Senate Fiscal Agency
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BILL ANALYSIS

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House Bill 4152 (Substitute H-2 as reported without amendment)
Sponsor: Representative Marty Knollenberg
First House Committee: Oversight, Reform, and Ethics
Second House Committee: Education
Senate Committee: Education

CONTENT

The bill would amend the public employment relations Act to do the following:

-- Cap wages and benefits at the level in effect when a collective bargaining agreement (CBA) expired until a new CBA took effect.
-- Require employees to pay increased costs of maintaining benefits after a CBA expired.
-- Prohibit CBAs from retroactively increasing wages or benefits.

Specifically, the bill would require a public employer, after the expiration date of a collective bargaining agreement and until a successor CBA was in effect, to pay wages and provide benefits at levels and amounts that were not greater than those in effect on the expiration date, except as otherwise provided in the bill. This provision would include increases that would result from wage step increases.

(The bill would define "expiration date" as the expiration date set forth in a collective bargaining agreement without regard to any agreement of the parties to extend or honor the CBA during pending negotiations for a successor collective bargaining agreement.)

Employees who received health, dental, vision, prescription, or other insurance benefits under a CBA would have to bear any increased cost of maintaining those benefits that occurred after the expiration date. The public employer would be authorized to make payroll deductions necessary to pay the increased cost of maintaining benefits.

The bill would prohibit the parties to a collective bargaining agreement from agreeing to, and an arbitration panel from ordering, any retroactive wage or benefit levels or amounts that were greater than those in effect on the expiration date of the CBA, except as provided below.

For a CBA that expired before the bill's effective date, the proposed requirements would apply to limit wages and benefits to the levels and amounts in effect on that date.

Proposed MCL 423.215b Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

This legislation likely would decrease costs for any public employer, including the State, school districts, intermediate districts, and public school academies, for the period of time between the expiration of a collective bargaining agreement and the signing of a new one. The reduced costs would occur to the extent the legislation prevented any wage increases (e.g., automatic "step increases") and passed along to employees any increased costs of maintaining benefits after the expiration of the previous contract and before the implementation of a new agreement. It should be noted that some employers do freeze wages and benefits during negotiations, and for those that do, this legislation would have no fiscal impact, except in terms of retroactivity, discussed below.

The legislation also would prohibit any retroactive payments for wage increases negotiated in the new contract, or any adjustments reflecting what employees may have paid for increased benefit costs during the negotiation process.

The extent of the savings would depend upon the magnitude of the wage adjustments and/or benefit cost increases that would have occurred and been paid by the employer in the absence of this legislation. The savings also would depend upon the length of the contract negotiations, beyond when the previous contract expired. In other words, a protracted negotiation period could yield significant savings if step increases were not paid and increased health care costs were passed on to employees during that time.

Date Completed: 3-16-11 Fiscal Analyst: Kathryn Summers

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