Wisconsin Department of Administration
Division of Executive Budget and Finance

# Fiscal Estimate - 2009 Session

[X] Original [ ] Updated [ ] Corrected [ ] Supplemental

| LRB Number **09-1028/1** | Introduction Number **SB-046** |
|---|---|

**Description**
Arbitration and fair-share agreements during collective bargaining negotiations under the Municipal Employment Relations Act

**Fiscal Effect**

**State:**
- [ ] No State Fiscal Effect
- [ ] Indeterminate
  - [ ] Increase Existing Appropriations
  - [ ] Decrease Existing Appropriations
  - [ ] Create New Appropriations
  - [X] Increase Existing Revenues
  - [ ] Decrease Existing Revenues
  - [ ] Increase Costs - May be possible to absorb within agency's budget [ ] Yes [ ] No
  - [ ] Decrease Costs

**Local:**
- [ ] No Local Government Costs
- [ ] Indeterminate
  1. [ ] Increase Costs — [ ] Permissive [ ] Mandatory
  2. [X] Decrease Costs — [X] Permissive [ ] Mandatory
  3. [ ] Increase Revenue — [ ] Permissive [ ] Mandatory
  4. [ ] Decrease Revenue — [ ] Permissive [ ] Mandatory
  5. Types of Local Government Units Affected
     - [X] Towns [X] Village [X] Cities
     - [X] Counties [X] Others Sewerage Districts, Library
     - [X] School Districts [X] WTCS Districts

**Fund Sources Affected**

[X] GPR [ ] FED [X] PRO [ ] PRS [ ] SEG [ ] SEGS 101, 134

**Affected Ch. 20 Appropriations**

| Agency/Prepared By | Authorized Signature | Date |
|---|---|---|
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**Fiscal Estimate Narratives**

**ERC 2/10/2009**

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| **Description**<br>Arbitration and fair-share agreements during collective bargaining negotiations under the Municipal Employment Relations Act | | |

**Assumptions Used in Arriving at Fiscal Estimate**

Almost all municipal public sector collective bargaining agreements contain: (1) a provision requiring that the municipal employer deduct monies from the paychecks of employees who have chosen not to be union members in an amount equal to the employees' "fair share" of the costs of collective bargaining and contract administration; and (2) a grievance arbitration procedure for resolving disputes over the meaning of the agreement.

Under current law, the municipal employer is not obligated to continue to take "fair share" fees from non-member employees once a contract expires. When the employer discontinues taking "fair share" payments from employees , it does not produce any litigation before the Wisconsin Employment Relations Commission (WERC) or elsewhere. Thus, loss of the right to discontinue "fair share" payments pursuant to SB 46 would have no fiscal impact on the WERC or local government.

Under current law, if a collective bargaining agreement expires, the parties to the agreement are not obligated to continue to use the arbitration procedure for resolving disputes over the meaning of the now expired agreement. If either party to an expired agreement declines to continue to use the arbitration procedure, a dispute over the meaning of the now expired agreement can be brought to the Wisconsin Employment Relations Commission as a prohibited practice complaint. Because a hiatus between contracts is commonplace in the public sector, several such complaints are filed with the Commission each year. If SB 46 became law, the Commission would no longer receive such complaints and the dispute would instead be resolved by a grievance arbitrator.

This portion of SB 46 would likely lead to a slight increase in WERC revenues. The income lost by WERC because this type of prohibited practice complaint will no longer be filed is $100 (paid by the filing party-typically the union) per case. If, as will be true in a majority of instances, a WERC employee serves as the grievance arbitrator, WERC will gain income of $800 (split equally between the union and employer) per case. WERC estimates an annual increase in revenue of $3500.

This portion of SB 46 would likely produce a slight decrease in local government costs. Litigation costs (primarily attorneys fees) in a prohibited practice complaint proceeding are typically greater than the litigation costs in a grievance arbitration proceeding. WERC estimates that the decrease in litigation costs will be greater than the increase in costs incurred by the higher level of WERC filing fees for grievance arbitration or by use of a non-WERC grievance arbitrator.

**Long-Range Fiscal Implications**