

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0642-02
Bill No.: SCS for HB 251
Subject: Fees; Labor and Industrial Relations Department; Labor and Management
Type: Original
Date: February 27, 2017

Bill Summary: This proposal creates new provisions relating to public labor organizations.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
General Revenue Fund	(\$879,521)	(\$754,051)	(\$772,873)
Total Estimated Net Effect on General Revenue	(\$879,521)	(\$754,051)	(\$772,873)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 11 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
General Revenue Fund	5 FTE	5 FTE	5 FTE
Total Estimated Net Effect on FTE	5 FTE	5 FTE	5 FTE

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

In response to a similar proposal from this session (HB 238), officials at the **Department of Labor and Industrial Relations (DOLIR)** assumed the proposal changed laws relating to labor organization reporting requirements, bargaining unit election requirements and places additional regulatory requirements on DOLIR.

REVENUE ESTIMATE

Subsection 105.540.3 directs DOLIR to, by regulation, provide copies of reports and documents filed upon payment of a charge based upon the cost of the service. Since these costs will be defined by regulation, DOLIR cannot provide an estimate of revenue for these activities.

Subsection 105.575.15 directs the State Board of Mediation (SBM) to collect fees from each labor organization to defray election costs. The fees are based on the number of members in each bargaining unit. Currently, the SBM is not notified of changes to the number of members in a bargaining unit once the election has concluded, nor does it have information on members voluntarily recognized or otherwise excluded bargaining units.

Subsection 105.575.15 directs the State Board of Mediation to assess and collect fees from each labor organization participating in an election to defray election costs. For the purposes of this response, DOLIR estimates 700 bargaining unit elections annually. The majority of certified bargaining units at the time of election are made up of less than 100 members. Based on historical averages from FY 2010 through 2015, DOLIR estimates a total of \$162,500 in revenue annually from fees collected from labor organizations.

Estimated Revenue from Labor Organization Fees							
Total Voters	1-100	101-250	251-500	501-1000	1001-3000	3001+	TOTAL
Bargaining Units	598	84	12	3	2	1	700
Fee	\$200	\$350	\$500	\$750	\$1,500	\$2,000	
Total	\$119,600	\$29,400	\$6,000	\$2,250	\$3,000	\$2,000	\$162,250

DOLIR assumed all revenue collected would be deposited into General Revenue. The Board will be required to adopt procedures for assessing and collecting the fees, as well compliance with accepted accounting practices.

ASSUMPTION (continued)

COST ESTIMATE - State Board of Mediation

DOLIR estimated there are currently over 600 bargaining units that have been certified. Section 105.515 requires that bargaining units made up of otherwise excluded employees (e.g., teachers and peace officers) and voluntarily recognized units also be recertified. Because excluded and voluntarily recognized units are not required to notify the department of their existence, the department does not have the number of such units. For the purposes of this estimate, DOLIR assumes there are 100 excluded and voluntarily recognized units, for a total of 700. The number of actual bargaining units and elections could be more or less depending upon the precision of the estimate used.

Subsection 105.533.1 requires all of the estimated 700 labor organizations to submit constitutions & bylaws to the department. Subsections 105.533.2, 105.533.3, and 105.535.1 require all of the estimated labor organizations, as well as certain officers of those organizations, to submit annual financial reports to the department. The submissions will be in electronic or paper document form. The subsections mandate information to be contained in those submissions. The State Board of Mediation (SBM) estimates it will require 3.00 Senior Office Support Assistants (Range 12, Step F) to verify that all labor organizations comply with the required submissions. They must process (review for compliance regarding mandated information) and properly file the documents and electronically submitted reports. These FTE would also field Chapter 610 requests and prepare the requested documents and reports for dissemination upon authorization as required in Subsections 105.540.1 and 105.540.2.

Subsection 105.575.12 requires that all public sector bargaining units be recertified annually through simultaneous telephone or on-line elections conducted by the SBM. Currently, elections are conducted only in-person or by mailed ballot. The Board's current staff will not be able to fulfill the new responsibilities required by the bill. To facilitate the estimated 700 annual recertification elections, the Board would require 2.00 additional FTE, one Executive II (Range 22, Step G) and one Senior Office Support Assistant (Range 12, Step F). If this bill is enacted, the Board may seek to contract with a third party provider of electronic election services for an estimated \$500,000.

The occurrence of the elections will also result in an incentive for existing bargaining representatives or the public body employers to petition to clarify the makeup of their units or to amend their certifications to reflect changing circumstances. It is likely that some portion of these petitions will result in disagreements between public bodies and bargaining representatives, which will, in turn, result in a need for the Board to conduct additional hearings. Each additional hearing will also result in briefing and the need for a written decision.

