

**Commission on Local Government**

**Estimate of Local Fiscal Impact - Updated**

(Please scroll down for the original version of the Local Fiscal Impact)

Updates Noted in Red

2020 General Assembly Session

**Bill:** HB582

**Patron:** Guzman

**Date:** 2/5/2020

In accordance with the provisions of §30-19.03 of the Code of Virginia, the staff of the Commission on Local Government offers the following analysis of the above-referenced legislation:

**Bill Summary:**

Collective bargaining for public employees. Repeals the existing prohibition on collective bargaining by public employees. The bill creates the Public Employee Relations Board, which will determine appropriate bargaining units and provide for certification and decertification elections for exclusive bargaining representatives of state employees and local government employees. The measure requires public employers and employee organizations that are exclusive bargaining representatives to meet at reasonable times to negotiate in good faith with respect to wages, hours, and other terms and conditions of employment. The measure repeals a provision enacted in 2013 that declares that, in any procedure providing for the designation, selection, or authorization of a labor organization to represent employees, the right of an individual employee to vote by secret ballot is a fundamental right that shall be guaranteed from infringement.

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**Executive Summary:**

Localities have evaluated a negative fiscal impact ranging from \$0.00 - \$28,299,698.00. A majority of localities noted that the bill would require (i) additional staff for collective bargaining/managing contracts including ensuring compliance, (ii) additional attorneys/legal team that specialize in labor relations, (iii) and upgrading financial/payroll system to allow for the management and collections of dues. They also noted that their estimated cost does not include the possible increases in benefits due to collective bargaining, but the locality that provided the highest estimate is based on the differences between union and nonunion compensation, which does not take into account any benefits which could be expected to be greater. Some localities noted that the bill would require increase in real estate tax rate to comply with the provisions of the bill. Of those who responded with no cost, noted that cost of the bill is indeterminate but would be significant.

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**Local Analysis:**

**Locality:** Augusta County

**Estimated Fiscal Impact:** \$56,000.00

We would have to be another person on staff in the HR office to help handle the employee relations and union because now on the average there are two to three disciplinary actions weekly that come to HR to look over and give my advice. This is not even figuring the time a person would have to spend with negotiating of wages, hours and other terms of conditions of employment with the union. We included the cost of a new staff person, there will other costs that will be impacted by this bill.

Pay and fringes-\$51,500 (conservative - near entry level position)  
Equipment, office expenditures \$4,500

Other considerations:

- Efforts to impose collective bargaining and public unionization will increase the cost of government and impose more bureaucracy in local government operations.
- Local governments, unlike private businesses, are accountable to taxpayers. Taxpayers can and do approach their local governing bodies about employee compensation – particularly teachers and public safety personnel.
- The bills would require collective bargaining even if only 30 percent of employees had joined a union. This means that 30 percent of employees can force collective bargaining on the entire organization or component thereof.
- Wages, hours, and other terms and conditions of employment would be subject to collective bargaining.
- The union would have to be given up to 30 minutes to address new employees and employees would be required to attend.
- Union representatives would have the right to meet with employees during the workday and the right to communicate with employees through the employer’s email system.

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**Edited Response after submission of the FIS**

**Locality:** City of Alexandria

**Estimated Fiscal Impact:** \$25,000,000

**Comments:** This estimate represents what be the first round CBA impact if the results were a +5% pay increase and that implementation costs for staffing and lawyers would add to that.

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**Locality:** City of Danville

**Estimated Fiscal Impact:** \$500,000.00

After consulting with our Human Resources Department, the half-million dollar (minimum) expenditure increase is reflective of the following: additional personnel needed for bargaining/managing, additional Human Resources Staff to ensure compliance, costs for additional an additional attorney that specializes in labor relations, and the costs to upgrade financial/payroll systems to allow for the management and collection of dues. This is only a potential impact, and does not include the possibility of increased pay/benefits at the expense of the taxpayer which could be very costly and reduced services to the taxpayer.

