

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 5220-02  
Bill No.: Perfected HCS for HB 1577  
Subject: Labor and Management  
Type: Original  
Date: May 3, 2018

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Bill Summary: This proposal changes the laws relating to labor organizations.

**FISCAL SUMMARY**

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
General Revenue Fund	(\$154,537)	(\$228,140)	(\$37,734)
<b>Total Estimated Net Effect on General Revenue</b>	<b>(\$154,537)</b>	<b>(\$228,140)</b>	<b>(\$37,734)</b>

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 12 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
General Revenue	3 FTE	3 FTE	3 FTE
<b>Total Estimated Net Effect on FTE</b>	<b>3 FTE</b>	<b>3 FTE</b>	<b>3 FTE</b>

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

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Department of Labor and Industrial Relations (DOLIR)** state:

### REVENUE ESTIMATE

Subsection 105.540.3 directs the DOLIR to set fees, 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 SBM 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 850 bargaining unit elections biennially. 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 \$192,500 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	748	84	12	3	2	1	850
Fee	\$200	\$350	\$500	\$750	\$1,500	\$2,000	
<b>Total</b>	<b>\$149,600</b>	<b>\$29,400</b>	<b>\$6,000</b>	<b>\$2,250</b>	<b>\$3,000</b>	<b>\$2,000</b>	<b>\$192,250</b>

DOLIR assumes all revenue collected will be deposited into General Revenue. The SBM 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 (SBM)

DOLIR estimates that there are currently over 600 bargaining units that have been certified. This amendment requires that bargaining units made up of otherwise excluded employees (e.g., teachers and peace officers) and voluntarily recognized units 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 250 excluded and voluntarily recognized units, for a total of 850. The number of actual bargaining units and elections could be more or less depending upon the precision of the estimate used.

The proposed language requires all of the estimated 55 labor organizations to submit constitutions & bylaws to the DOLIR. It also requires all of the estimated labor organizations, as well as certain officers of those organizations, to submit annual financial reports to the DOLIR. The submissions will be in electronic form. The subsections mandate information to be contained in those submissions. The DOLIR shall make each document filed under this section publicly available, online, in an electronic format. The SBM estimates it will require 2.00 Senior Office Support Assistants (\$26,430 annually) to verify that all labor organizations comply with the required submissions and assist with the initial elections. They must process (review for compliance regarding mandated information), perform necessary electronic formatting and data entry to make the information available online, 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.

All public sector bargaining units shall be recertified biennially through telephone or on-line elections conducted by the SBM. Currently, elections are conducted only in-person or by mailed ballot. The SBM's current staff will not be able to fulfill the new responsibilities required by the amendment. To facilitate the estimated 850 biennial recertification elections, the SBM would require 1.00 Executive I (\$31,608 annually). The SBM may opt to contract with a third party to conduct the recertification elections.

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 SBM 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.

In order to track all of the information submitted by labor organizations to the department, DOLIR will implement a computer system estimated at \$110,000, with an ongoing maintenance cost of \$20,000 per year (Oversight notes the programming expense has changed from DOLIR's original response to HCS for HB 1577 of \$441,838 in FY 2019 and approximately \$140,000 per year thereafter).

In summary, DOLIR assumes the need for 3 additional FTE and related expenses totaling approximately \$350,000 in FY 2019 and \$230,000 per year thereafter.

Officials from the **Office of the Secretary of State** assume many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The Secretary of State's office is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to Secretary of State's office for Administrative Rules is less than \$2,500. The Secretary of State's office recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what our office can sustain with our core budget. Therefore, we reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

**Oversight** assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

Officials from the **Department of Corrections, Department of Mental Health, and Department of Social Services** defer to the Office of Administration to estimate the fiscal impact of the proposed legislation on their organization.

ASSUMPTION (continued)

Officials from the **Office of Administration-Personnel (OA)** assume this proposal greatly expands the responsibilities and requirements of labor negotiations within the State of Missouri. Currently, OA has less than one FTE who is assigned to handle the labor relations functions of the State. These functions include labor agreement negotiations and other maintenance associated with these agreements. With the increased responsibilities, it will place additional workload on the current employee. However, OA believes any additional costs associated with the proposal can be absorbed with existing resources.

