

Department of Planning and Budget 2024 Session Fiscal Impact Statement

1. Bill Number: HB1001

House of Origin ☐ Introduced ☒ Substitute ☐ Engrossed
Second House ☐ In Committee ☐ Substitute ☐ Enrolled

2. Patron: Tran

3. Committee: Appropriations

4. Title: Collective bargaining by public employees; labor organization representation.

5. Summary: Repeals the existing prohibition on collective bargaining by public employees. The bill creates the Public Employee Relations Board, which shall determine appropriate bargaining units and provide for certification and decertification elections for exclusive bargaining representatives of state employees and local government employees. The bill 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 bill repeals a provision 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.

6. Budget Amendment Necessary: Yes, Items 49, 74, 246, 349, and 470 of HB30. Additional budget amendments would be required to provide additional appropriation and positions to individual agencies that require additional support to implement the provisions of the bill.

7. Fiscal Impact Estimates: Preliminary. See Item 8.

7a. Expenditure Impact: Department of Labor and Industry – Item 349

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2024	\$0	0	N/A
2025	\$465,400	4	General
2026	\$465,400	4	General
2027	\$465,400	4	General
2028	\$465,400	4	General
2029	\$465,400	4	General
2030	\$465,400	4	General

7b. Expenditure Impact: Department of Human Resource Management – Item 74

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2024	\$0	0	N/A
2025	\$1,484,113	5	General
2026	\$984,113	5	General

2027	\$984,113	5	General
2028	\$984,113	5	General
2029	\$984,113	5	General
2030	\$984,113	5	General

7c. Expenditure Impact: Department of Accounts – Item 246

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2024	\$0	0	N/A
2025	\$8,500,000	0	Cardinal HCM
2026	\$0	0	N/A
2027	\$0	0	N/A
2028	\$0	0	N/A
2029	\$0	0	N/A
2030	\$0	0	N/A

7d. Expenditure Impact: Office of the Attorney General – Item 49

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2024	\$0	0	N/A
2025	\$410,853	3	General
2026	\$410,853	3	General
2027	\$410,853	3	General
2028	\$410,853	3	General
2029	\$410,853	3	General
2030	\$410,853	3	General

7e. Expenditure Impact: Central Appropriations – Item 470 (Cardinal impact)

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2024	\$0	0	N/A
2025	\$0	0	N/A
2026	\$3,315,000	0	General
2027	\$0	0	N/A
2028	\$0	0	N/A
2029	\$0	0	N/A
2030	\$0	0	N/A

- 8. Fiscal Implications:** This fiscal impact estimate is preliminary and will be updated as information becomes available.

Public Employee Relations Board

This bill establishes the Public Employee Relations Board (the Board) as a supervisory board within the executive branch. The bill provides for the payment of compensation and expenses of the members by the Department, which would be the Department of Labor and Industry (DOLI). The three Board members are entitled to compensation in accordance with §2.2-2813, *Code of Virginia*, which stipulates those members be compensated at \$50 per day,

unless a different rate of compensation is specified by statute for such members, plus expenses for each day or portion thereof in which the member is engaged in the business of that body. Assuming a total of \$150 per member, per meeting, to include compensation and expenses, each meeting of the Board would cost \$450. The total meeting cost would depend on how frequently the Board meets. If the Board meets monthly, the annual general fund fiscal impact would be \$5,400.

The Board will require support staff. DOLI estimates that the agency would require at minimum four positions: a regulatory coordinator, a hearing officer, a policy analyst, and an administrative assistant. The agency estimates the cost of these four positions to be approximately \$460,000 general fund annually.

Office of the Attorney General

Additionally, the bill requires the Office of the Attorney General (OAG) to provide legal services to the Board and establishes a procedure for the Board to investigate alleged violations of conduct prohibited by the bill. Also, the bill provides that any party aggrieved by any decision or order of the Board may appeal to the circuit court. The OAG anticipates that additional attorney and paralegal staff would be required to implement the provisions of this bill, but the number and cost of such staff are unknown at this time. DHRM indicates that based on a similar state with collective bargaining agreements, approximately three attorneys may be an appropriate starting point. Based on current OAG salary assumptions for attorneys, three attorneys would cost \$410,853 general fund annually.

Department of Human Resource Management (DHRM)

DHRM anticipates the need for five additional positions to create a labor relations management team, at an estimated annual ongoing cost of \$984,113 general fund, in addition to initial one-time costs to support DHRM's efforts include consultant support and developing new training and communications, each of which is preliminarily estimated to cost approximately \$250,000, for a total annual general fund cost in fiscal year (FY) 2025 of \$1,484,113. These costs are further discussed below.

DHRM anticipates this team will need to be senior professionals with labor law expertise. This team will be tasked to work with agencies as each transitions to a new labor relations model within the Commonwealth. The team will be needed for activities related to compliance, investigations, and negotiations and bargaining, as well as, working with agencies to ensure compliance with bargaining agreements. The director of the team will also serve as liaison to the Board and to designated staff within the Office of the Attorney General.

