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**BILL ANALYSIS**

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Senate Bill 397 (as reported without amendment)
Sponsor: Senator Rick Jones
Committee: Government Operations

CONTENT

The bill would amend Public Act 312 of 1969, which provides for arbitration of labor disputes involving municipal police, fire, and emergency medical service personnel, to do the following:

- Shift the State share of arbitration costs to the parties.
- Require a mediator, in consultation with the parties, to prepare a list of issues in dispute, and limit an arbitration hearing to those issues.
- Set limits on the extension of deadlines during the arbitration process.
- Allow an arbitration panel to compare wages, hours, and conditions of employment of employees of a unit of government outside of the bargaining unit subject to arbitration.
- Include authorities created by local units among the entities covered by the Act.
- Require the Employment Relations Commission to establish qualifications for individuals to chair an arbitration panel.

MCL 423.232 et al.

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

Public Act (P.A.) 312 is administered by the Michigan Employment Relations Commission (MERC) within the Department of Licensing and Regulatory Affairs (LARA). The statute requires the costs of the arbitration (consisting of the arbitrator's daily rate and travel expenses) to be divided into three equal shares between the parties to the dispute and the State. Under the bill, the State share of the costs of the arbitration process would be shifted to the parties to the arbitration: a municipality and a union. Based on data provided by the Department, over recent years the State share of these costs has averaged approximately \$115,000 per year. The bill would shift half of this amount or approximately \$57,500 per year to local governments participating in compulsory arbitration and an equal amount to labor unions. The State costs are currently funded with Securities Fees, which can be used for the operation of the Department, with unused Securities Fee revenue lapsing to the General Fund at end of the fiscal year. These State savings, however, would be offset to an unknown degree by increased State costs due to the expanded role of MERC-provided mediators in the process who would be required to determine and report on the issues eligible for arbitration. This additional role for mediators would increase the time spent on P.A. 312 mediations and would possibly require additional mediators.

According to LARA staff, the current 30-day time limit for arbitration is typically waived by the participants. These amendments would expedite the P.A. 312 hearings from the current 12 to 18 months' average duration, to 180 days, and limit the time for the arbitration panel to prepare the report to 90 days, with the parties' approval of extending the 30-day

deadline. The limited timelines and the restriction of issues to those identified by the mediator before the start of the hearing would tend to reduce local government arbitration costs by reducing the amount of time that delegates are assigned to the arbitration proceedings.

The Department currently requires arbitrators to attend training programs. The bill would place this requirement in statute for people serving as chair of an arbitration panel. It would allow a waiver for arbitrators who had served as a Commission-appointed arbitrator in a labor dispute before the bill's effective date. The State does not pay for the training; thus, this requirement would have no fiscal impact.

The bill would expand the list of entities covered by P.A. 312 from cities, counties, villages, and townships, to include other entities such as an authority, district, board, or other entity authorized by one or more of those local governmental units. This change would provide access to P.A. 312 binding arbitration for local government emergency service personnel providing services through a consolidated entity. The bill also would require the arbitration panel to consider an additional factor in making its determinations, adding a comparison of the wages, hours, and conditions of employment of other employees within the governmental unit but outside of the unit under arbitration.

The impact of these changes on local government labor costs would vary based on local circumstances and the determinations of individual arbitration panels.

Date Completed: 6-15-11

Fiscal Analyst: Elizabeth Pratt

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.