Officials from the **Office of Prosecution Services** assume the proposal will have no measurable fiscal impact on their organization.

Officials from the **Joint Committee on Administrative Rules** assume the proposal is not anticipated to cause a fiscal impact beyond its current appropriation.

Officials from the **Attorney General's Office** assume that any potential costs arising from this proposal can be absorbed with existing resources. Attorney General's Office may seek additional appropriations if there is a significant increase in litigation.

Officials from **Boone County** assume because this would necessitate an extra negotiation every six years, the cost would be at least \$20,000 during that time.

Officials from the **City of Kansas City** assume the proposed Section 105.580.07 and .08 in this legislation may have a negative fiscal impact on the City of Kansas City, Missouri, of an indeterminate amount because the City would incur the costs of negotiating with its unions every 2 years. The other provisions of this legislation would have no fiscal impact on Kansas City.

Officials from the **Summersville R2 School District** assume the proposal will have little to no fiscal impact.

Officials from the **Department of Transportation, Department of Health and Senior Services, Missouri Department of Conservation, Office of the State Public Defender,** and

**Office of State Courts Administrator** each assume the proposal will have no fiscal impact on their respective organizations.

Officials from the **Jackson County Election Board, Platte County Board of Elections, and St. Louis County Election Board** each assume the proposal will have no fiscal impact on their respective organizations.

ASSUMPTION (continued)

Officials from the **University of Missouri** and **Missouri Western State University** both assume the proposal will have no fiscal impact on their respective organizations.

Officials from the following **cities**: Ashland, Belton, Bernie, Bonne Terre, Boonville, California, Cape Girardeau, Clayton, Columbia, Dardenne Prairie, Excelsior Springs, Florissant, Frontenac, Fulton, Grandview, Harrisonville, Independence, Jefferson City, Joplin, Kearney, Knob Noster, Ladue, Lake Ozark City, Lee Summit, Liberty, Louisiana, Maryland Heights, Maryville, Mexico, Monett, Neosho, O'Fallon, Peculiar, Pineville, Popular Bluff, Raytown, Republic, Richmond, Rolla, Sedalia, Springfield, St. Charles City Administrator, St. Louis City Budget Division, 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 from the following **counties**: Andrew, Atchison, Audrain, Barry, Benton, Bollinger, Buchanan, Callaway, Camden, Cape Girardeau, Carroll, Cass, Christian, Clay, Clinton, Cole, Cooper, Davies, Dekalb, Dent, Franklin, Greene, Holt, Jefferson, Johnson, Knox, Laclede, Lawrence, Lincoln, Maries, Marion, McDonald, Miller, Moniteau, Monroe, Montgomery, New Madrid, Nodaway, Ozark, Perry, Pettis, Pulaski, Scott, St. Charles, St. Francois, Taney, Warren, Wayne, and Worth did not respond to **Oversight's** request for fiscal impact.

Officials from the following **colleges and universities**: Crowder, East Central, Harris-Stowe, Jefferson College, Kansas City Metropolitan Community College, Lincoln University, Moberly Area Community College, Missouri Southern State University, Missouri State University, Northwest Missouri State University, Southeast Missouri State University, State Fair Community College, St. Charles Community College, State Technical College of Missouri, St. Louis Community College, Three Rivers Community College, Truman State University, and the

University of Central Missouri did not respond to **Oversight's** request for a statement of fiscal impact.

Officials from the following **school districts**: Alton R-IV, Arcadia Valley R-2, Ash Grove R-IV, Ava R-1, Avilla R-13, Bakersfield R-4, Belton School District #124, Benton County R-2, Bismark R-5, Bloomfield R-14, Blue Springs, Bolivar R-I, Bowling Green R-1, Bradleyville R-1, Branson, Brentwood, Bronaugh R-7, Campbell R-2, Carrollton R-7, Caruthersville, Central R-III, Chilhowee R-4, Chillicothe R-II, Clarkton C-4, Cole R-I, Columbia, Concordia R-2, Couch R-1, Crawford County R-1, Crawford County R-2, Crocker R-II, Delta C-7, East Carter R-2, East Lynne 40, East Newton R-6, Eldon R-I, Fair Play, Fayette R-3, Forsyth R-3, Fox C-6, Fredericktown R-I, Fulton, Gasconade County R-1, Glenwood R-8, Grain Valley, Green City R-1, Green Ridge R-8, Hallsville R-IV, Hancock Place, Hannibal School District #60, Harrisonburg