As this is a new labor relations model, DHRM anticipates a large number of inquiries related to employee job classification, bargaining unit assignment, and exemptions. The team will provide oversight for the development, implementation, and continuous updating of all training that will be required for current and new managers, employees and HR staff across

the Commonwealth. In addition, the team will have oversight for system support in which position, employee, and bargaining related data will be managed, communicated and reported upon as needed, including managing web-based content. Assuming approximately \$135,000 salary per position, the salary and benefit costs of this team are \$978,113 plus an additional \$6,000 for non-personnel costs equates to a total cost of approximately \$984,113 general fund annually.

Consulting Services also are expected to be needed initially due to the anticipated complexity of the transition to a new labor model which has never been done before in the Commonwealth of Virginia. DHRM anticipates the need for a consultant to assist with creating the labor relations team and identifying impacts to current and planned infrastructure, policies and processes, training needs, etc. Estimated consulting costs are preliminarily estimated to be approximately \$250,000 general fund in FY 2025.

Communications and training of managers will be needed, as managers will need to understand the collective bargaining processes and agreements. Additionally, communications with employees will be needed, to ensure they understand their rights and related processes. It is further anticipated that human resources professionals also would require training to ensure a baseline of knowledge and understanding of collective bargaining rights and processes. DHRM estimates that additional one-time costs in FY 2025 of \$250,000 general fund are estimated for external support to create new custom training modules for supervisors, employees, and human resources professionals.

Other State Agencies

The bill requires that there be a minimum of 16 distinct bargaining units for state employees, including four for different types of health and human services employees and seven for different types of public safety employees. The legislation grants authority to the exclusive representatives of these units to request bargaining for issues such as wages, fringe benefits, and matters that have applicability across more than one bargaining unit. The exclusive representatives also have the authority to request supplementary bargaining for issues uniquely affecting public employees in all or part of a bargaining unit.

Additionally, each of the 16 public institutions of higher education, the Virginia Community College System, the University of Virginia Medical Center, and the Virginia Commonwealth University Health Care System shall have bargaining units as determined by the Board but employees of these units are not allowed to be included with the units established for other state employees. Each state-controlled enterprise, independent political subdivision, authority, or agency employing public employees not covered by the Virginia Personnel Act shall also have separate bargaining units determined by the Board. Authorities include but are not limited to the Virginia Resources Authority, the Alcoholic Beverage Control Authority, Virginia Tourism Authority, and Fort Monroe Authority. Agencies with employees not covered by the Virginia Personnel Act include the five independent agencies: Virginia Retirement System, Virginia College Savings Plan, Virginia Lottery, State Corporation Commission, and the Virginia Workers' Compensation Commission.

Judicial branch employees and employees working for the legislature of the Commonwealth are exempt from the provisions of this bill.

Based on the provisions outlined above, there is the potential for a minimum of 35 distinct collective bargaining agreements within the Executive Branch, but there could be more depending on the requests of the exclusive representatives or how many bargaining units the Board determines should be created for the higher education institutions. Certain state agencies and institutions of higher education will require additional human resource personnel to participate in negotiations as well as to implement provisions in the collective bargaining agreements, especially on bargaining unit specific measures. Depending on the size of the agency, it is estimated that an additional one to five personnel may be required, at similar costs to what is outlined above for DHRM. Agencies with a large number of employees and with those employees spread out across the state, such as the Department of Corrections, Department of Transportation, Department of Behavioral Health and Developmental Services, and Virginia Community College System, may require four to five additional human resource staff each at a cost of \$782,490 to \$978,113 per agency for salary and benefits. Other medium to large sized agencies, including the institutions of higher education, Department of Health, Department of Motor Vehicles, and the Department of Social Services may require three to four additional human resource staff each at a cost of \$586,868 to \$782,490 per agency for salary and benefits. Actual costs may vary based on other factors such as the complexity of the collective bargaining agreements.

Infrastructure

Impacts to the Commonwealth's technology infrastructure are expected to occur for the Cardinal Human Capital Management (HCM) system that manages employee time, labor, payroll, and benefits offered by the Commonwealth. Technology staff are currently dedicated to day-to-day operational systems maintenance.

Preliminary estimates for statewide technology support for labor management and collective bargaining is preliminarily estimated to cost \$8.5 million in FY2025. This estimate includes \$1.5 million to develop business requirements in addition to \$5.0 million to implement a new module and \$2.0 million for technical adjustments to current Cardinal HCM functionality in order to meet the business requirements. Final estimated costs would depend on the business and system requirements identified during the planning phase. The Department of Accounts (DOA) notes that the addition of bargaining units for Cardinal involves implementing a new module, Manage Labor Administration, and efforts for new configuration and enhancements to support any bargaining unit mandated rules. This module includes the creation of unions and bargaining units, assigning bargaining units to employees, salary plan administration setup for the bargaining units and the introduction of disciplinary action and grievance processing.

