

March 15, 2005

Hon. Bill Lockyer
Attorney General
1300 I Street, 17th Floor
Sacramento, California 95814

Attention: Ms. Tricia Knight
Initiative Coordinator

Dear Attorney General Lockyer:

Pursuant to Elections Code Section 9005, we have reviewed the proposed statutory initiative related to payroll deductions of union dues (File No. SA2005RF0066).

Background

Union Dues. Government employees who choose to join the union that represents their bargaining unit in collective bargaining negotiations pay dues to the union. Those employees who choose not to join the union pay “fair share” fees to the union. Fair share fees are paid because the union represents them in negotiations as part of the bargaining unit. These amounts are typically deducted from employee paychecks.

Use of Union Dues for Political Purposes. Unions may use dues funds for various political purposes, including supporting and opposing political candidates and issues. Pursuant to federal and state court decisions, mandatory fair share fees charged to non-union members cannot be used for political purposes. Unions must annually report to all members and bargaining unit participants what portion of their expenditures was for operations and what portion was for political purposes. Because fair share fees cannot be used for political purposes, these fees typically are a few dollars less each month than union dues for full membership.

Major Provisions

The proposed initiative prohibits the state and local governments from processing payroll deductions when any part of the amount deducted would be used for political purposes by a public employee union. The measure would not affect payroll deduction provisions in existing collective bargaining agreements.

Fiscal Effect

The State Controller and local governments could incur some additional administrative costs to assure compliance with the use-of-funds requirements that govern allowable payroll deductions under the measure. The amount of these costs is unknown, but would probably be minor. Any costs could be offset through fees charged on payroll deduction processing.

Fiscal Summary. This measure would have the following fiscal impact:

- Probably minor state and local government processing costs, potentially offset by fee revenues.

Sincerely,

Elizabeth G. Hill
Legislative Analyst

Tom Campbell
Director of Finance