ASSUMPTION (continued)

R-8, Harrisonville, Hartville R-11, Hazelwood, Henry County R-1, Hillsboro R-3, Holcomb R-III, Hollister R-5, Humansville R-4, Hurley R-1, Independence, Jasper R-5, Jefferson City, Kansas City, Kennett #39, King City R-1, Kirbyville R-VI, Kirksville, Lathrop R-2, Lee Summit, Leeton R-10, Lewis County C-1, Liberty, Lincoln R-2, Lindbergh, Lonedell R-14, Macon County R-1, Macon County R-IV, Madison C-3, Malta Bend, Maplewood Richmond Heights, Marshfield R-1, Maryville R-II, Maysville R-1, Meadville R-IV, Mehville School District R-9, Meramec Valley R-3, Mexico, Middle Grove C-1, Midway R-1, Milan C-2, Miller R-11, Moberly, Montgomery County R-11, Morgan County R-2, Mountain Grove R-III, Mt. Vernon R-V, New Bloomfield R-III, New Haven, Niangua R-5, Nixa, North Harrison R-3, North Kansas City, North St. Francois Co. R-1, Northeast Nodaway R-5, Northwest R-1, Oak Ridge R-6, Odessa R-VII, Oregon-Howell R-III, Orrick R-11, Osage County, Osage R-2, Osborn R-O, Parkway, Pattonville, Pettis County R-12, Pierce City R-6, Plato R-5, Polo R-VII, Prairie Home R-5, Princeton R-5, Purdy R-II, Raymore-Peculiar R-III, Raytown, Reeds Springs R-IV, Renick R-5, Republic R-III, Rich Hill R-IV, Richards R-5, Richland R-1, Richmond R-XVI, Riverview Gardens, Rockwood School District, Salisbury R-4, Sarcoxie R-2, Scotland County R-I, Scott City R-1, Sedalia, Seymour R-2, Shell Knob #78, Sherwood Cass R-5, Sikeston, Silex, Smithville R-2, South Harrison R-11, Southland C-9, Sparta R-III, Special School District of St. Louis County, Spickard R-II, Spokane R-VII, Springfield, St Joseph, St Louis, St. Charles, St. Elizabeth R-4, Stanberry R-III, Stewartsville C-2, Sullivan, Sweet Springs, Trenton R-1x, Valley Park, Valley R-6, Verona R-7, Warren County R-3, Warrensburg R-6, Warsaw R-IX, Waynesville, Webster Groves, Wellsville Middletown R-1, Wentzville R-IV, West Plains R-VII, Westran R-1, Westview C-6, Willard R-2 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 2019 (10 Mo.)	FY 2020	FY 2021
<b>GENERAL REVENUE FUND</b>			
<u>Revenue - DOLIR</u> Biennial Fees	\$192,250	\$0	\$192,250
<u>Costs - DOLIR</u> Salaries	(\$70,390)	(\$85,313)	(\$86,166)
Fringe Benefits	(\$47,876)	(\$57,702)	(\$57,955)
Equipment and Expense	(\$228,521)	(\$85,125)	(\$85,863)
<u>Total Cost - DOLIR</u>	<u>(\$346,787)</u>	<u>(\$228,140)</u>	<u>(\$229,984)</u>
FTE Change - DOLIR	3 FTE	3 FTE	3 FTE
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b><u>(\$154,537)</u></b>	<b><u>(\$228,140)</u></b>	<b><u>(\$37,734)</u></b>
Estimated Net FTE Change on the General Revenue Fund	3 FTE	3 FTE	3 FTE
 <u>FISCAL IMPACT - Local Government</u>	 FY 2019 (10 Mo.)	 FY 2020	 FY 2021
	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

This bill changes the laws relating to public employees, labor organizations, and labor agreements between a labor organization and a public body (Sections 105.500 to 105.598, RSMo). The term labor organization is defined to mean an organization that exists for the purpose, in whole or in part, to collectively bargain with a public body. The bill provides that no sum shall be withheld from an employee's earnings to pay dues or other fees to a labor organization without annual authorization. Labor organizations are required to maintain financial records substantially similar to federal law, and must make the records available to employees in searchable electronic format.