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**Locality:** City of Roanoke

**Estimated Fiscal Impact:**  
\$28,299,698.00

Collective bargaining comes at a cost. IF we only considered the potential additional salary costs, the City of Roanoke would anticipate our regular salaries increasing by the dollar amt above. We reviewed an April 2013 article in Monthly Labor Review from an economist with the Bureau of Labor Statistics that looked at the differences between union and nonunion compensation. For state and local govt employees, on avg, union wages were 36% higher than non-union workers. In our FY20 adopted budget, the total of our regular salaries was \$78,610,272. Based on the article's info regarding the 36% increase, that would drive just our salaries up to \$106,909,970. This does not take into account any benefits which would also be expected to be greater. Our goal with compensation is to be competitive with the local governments in our region. Collective bargaining requires labor relations expertise, which would most likely require that we secure the services of a third-party to facilitate negotiations at an additional costs. There is also the time required to negotiate contracts which has a cost associated with it. Unlike the private sector, it is challenging for local governments to address price points (tax rates and fees) to cover the incremental yearly costs of wage and benefits that have been negotiated and may not be sustainable over the period of the negotiated contract. Budgetary decisions, including budget actions affecting public employee compensation, are done in public with required public notice. Budget proposals are available for public review and public comment. The people who make the decisions about budgets - the elected officials - are accountable to their residents.

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**Locality:** City of Virginia Beach

**Estimated Fiscal Impact:** \$0.00

In this case, 0 = an inability to calculate. Notwithstanding the use of 0, fiscal impacts are certain. But, there is no possible way to determine the potential fiscal implications or impacts of this bill. The expectation is that the bill's provisions will have a cost in terms of dollars expended, manpower hour allocations, and process changes to account for the timelines as well as different classifications of employees specified in the bill. As an example, if these provisions result in a 1% additional increase in pay above and beyond what would have been given otherwise, the personal related expenditures for the City would increase by about \$13 million. However, every fiscal aspect of this bill is unknown and the actions contemplated by the bill is unfamiliar to how our organization operates and therefore all aspects would be subject to experience as time goes on to determine actual impacts.

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**Locality:** City of Winchester

**Estimated Fiscal Impact:**  
\$1,000,000.00

The City of Winchester does not support this in any way

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**Locality:** Henrico County.

**Estimated Fiscal Impact:**  
\$3,600,000.00

This analysis only looks at costs for outside counsel and the addition of nearly 30 positions to handle collective bargaining issues including in-house attorneys, paralegals, a labor division for the Department of Human Resources, and labor representatives within departments. This estimate does not include any estimates for higher wages negotiated through collective bargaining, higher costs of benefits, increased equipment costs through collective bargaining, or lost productivity related to union meetings or negotiations.

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**Locality:** Prince Edward County

**Estimated Fiscal Impact:** \$348,081.00

The complexity of the Bill will require the County to hire a professional HR Director with knowledge of collective bargaining and a clerical staff position to assist that Director, These two positions will cost \$158,081 when including benefits. in addition to these cost it is anticipated the County will need the services of an attorney with expertise in Labor and Employment law for 500 hours at a cost of \$380 per hour (or \$190,000) each year to handle arbitration, grievances, collective bargaining etc. This rate and time was determined from a labor case the County was involved with in 2016. The total cost of \$348,081 would require the County to increase real estate tax rates by 3.92 % or \$.02.

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**Locality:** Prince George County

**Estimated Fiscal Impact:**  
\$10,000,000.00

Jeffrey Stoke – Deputy County Administrator, Prince George County, VA:

This would cost Millions. Forever.

- 1) CSEA brings in professional staff to negotiate contracts. The County would need to hire a legal team with collective bargaining expertise. One wrong word and you are violating local labor law. \$200,000 / year. By the way, our 1 cent real estate tax is \$250,000.
- 2) Unions always ask for great pensions. It is possible that local governments would be asked to cover pension items beyond VRS. \$500,000/year forever and this number increases.
- 3) The union dues are taken out of every paycheck. This diminishes the economic spending at a local level. In addition, the employee has no say on where that \$100/paycheck in union dues goes to. \$Millions in local spending impact.
- 4) An entire bureaucracy of paperwork and staff would be required to monitor the union contracts / arbitration hearings. Staff time and money. \$300,000 for two staff, office space and supplies/equipment each year.
- 5) Union representatives would ask for office space. \$50,000/year
- 6) The locked in salary costs would be a burden to local governments who would have to raise taxes solely for union contract requirements. I have personally been a part of this immoral union system in New York.
- 7) Elected officials would be beholden to paid union bosses who would threaten election votes. The Democratic party, who has survived as independent thinkers for 400 years in the Commonwealth of Virginia, would cease to exist and no longer work for the people, but, alas, the union.
- 8) What is so wrong within 400 years of the Commonwealth that we have to let in the AFL-CIO to tell us how to take care of the citizens? And what does the Commonwealth get in return from the AFL-CIO for all the dues they collect. Nothing – except an unaligned entity with a financial war chest to hand pick supporters into elected positions. This will corrupt the system of independent and common sense thinking within the state.
- 9) Cost of no public services during a County union worker strike. Priceless.
- 10) If this bill is signed into law, my suggestion would be to dissolve local government (body politic and corporate) and create a new 501(c)3 to provide citizen services in order to avoid the union provisions of this bill.