ASSUMPTION (continued)

The SBM members are not compensated for their service; however, they do receive a per diem of up to \$50 for days they perform services for the board and reimbursement for any expenses incurred while performing those duties. The services include preparation for hearings and hearing and deciding cases. It is expected that board members will incur additional expenses for preparation and travel related to the additional hearings.

In addition to the standard expense and equipment for each FTE, additional expenses including a printer, file cabinets, and travel expenses will also be required because bargaining units are located throughout the state.

The assumption is a RFP will be created and awarded. PMO oversight cost, cost to write an RFP, web server, PM Spectrum server, Report Server and database server cost included. To complete the fiscal note, security developed for the application and new web pages created to enter, update, delete information reported by the labor association. History will need to be kept for prior elections. Member's addresses would be verified for valid addresses. For election voting, the labor association members will be assigned a unique number to be used for secured voting through new on-line web based screens. The unique number will be mailed to each member. Telephone voting would be prohibited due to cost. Approximately 700 annual elections would be conducted simultaneously. Reports created to share information and count election results. Setup a SAM II object code or grant code added for financial data tracking piece. The system will require a new database and services from the State Data Center.

In response to a similar proposal from this session (HB 238), officials at the **Office of Administration - Budget and Planning (OA-BAP)** assumed the proposal could impact total state revenue and Department of Labor and Industrial Relations (DOLIR) based on the following information.

This bill changes laws relating to labor organization reporting requirements, bargaining unit election requirements and places additional requirements on DOLIR.

OA-BAP states, §105.533 requires every labor organization to file an annual financial report with the State Board of Mediation containing certain information specified in this bill. Section 105.535 requires officers and employees of labor organizations to provide a list and description of various items specified in the bill to the DOLIR. These records become public and DOLIR is authorized by subsection 105.540.3 to charge for furnishing such records based upon the cost of service. TSR will increase by an unknown amount equal to the total charges related to this provision, and the calculation under Article X, Section 18(e) may be impacted.

ASSUMPTION (continued)

OA-BAP states, §105.555 states that failure to comply with the provisions of this bill will result in penalties including fines of up to \$10,000 and imprisonment of up to one year, or both. Article IX, Section 7 of the Missouri Constitution provides that penalties, forfeitures and fines shall be distributed to schools. TSR will increase by an unknown amount equal to the total fines paid by violators of this law. This will have no effect on the calculation under Article X, Section 18(e).

OA-BAP states, §105.575 requires the State Board of Mediation within the DOLIR to conduct an election by secret ballot to certify the exclusive bargaining representatives of an appropriate collective bargaining unit for certain employees and to recertify these representatives annually. Each labor organization participating in the election shall be assessed a fee determined by the size of the bargaining unit. TSR will increase by an unknown amount equal to the total amount of the fees collected and the calculation under Article X, Section 18(e) may be impacted.

OA-BAP states, DOLIR may respond with more specific fiscal impacts.

Oversight will show a fiscal impact based on the response from the Department of Labor and Industrial Relations resulting from the net effect of revenue from election fees and costs for additional FTE's, equipment and expenses, ITSD consultants, and ITSD expenses which will be \$879,521 in FY2018, \$754,051 in FY2019, and \$772,873 in FY2020.

Officials at the **Office of Administration - Personnel DOP** assume their organization could absorb the increased workload with current staff; however, if bargaining units are created and labor agreements put into place, DOP would require additional appropriations to hire more staff.

Officials at the **Department of Corrections, Department of Health and Senior Services, Department of Mental Health, and Department of Social Services** each defer to Office of Administration - Personnel.

Officials at the **Department of Public Safety - Director's Office (DPS-DO)** assume this proposal would not have a fiscal impact on their organization. However, DPS-DO also stated any impact for their state office would be included in the response from Office of Administration - Personnel.

Officials at the **Department of Transportation** and the **Department of Conservation** each assume this proposal will not have a fiscal impact on their respective organizations.

ASSUMPTION (continued)

Officials at the **City of Kansas City** assume this proposal could have a positive or a negative fiscal impact on their organization of an indeterminate amount based on the following information:

The provisions found in Subsection 4 of §105.580 states that a public body does not have to pay any labor organization representative for time spent participating in collective bargaining.

The provisions found in Subsection 7 of §105.580 states that economic provisions have to be bargained for annually.