FISCAL DESCRIPTION (continued)

The bill requires labor organizations to adopt a constitution and bylaws and file a copy with the Department of Labor and Industrial Relations, along with a report containing specified information about the organization. Labor organizations are also required to annually file a report detailing the organization's financial condition and operations. The financial report shall be in an electronic, readily accessible format available to its members.

This bill requires every officer and employee of a labor organization to annually file a report listing any legal or equitable interest, income, or transaction the person, his or her spouse, or minor child received or derived from a labor organization or public body with employees that the labor organization represents or is seeking to represent. Excepted from the reporting requirement are employees performing exclusively clerical or custodial services, bona fide payments, and benefits received as an employee, and bona fide investments in securities traded on a national securities exchange.

The bill does not require communications to an attorney as part of an attorney-client relationship to be reported. The reports and documents filed with the department under the provisions of this bill are public record. The department, as specified in the bill, must allow for the inspection and examination of the reports and documents, and furnish copies upon payment of the service.

Each person required to file a report shall maintain for at least five years sufficient records to verify the information contained in the report. Each labor organization shall file a report within 90 days of becoming subject to the provisions of this bill. Each person required to file a report shall file the report within 90 days after the end of each fiscal year.

Any person who violates certain provisions of the bill related to the required reports or files a false report is subject to a fine or imprisonment of not more than a year.

The bill provides that supervisory employees, as defined in these provisions, shall not be included in the same bargaining unit as the employees they supervise and that the same labor organization shall not represent both non-supervisory and supervisory employees.

Recognition may only be obtained by a labor organization through an election before the State Board of Mediation. Voluntary recognition by a public body is prohibited. An election by secret ballot will be held after the board is presented with cards containing signatures of at least 30% of the employees in the bargaining unit. The bill specifies the ballot language to be used for the selection of a labor organization as the exclusive representative for the bargaining unit.

FISCAL DESCRIPTION (continued)

Employees of the bargaining unit may seek to decertify the labor organization at any time. The board shall schedule a decertification election upon presentation to the board of cards bearing the signatures of at least 30% of the employees in the bargaining unit.

Labor organizations shall be recertified every two years. No more than one election shall take place in any bargaining unit within a 12-month period. The board shall collect a fee from each labor organization participating in an election.

Within eight weeks of a certification election, the labor organization shall meet and begin bargaining with representatives of the public body. No labor organization shall refuse to meet with the representatives of the public body, and neither side is required to offer any particular concession or proposal.

The bill provides that a public body and labor organization shall not be subject to binding mediation or arbitration. Bargaining for renewal agreements shall take place biennially. Labor agreements negotiated between the labor organization and public body are subject to certain limitations, including that management reserves the right to hire, discipline and discharge employees, reserves the right to make and amend reasonable work rules, a prohibition against all strikes and picketing, extending the duty of fair representation to employees of the bargaining unit, prohibiting labor organization employees from accepting paid time by a public body for conducting labor organization business, and providing for the modification of the agreement in the event of a budget shortfall.

A labor organization that violates the provisions of this bill is subject to a civil action for appropriate relief, including injunctive relief. Attorneys' fees shall be awarded for the enforcement of the provisions of this bill.

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  
Office of the Secretary of State  
Department of Corrections  
Department of Mental Health  
Department of Social Services  
Office of Administration-Personnel  
Office of Prosecution Services  
Joint Committee on Administrative Rules  
Attorney General's Office  
Boone County  
Summersville R2 School District  
Department of Transportation  
Department of Health and Senior Services  
Missouri Department of Conservation  
Office of the State Public Defender  
Office of State Courts Administrator  
Jackson County Election Board  
Platte County Board of Elections  
St. Louis County Election Board  
City of Kansas City  
University of Missouri  
Missouri Western State University

Ross Strobe



Acting Director  
May 3, 2018