



CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

October 24, 1997

H.R. 1625
Worker Paycheck Fairness Act

*As ordered reported by the House Committee on Education and the Workforce
on October 8, 1997*

SUMMARY

H.R. 1625 would place new requirements on unions and employers relating to the payment of union dues and fees by workers. The bill would require labor organizations with union security agreements to obtain prior written authorization from workers for any portion of their dues or fees that are used for non-representational activities. It would require labor organizations to report separately their expenses for representational and non-representational activities on financial disclosure forms filed with the Department of Labor (DoL). The bill would also require all employers with workers who are represented by unions to post notices regarding their union's duty to obtain authorization before accepting required dues or fees that are partially used to fund non-representational activities. CBO estimates that enacting H.R. 1625 would result in increased costs to the Office of Labor-Management Standards (OLMS) in the Department of Labor of about \$2 million per year beginning in fiscal year 1998 and about \$9 million over the 1998-2002 period, assuming that appropriations are made accordingly. Because the bill would not affect direct spending or receipts, pay-as-you-go procedures would not apply.

H.R. 1625 contains both intergovernmental and private-sector mandates, as defined in the Unfunded Mandates Reform Act (UMRA). CBO estimates that complying with these mandates would impose no significant costs on state, local, or tribal governments. CBO is uncertain whether the direct costs of complying with the private sector mandates would exceed the threshold specified in UMRA in the first year the bill would be effective. CBO estimates that the direct cost of those mandates would not exceed the threshold in subsequent years.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

H.R. 1625 would require labor organizations to provide more information in financial disclosure forms which they file with the Department of Labor. In 1996, about 33,600 labor organizations filed such forms. H.R. 1625 would require OLMS to develop new forms for these organizations to use. In addition, OLMS would need to provide compliance assistance and training on these new forms and would experience an increase in case processing costs. In 1992, the Bush administration sought to make changes similar to those provided for in H.R. 1625 through administrative action. At that time, OLMS estimated the additional costs of developing new forms, providing necessary compliance assistance, and processing cases at \$1.35 million per year. Adjusted for inflation, these costs would be about \$1.6 million in fiscal year 1998 and slightly larger amounts each year thereafter.

H.R. 1625 also would require employers of workers who are covered by collective bargaining agreements to post notices regarding their union's responsibility to obtain authorization in order to spend a portion of their dues or fees on non-representational activities. Currently, employers are required to post notices regarding minimum wage and maximum hour requirements, equal opportunity and anti-discrimination provisions, and other information regarding workplace safety. The federal costs of requiring some employers to post additional information would not be significant.

The costs of this legislation fall within budget function 500 (education, training, employment, and social services). The estimated budgetary impact of H.R. 1625 is shown in the following table.

Estimated Budgetary Impact of H.R. 1625

	By Fiscal Year, in Millions of Dollars				
	1998	1999	2000	2001	2002
WITH ADJUSTMENTS FOR INFLATION					
Authorizations of Appropriations Under Current Law					
Estimated Authorization	299	310	321	332	344
Estimated Outlays	297	308	319	330	342
Proposed Changes					
Estimated Authorization	2	2	2	2	2
Estimated Outlays	1	2	2	2	2
Authorizations of Appropriations Under H.R. 1625					
Estimated Authorization	301	312	323	335	346
Estimated Outlays	298	310	321	332	344
WITHOUT ADJUSTMENTS FOR INFLATION					
Authorizations of Appropriations Under Current Law					
Estimated Authorization	299	299	299	299	299
Estimated Outlays	297	299	299	299	299
Proposed Changes					
Estimated Authorization	2	2	2	2	2
Estimated Outlays	1	2	2	2	2
Authorizations of Appropriations Under H.R. 1625					
Estimated Authorization	301	301	301	301	301
Estimated Outlays	298	301	301	301	301

Notes: Spending under current law is based on the level provided for the Employment Standards Administration in the House-passed version of the Labor-HHS appropriations bill for 1998. Components may not sum to totals because of rounding.