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**Locality:** Rockingham County

**Estimated Fiscal Impact:** \$333,000.00

The full impact of this bill is a big unknown. However, collective bargaining for public employees would definitely increase expenses for the County. Our best estimate if employees began to negotiate through collective bargaining is that it would at least cause a 1% increase in salaries and benefits. This would be approximately \$333,000 per year.

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**Locality:** Town of Ashland

**Estimated Fiscal Impact:** \$150,000.00

At minimum one additional HR staff person plus additional legal support would be required to navigate the relationship between the Town as an organization and bargaining units. Unknown costs are those required by the Town Manager, Council, department heads and supervisors for both training and maintaining a change to the existing structure.

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**Locality:** Town of Buchanan

**Estimated Fiscal Impact:** \$0.00

No fiscal impact

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**Locality:** Town of Christiansburg

**Estimated Fiscal Impact:**  
\$1,400,000.00

This proposed amendment would be difficult to quantify in terms of fiscal impact, but we assumed a 10% increased labor cost to the Town of Christiansburg as would be likely with collective bargaining (which would be approximately \$1.2 million per year). We would also anticipate additional staff time, consultant fees and attorney fees of approximately \$200,000 per year. This would be a total estimated impact of \$1.4 million to the Town of Christiansburg.

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**Locality:** Town of Marion.

**Estimated Fiscal Impact:** \$50,000.00

HB582 (Guzman) and SB1022 (Boysko) repeal the existing prohibition on collective bargaining by public employees. Both bills create a "Public Employee Relations Board" that would determine bargaining units and provide for certification and decertification elections for bargaining representatives of state and local government employees.

Reasons to oppose these bills:

Efforts to impose collective bargaining and public unionization will increase the cost of government and impose more bureaucracy in local government operations. This means that employee relations will be more adversarial.

Local governments are not like private businesses in the following important ways:

Budgetary decisions, including budget actions affecting public employee compensation, are done in public with required public notice.

Budget proposals are available for public review and public comment.

The people who make the decisions about budgets – the elected officials – are accountable to their residents.

This is the opposite of private businesses, which do not have to disclose compensation decisions and whose board members are not available to employees regarding budgetary and compensation decisions – other than through unions.

Local governments, unlike private businesses, are accountable to taxpayers. Taxpayers can and do approach their local governing bodies about employee compensation – particularly teachers and public safety personnel.

Local governments are required by the Code of Virginia to have approved grievance procedures, to provide certain benefits and provide transparency in their governing processes and procedures.

The state board charged with administering the act would have only three members: One "management" representative, one union representative and one member of the public. There would be no guarantee that local governments would be represented on the board.

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# Original FIS

## Commission on Local Government

# Estimate of Local Fiscal Impact

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**Bill:** HB582

**Patron:** Guzman

**Date:** 2/3/2020

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### Executive Summary:

Localities have evaluated a negative fiscal impact ranging from \$0.00 - \$28,299,698.00. A majority of localities noted that the bill would require (i) additional staff for collective bargaining/managing contracts including ensuring compliance, (ii) additional attorneys/legal team that specialize in labor relations, (iii) and upgrading financial/payroll system to allow for the management and collections of dues. They also noted that their estimated cost does not include the possible increases in benefits due to collective bargaining, but the locality that provided the highest estimate is based on the differences between union and nonunion compensation, which does not take into account any benefits which could be expected to be greater. Some localities noted that the bill would require increase in real estate tax rate to comply with the provisions of the bill. Of those who responded with no cost, noted that cost of the bill is indeterminate but would be significant.

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### Local Analysis:

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We would have to be another person on staff in the HR office to help handle the employee relations and union because now on the average there are two to three disciplinary actions weekly that come to HR to look over and give my advice. This is not even figuring the time a person would have to spend with negotiating of wages, hours and other terms of conditions of employment with the union. We included the cost of a new staff person, there will other costs that will be impacted by this bill.

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**Estimated Fiscal Impact:** \$0.00

No position.

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