In addition to this new module there is the administration of union dues which can include complex calculations for the amounts. Employee dues need to be administered for new

employees and terminating employees. The accounting setup for dues is also required as well as the setup for payment to the union. Changes will also need to be made to existing HCM processing rules and configurations, such as new time and labor workgroups, leave plans, or potential benefit differences.

Cardinal HCM operates as an internal service fund and is supported by revenue from charges assessed to user-based state agencies. Any additional costs to Cardinal HCM would be expected to be recovered through the charges assessed to those state agencies. The state impact is estimated to come approximately 39 percent from the general fund and 61 percent from nongeneral fund sources, based on the portion of agencies' salary expenditures paid from the general fund in FY 2023, which was used to determine the fund split for agency Cardinal HCM funded charges in HB30. Based on the costs and assumptions discussed, general fund support of approximately \$3.3 million would need to be provided to agencies for the Cardinal HCM module development costs in FY 2026.

In addition to Cardinal HCM, there are also multiple state agencies that use their own systems for time, labor, payroll and benefits, some that have been purchased with general fund appropriations and others that have been purchased with state nongeneral fund or federal fund revenues. A cost estimate for the impact to these agencies is currently indeterminate.

Salary Information

The proposed legislation requires public employers and applicable employee organizations to meet at reasonable times to negotiate in good faith with respect to wages, hours, and other terms and conditions of employment. Since it is unknown what agreements may result from such negotiations, the following information is provided for context of what a one percent salary increase would be for various employee groups in the executive branch and the independent agencies. Judicial branch employees, employees working for the legislature of the Commonwealth, and law-enforcement officers employed by the Department of State Police are exempt from the provisions of this proposed legislation.

**Estimated Value of a One Percent (1%) Increase in Salary,
Salaried Employees Only**

Executive Branch (salaried, non-higher education)	General Fund	Nongeneral Fund
State Troopers	\$0	\$0
Other Law Enforcement	\$4,337,366	\$262,145
All Other Executive Branch State Employees	\$15,363,514	\$18,875,452
<i>Subtotal</i>	<i>\$19,700,880</i>	<i>\$19,137,597</i>
Institutions of Higher Education (salaried)	General Fund	Nongeneral Fund
Higher Education Faculty	\$12,670,768	\$19,767,351
University Staff (non-faculty)	\$2,174,436	\$4,983,361
All Other Higher Education State Employees	\$3,766,873	\$4,763,799
<i>Subtotal</i>	<i>\$18,612,077</i>	<i>\$29,514,511</i>
Independent Agencies (salaried)	General Fund	Nongeneral Fund
All Other Independent Agency State Employees	\$818	\$2,076,471
GRAND TOTAL	\$38,313,775	\$50,728,579

Additionally, decisions by local school division employees to collectively bargain for salary increases would have an impact on state funding for K-12 education. The value of the state's share of a statewide one percent salary increase for funded SOQ instructional and support positions is estimated at \$60,911,014. Under existing law, some school division employees may already be permitted to collectively bargain if their locality has adopted an ordinance or resolution allowing them to do so.

Decisions by other state-supported local employees, such as General Registrars and Electoral Boards, Community Service Boards, and local Department of Social Services offices, to collectively bargain for salary increases may have an impact on state funding. Decisions to increase state funding for these positions would be at the discretion of the General Assembly and the Governor in the Appropriation Act. This version of the bill exempts Constitutional Officers and their employees from the provisions of the bill. The value of the state's share of a statewide one percent salary increase for the various state-supported local employees is estimated at \$4,581,827.

Other

The legislation indicates that the scope of collective bargaining between a state agency and an exclusive representative shall include wages, hours, and other terms and conditions of employment, and specifically include matters within the administrative discretion of the Director of DHRM or appointing authorities. The bill forbids benefits provided under Title 51.1 – Pensions, Benefits, and Retirement and Title 65.2 – Workers' Compensation from being considered during negotiations. Other potential costs that could be impacted by

collective bargaining would include changes in employee health benefits and costs associated with dispute resolution. These cost estimates are indeterminate at this time.

9. Specific Agency or Political Subdivisions Affected: Department of Labor and Industry; Department of Human Resource Management; Department of Accounts; state agencies; courts; localities; Office of the Attorney General.

10. Technical Amendment Necessary: No.

11. Other Comments: This version of the bill is identical to HB1001-H1.

DHRM indicated that several states with current collective bargaining structure in place provided information to help determine initial and long-term expectations, including Ohio, Minnesota, Nebraska, and Connecticut. DHRM indicates that Minnesota's structure is more closely aligned with the proposed legislation, with a state workforce of 40,000 (compared to 58,000 Commonwealth classified employees, excluding faculty), with 13 bargaining units (proposed legislation dictates 16). Minnesota's central HR agency has 10 Labor Relations Specialists, three attorneys, and there are 150 agency Labor Relations Specialists.

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