## Local Government Mandate Statement Kentucky Legislative Research Commission 2023 Regular Session

## **Part I: Measure Information**

Bill Request #: 1177							
Bill #: HB 364							
<b>Document ID #:</b> 2940							
Bill Subject/Title: AN ACT relating to paycheck protection.							
Sponsor: Representative Josh Bray							
Unit of Government:       X       City       X       County         M       M       M       M       M         M       M       M       M       M         M       M       M       M       M         M       M       M       M       M         M       M       M       M       M         M       M       M       M       M         M       M       M       M       M         M       M       M       M       M         M       M       M       M       M         M       M       M       M       M         M       M       M       M       M         M       M       M       M       M         M       M       M       M       M         M       M       M       M       M       M         M       M       M       M       M       M       M         M       M       M       M       M       M       M       M         M       M       M       M       M       M       M							
X Charter County X Consolidated Local X Government							
Office(s) Impacted: All local government offices that employ people							
Requirement: <u>X</u> Mandatory Optional							
Effect on Powers & Duties: Modifies ExistingX_ Adds New Eliminates Existing							

## Part II: Bill Provisions and the Estimated Fiscal Impact Relating to Local Government

HB 364 regulates the relationship between public employers and labor organizations representing state public employees. **Section 1** adds definitions of key terms that are relevant to later sections of the bill. **Section 2** prohibits public employers from deducting membership dues, fees, assessments, or other charges of a labor organization from the wages of a state public employee, and makes the deduction of wages for any membership dues or fees the sole responsibility of the labor organizations representing state public employees. The section also requires state public employers to provide written notice to state public employees about their right to not enroll in a labor organization. **Section 3** states that employers cannot gather financial information from state public employees and share it with any labor organization, person, or legal entity for the collection of dues, fees, payments, or charges that are intended for political activities. **Section 4** states that Sections 2 through 8 will not apply to deductions from state public employee wages if they are made in accordance with any joint wage agreement or collective bargaining contract that was entered into, modified, renewed, or extended before the effective date of the Act. Any joint wage agreements or collective bargaining contracts that are made after the effective date

of the Act, as well as any deductions made in accordance with them, must comply with the relevant sections of the Act.

Section 5 requires any employee who is a member of a labor organization to submit a written request every year to maintain their membership status or risk having their membership lapse. The section also requires labor organizations to make financial records detailing their quarterly expenses available to all members on an annual basis. Section 6 requires the payroll notification card or voucher of a state public employee to follow the rules of Section 2, if that employee has a deduction from their wages for labor organization or union dues. Section 7 amends KRS 161.158 to prohibit district boards of education from deducting membership dues of an employee organization, membership organization, or labor organization in contracts entered into, opted in, extended or renewed on or after January 9, 2017. Existing statues allows the deduction of such dues if the employee gives their express written consent, which may be revoked in writing at any time by the employee. Section 8 amends KRS 164.365 to prevent the governing board of the Kentucky Community and Technical College System from allowing any deduction from an employee's paycheck for employee membership organizations, if such deductions are intended to fund any political activity for a labor organization. Section 9 stipulates that any employer or labor organization that violates Section 2 through 8 of the Act shall be assessed a civil penalty of \$100 to \$1,000.

**HB 364 would likely have an uncertain negative fiscal impact on local governments.** Local public employers not already in compliance with provisions of the bill would need to make changes to their payroll system to ensure that deductions relating to labor organizations or political activities are not withheld from public employee earnings without written authorizations. Making these changes would likely force local governments to incur costs doing so, but the exact fiscal effect is not known.

If the public employer contested any civil penalties assessed within Section 9, then the local government would incur costs of litigation. According to Kentucky League of Cities, most cities, especially smaller ones, retain a city attorney on contract and pay on an hourly basis. In FY 2020, the average hourly rate was \$107. Because of many variables related to the difference in hourly rates, lack of complete data, complexity of lawsuits, final dispositions, and appeals, the costs of defending a lawsuit to contest the civil penalties is unknown, but could be significant.

## Part III: Differences to Local Government Mandate Statement from Prior Versions

Part II refers to HB 364 as introduced.

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