PAY-AS-YOU-GO CONSIDERATIONS: None

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

H.R. 1625 contains two intergovernmental mandates as defined in UMRA. The bill would require employers (including state, local, and tribal governments) that allow collective bargaining to post notices informing employees of their new rights under the bill. The bill would also require state courts to impose certain remedies for violations of employee's rights under the bill. Based on Census data and information from the American Federation of State, County, and Municipal Employees, CBO estimates that even if all state, local, and tribal governments in states that allow collective bargaining were required to post notices, compliance costs would not be significant. The new requirements on state courts would not result in any additional costs because they simply specify certain elements of judgments to be awarded by the courts.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

H.R. 1625 would impose two new private sector mandates—one on labor organizations and one on employers—and would expand an existing mandate on unions. CBO has been unable to obtain sufficient data to determine whether the aggregate direct cost of the three mandates in H.R. 1625 would exceed the statutory threshold specified in UMRA (\$100 million in 1996, adjusted annually for inflation) during the first year the mandates would be effective. In each case, the cost of the mandate declines substantially after the first year, and CBO estimates that the aggregate direct cost of the mandates in the second through fifth years would not exceed the statutory threshold.

First, the bill would require labor organizations with union security agreements (which require union and nonunion members to pay dues or fees to the union as a condition of employment) to obtain prior written authorization from workers for any portion of those payments to be used for activities other than employee representation. (Representation activities include collective bargaining, contract administration, and grievance adjustment; non-representational activities include advertising not related to representational matters, union organizing, lobbying, political activities, and litigation that does not directly concern the bargaining unit.) In 1988, the Supreme Court decided in *Communication Workers of America v. Beck* that non-union members who are required to pay dues or fees to a union need only pay for the share of union expenses going for representational activities. To exercise this right, however, the workers must formally object to the payment of higher fees.

The cost of this mandate would be greatest in the first year it was effective because authorizations would need to be requested from all current workers. In subsequent years, authorizations would need to be requested only from new workers, which could occur during the normal hiring process. The first-year cost to the unions would depend on the number of

workers from whom authorizations would be requested and the average cost to the union of requesting an authorization. Little information exists on either of these quantities. Only 29 states currently allow union security agreements, and in 1996 a total of 13.2 million union members were employed in those states. An additional 1.9 million non-union members nationwide were represented by unions. The number of workers who were actually employed under union security agreements is unknown. Furthermore, not all of the workers employed under union security agreements would be requested to provide authorizations. Unions that spend significant portions of their funds on nonrepresentational activities would find it advantageous to obtain authorizations from workers. However, the prevalence and magnitude of spending on nonrepresentational activities is not known.

Second, the bill would increase financial reporting requirements on labor organizations by requiring them to report separately their expenses for representational and nonrepresentational activities. Under current law, labor organizations must file financial disclosure forms with the Department of Labor. Those forms include information on assets, liabilities, disbursements to union officers, receipts, and other expenditures, but they do not include information on the purposes for which expenditures are made.

All labor organizations that currently file financial disclosure forms with the Department of Labor would have to comply with the bill's reporting requirements. In 1996, there were 33,600 such labor organizations. The cost of the reporting requirements would vary with the type, size, and activities of labor organizations, but most of this information is not available. These costs would be greatest the first year the requirement would be in effect because many labor organizations would have to set up new reporting and accounting systems. In following years, the cost of producing a report would be relatively low. For some unions with union security agreements, the initial cost of the reporting requirements might not be large, because under current law they must disclose their nonrepresentational expenses and calculate reduced fees for nonmembers who formally object to paying for such expenses.

Finally, H.R. 1625 would require all employers with workers who are represented by a union to post notices informing their workers of the union's duty to obtain their authorization if some of their required dues or fees are used for nonrepresentational purposes. These requirements would impose a largely one-time cost on employers with union workers. To comply with these requirements, employers would have to post notices in at least one area in each of their establishments. Currently, employers are required to post notices regarding fair labor standards and workplace safety requirements. This new posting requirement, however, would apply only to employers of workers covered by collective bargaining agreements. Of the approximately 3 million establishments with paid employees, the share with union workers is not known. In any case, the cost per notice could be quite small. Therefore, CBO estimates that the overall cost of this mandate to employers would be less than \$10 million in the first year the mandate is effective and negligible in later years.

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