alternative strikes from a list of candidates supplied by the American Arbitration Association. The LRA will be appointed for a three-year term and may be reappointed for another year if no exclusive representative has been certified. It also defines the subject areas for collective bargaining and provides for the use of a mediator-arbitrator, paid for by both parties, in the event of an impasse.

The bill prohibits binding arbitration for pension and other retirement benefits for active employees and specifies that collective bargaining about such benefits may not require WSSC to offer more than one pension plan. WSSC may not alter any terms or conditions of employment without following the collective bargaining process under the bill.

A WSSC employee may not be permanently removed except for cause and after an opportunity to be heard. The discharged employee may appeal to the Secretary of Budget and Management, whose decision is final.

The terms of a collective bargaining agreement are subject to the approval of the Montgomery and Prince George's county councils.

Current Law: There is no provision in current law for collective bargaining or binding arbitration for WSSC employees. However, WSSC has an administrative policy that addresses these issues. State law specifies that the maximum increase in employee compensation for WSSC employees, including merit and cost-of-living increases, may not exceed the increase authorized for State employees for the same fiscal year. This limit does not apply to an employee who is employed under a collective bargaining agreement or who receives a base salary of less than \$25,000 a year.

Background: According to a survey conducted by WSSC in February 2002, about half of the regional utilities (including local government sanitation) participate in collective bargaining. Of the seven public and private utilities that engage in collective bargaining, three are subject to binding arbitration. Currently, 409 WSSC employees (out of 1,500) belong to a collective bargaining unit that is not subject to binding arbitration. The unit consists of labor and trades positions in maintenance, plant operations, and automobile mechanics.

Local Expenditures: Expenditures related to collective bargaining can be classified into two categories: administrative and personnel.

Administrative Costs

Expenditures could increase by \$135,000 in the initial year because of the election process and the requirement for an LRA due to the binding arbitration provisions. This estimate is based upon 500 hours of time for an LRA at \$250 per hour for a total of \$125,000. There will also be associated costs of \$10,000 for communications and contractual services in that year.

In other years, the administrative expenses associated with the LRA are estimated to decline to \$50,000 annually based upon 200 hours per year at \$250 an hour. Assuming that an exclusive representative is certified during the LRA's three-year term, these costs would dissipate once the term expires. If there is an impasse and the services of a mediator are used, there will be a further increase in administrative costs.

Personnel Costs

Department of Legislative Services (DLS) research estimates that, on average, collective bargaining increases costs associated with salaries and fringe benefits by 1% to 1.5%. WSSC advises that approximately 1,200 employees, with an associated annual payroll of \$60 million, would become eligible for collective bargaining. However, because the costs related to any collective bargaining agreement must be approved by the county councils, the potential impact on payroll costs cannot be reliably estimated at this time.

DLS also advises that lifting the limit on maximum salary increases could also significantly increase WSSC personnel costs if larger increases are approved. Currently, no cost-of-living adjustments are slated for State employees for fiscal 2004. Merit increases are not authorized in fiscal 2004. WSSC derives its revenue from rates charged for water and sewer service – any salary increases would not affect local government expenditures.

Additional Comments: DLS notes that the bill, as amended, allows the mediator-arbitrator to independently resolve items between the parties that were not previously agreed upon, rather than requiring the mediator to select between the final offers submitted by the parties.

Additional Information

Prior Introductions: A similar bill was introduced as HB 772 in the 2002 session. The House Appropriations Committee gave it an unfavorable report.

Cross File: None.

Information Source(s): Montgomery County, Prince George's County, Washington Suburban Sanitary Commission, Department of Legislative Services

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