The provisions found in Subsection 8 of §105.580 states the term of a labor agreement cannot exceed two years.

Oversight will not show a fiscal impact to the City of Kansas City based on any costs that could be incurred due to Subsections 7 and 8 of §105.580 would be offset by reduced costs from Subsection 4 of §105.580 and any negative difference could be absorbed with existing resources.

Officials at **St. Louis County** assume there would likely be a fiscal impact, the impact would be based upon indirect costs, such as having to negotiate wages every two years (Subsection 8 of §105.580), having management employees at the negotiating table much more frequently (Subsection 7 of §105.580), the public body being responsible for notifying employees about elections, and giving taxpayers the right to file suit if they think the statute is being violated (§105.595).

Oversight will not show a fiscal impact to St. Louis County based on reduced costs related to Subsection 4 of §105.580 will offset costs related to Subsections 7 and 8 of §105.580, should there be a negative difference those and any costs associated with §105.595 could be absorbed with existing resources.

Officials at the **Callaway County** assume this proposal would not have a fiscal impact on their organization.

Officials at the **Missouri State University**, the **Northwest Missouri State University**, the **Missouri Western State University**, the **State Technical College of Missouri**, and the **University of Missouri** each assume this proposal will not have a fiscal impact on their respective organizations.

Officials at the school district of **Seymour R-II** assume this proposal would not have a fiscal impact on their organization.

ASSUMPTION (continued)

Officials at the following cities: Ashland, Belton, Bernie, Bonne Terre, Boonville, California, Cape Girardeau, Clayton, Columbia, Dardenne Prairie, Des Peres, Excelsior Springs, Florissant, Frontenac, Fulton, Gladstone, Grandview, Harrisonville, Independence, Jefferson City, Joplin, Kearney, Knob Noster, Ladue, Lake Ozark, Lee Summit, Liberty, Louisiana, Maryland Heights, Maryville, Mexico, Monett, Neosho, O'Fallon, Pacific, Peculiar, Pineville, Popular Bluff, Raytown, Republic, Richmond, Rolla, Sedalia, Springfield, St. Charles, St. Joseph, St. Louis, St. Robert, Sugar Creek, Sullivan, Warrensburg, Warrenton, Webb City, Weldon Spring and West Plains did not respond to **Oversight's** request for fiscal impact.

Officials at the following counties: Andrew, Atchison, Audrain, Barry, Bollinger, Boone, Buchanan, Callaway, Camden, Cape Girardeau, Carroll, Cass, Christian, Clay, Cole, Cooper, DeKalb, Dent, Franklin, Greene, Holt, Jackson, Jefferson, Johnson, Knox, Laclede, Lawrence, Lincoln, Maries, Marion, McDonald, Miller, Mississippi, Moniteau, Monroe, Montgomery, New Madrid, Nodaway, Ozark, Perry, Pettis, Phelps, Platte, Pulaski, Scott, Shelby, St. Charles, St. Francois, Taney, Warren, Wayne and Worth did not respond to **Oversight's** request for fiscal impact.

Officials at the following colleges: Crowder, East Central Community College, Harris-Stowe, Jefferson College, Lincoln University, Metropolitan Community College, Moberly Area Community College, Missouri Southern State University, Southeast Missouri State University, State Fair Community College, St. Charles Community College, St. Louis Community College, Three Rivers Community College, Truman State University, University of Central Missouri and the did not respond to **Oversight's** request for fiscal impact.

Officials at the following school districts: Arcadia Valley R-2, Aurora R-8, Avilla R-13, Bakersfield, Belton, Benton County R-2, Bismark R-5, Bloomfield R-14, Blue Springs, Bolivar R-I, Bowling Green R-1, Branson, Brentwood, Bronaugh R-7, Campbell R-2, Carrollton R-7, Caruthersville, Cassville R-4, Central R-III, Chilhowee R-4, Chillicothe R-II, Clarkton C-4, Cole R-I, Columbia, Concordia R-2, Crawford County R-1, Crocker R-II, Delta C-7, East Carter R-2, East Newton R-6, Eldon R-I, Everton R-III, Fair Grove, Fair Play, Fayette R-3, Forsyth R-3, Fox C-6, Fredericktown R-I, Fulton, Grain Valley, Hancock Place, Hannibal, Harrisonburg R-8,

Harrisonville, Hillsboro R-3, Hollister R-5, Humansville R-4, Hurley R-1, Independence, Jefferson City, Kansas City, Kearney R-1, Kennett #39, King City R-1, Kingston 42, Kirbyville R-VI, Kirksville, Laclede County R-1, Laredo R-7, Lee Summit, Leeton R-10, Lewis County C-1, Lindbergh, Lonedell R-14, Macon County R-1, Macon County R-4, Malta Bend, Mehville, Mexico, Middle Grove C-1, Midway R-1, Milan C-2, Moberly, Monroe City R-I, Morgan County R-2, New Haven, Nixa, North St. Francois Co. R-1, Northeast Nodaway R-5, Odessa R-VII, Oregon-Howell R-III, Orrick R-11, Osage County R-II, Osborn R-O, Parkway, Pattonville, Pettis County R-12, Pierce City, Plato R-5, Princeton R-5, Raymore-Peculiar R-III, Raytown, Reeds Springs R-IV, Renick R-5, Richland R-1, Riverview Gardens, Salisbury R-4, Sarcoxie R-2, Scotland County R-I, Sedalia, Shelby County R-4, Shell Knob #78, Sikeston,

ASSUMPTION (continued)

Silex, Slater, Smithville R-2, Special School District of St. Louis County, Spickard R-II, Springfield, St Joseph, St Louis, St. Charles, St. Elizabeth R-4, Sullivan, Tipton R-6, Valley R-6, Verona R-7, Warren County R-3, Warrensburg R-6, Webster Groves, West Plains R-VII, Westview C-6 and the Wright City R-2 School District did not respond to **Oversight's** request for fiscal impact.

<u>FISCAL IMPACT - State Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
GENERAL REVENUE FUND			
<u>Revenue - DOLIR - Election Fees</u>			
Subsection 105.575.15	<u>\$135,208</u>	<u>\$162,250</u>	<u>\$162,250</u>
<u>Costs - DOLIR</u>			
Personnel - 5 FTE	(\$118,570)	(\$143,707)	(\$145,144)
Fringe Benefits - 5 FTE	(\$78,260)	(\$94,336)	(\$94,764)
Per Diem - 2 Board Members (75 days X 2) X \$50 per day	(\$18,750)	(\$23,063)	(\$23,639)
Per Diem - 1 Chairman (75 days X 2) X \$50 per day	(\$9,375)	(\$11,531)	(\$11,820)
Equipment and Expenses - Office	(\$61,366)	(\$15,273)	(\$15,655)
Equipment - ITSD	(\$257,264)	\$0	\$0
Consultants - ITSD Election Server	(\$416,667)	(\$512,500)	(\$525,313)
Expenses - ITSD	<u>(\$54,477)</u>	<u>(\$115,891)</u>	<u>(\$118,788)</u>
Total Costs	<u>(\$1,014,729)</u>	<u>(\$916,301)</u>	<u>(\$935,123)</u>
FTE Change - DOLIR	5 FTE	5 FTE	5 FTE
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND			
	<u>(\$879,521)</u>	<u>(\$754,051)</u>	<u>(\$772,873)</u>
Estimated Net FTE Change for General Revenue Fund	5 FTE	5 FTE	5 FTE
<u>FISCAL IMPACT - Local Government</u>			
	FY 2018 (10 Mo.)	FY 2019	FY 2020
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This bill prohibits any sum from being withheld from the earnings of a public employee for the payment of any portion of dues, agencyshop fees, or other fees paid by public employee members of a public labor organization or a public employee who is a nonmember except upon the annual written or electronic authorization of the employee.

A public labor organization is prohibited from using or obtaining any portion of dues, agency shop fees, or any other fees paid by member and nonmember public employees to make political campaign contributions or expenditures unless it obtains a written or electronic authorization from the member or nonmember within the previous 12 months.

This bill further requires public labor organizations to maintain financial records, identical to those required by federal law (29 U.S.C. 431(b)), for no less than five years. Each report required under this section must be made available to employees in a searchable electronic format. If a public labor organization fails to make the reports available to an employee, that employee will have a cause of action against the organization.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Labor and Industrial Relations
Department of Transportation
Department of Conservation
Department of Public Safety - Director's Office
Department of Social Services
Department of Health and Senior Services
Department of Corrections
Department of Mental Health
Office of Administration - Personnel
Office of Administration - Budget and Planning
City of Kansas City
St. Louis County
Callaway County
Missouri State University

SOURCES OF INFORMATION (continued)

Northwest Missouri State University
Missouri Western State University
State Technical College of Missouri
University of Missouri
Seymour R-II School District



Mickey Wilson, CPA
Director
February 27, 2017

Ross Strobe
Assistant Director
February 27, 2017