

# SENATE BILL REPORT

## SB 6300

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As Reported by Senate Committee On:  
Commerce & Labor, February 5, 2014

**Title:** An act relating to protecting public sector workers' rights through public disclosure of public sector unions' finances.

**Brief Description:** Protecting public sector workers' rights through public disclosure of public sector unions' finances.

**Sponsors:** Senators Becker, Rivers, Braun and Angel.

**Brief History:**

**Committee Activity:** Commerce & Labor: 1/27/14, 1/31/14, 2/05/14 [DPS, DNP].

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### SENATE COMMITTEE ON COMMERCE & LABOR

**Majority Report:** That Substitute Senate Bill No. 6300 be substituted therefor, and the substitute bill do pass.

Signed by Senators Holmquist Newbry, Chair; Braun, Vice Chair; Hewitt and King.

**Minority Report:** Do not pass.

Signed by Senators Conway, Ranking Member; Hasegawa and Kohl-Welles.

**Staff:** Jessica Stevenson (786-7465)

**Background:** The federal Labor Management Reporting and Disclosure Act (LMRDA) establishes a bill of rights for union members; standards for the regular election of union officers; safeguards for protecting labor organization funds and assets; and reporting requirements for labor organizations, union officers and employees, employers, labor-relations consultants, and surety companies. The LMRDA requires labor unions to publicly report information related to leadership, governance, membership, and union finances.

The Public Employment Relations Commission (PERC) was created to assist public employers and employees settling labor disputes through mediation and fact finding in a uniform and impartial manner. PERC may offer its services in any labor dispute arising under a collective bargaining statute administered by PERC, either upon its own motion or upon the request of one or more of the parties to the dispute.

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

**Summary of Bill (Recommended Substitute):** Each employee organization must file with PERC a report containing the following information:

1. name of employee organization, mailing address, and physical address;
2. name and title of each officer; and
3. detailed statements regarding the provisions made and procedures followed with respect to each of the following:
  - a. qualifications for, or restrictions on, membership;
  - b. levying of assessments;
  - c. participating in insurance or other benefit plans;
  - d. authorization for disbursement of funds of the employee organization;
  - e. audit of financial transactions of the employee organization;
  - f. calling of regular and special meetings;
  - g. selection of officers and agents;
  - h. discipline or removal of officers or agents;
  - i. fines, suspensions, and expulsions of members, including the grounds for such actions and any provision made for notice, hearing, judgment, and appeal;
  - j. authorization for bargaining demands; and
  - k. ratification of contract terms.

Any change in the information required in the report must be reported to PERC at the time the employee organization files its financial report with PERC.

Each employee organization representing at least 100 employees must annually, not more than 90 days after the end of its fiscal year, file with PERC a financial report in such detail as may be necessary to accurately disclose its financial condition and operations for its preceding fiscal year:

- assets and liabilities at the beginning and end of the fiscal year;
- receipts of any kind and the sources of the receipts;
- salary, allowances, and other disbursements;
- direct and indirect loans made to officers, employees, or members, and arrangements for repayment;
- direct and indirect loans to any business enterprise, and arrangements for repayment; and
- other disbursements made by it including the purposes thereof, all in such categories as PERC may prescribe.

PERC has rulemaking authority to ensure that both reports are consistent with the reporting requirements established by LMRDA and the regulations adopted under LMRDA.

The contents of the reports and documents filed with PERC are public information and must be made available to the public by 90 days after the effective date of this law. PERC must operate a website or contract for the operation of a website that allows public access to reports, copies of reports, or copies of data and information submitted in reports, filed with PERC. PERC must preserve the reports for a minimum of ten years.

Employee organizations must make copies of both reports available to every employee in the bargaining unit, and must annually notify every employee in the bargaining unit that the reports are available on the website maintained by PERC.

PERC has the authority to determine whether employee organizations comply with the disclosure requirements and to issue and enforce orders for violations. If PERC finds that an employee organization failed or refused to prepare the reports, or prepared an incomplete or inaccurate report, PERC must issue an order compelling compliance and impose a \$50 fine for each day the report is overdue. PERC may make determinations and may issue and enforce orders in response to petitions filed by an employer, an employee in the bargaining unit, or any member of the general public, or at its own discretion. PERC may refer compliance matters to the Attorney General or other enforcement agencies.

A person who willfully violates any of the reporting requirements must be fined an amount not exceeding \$10,000. A person who knowingly makes a false statement or representation of material fact or knowingly fails to disclose a material fact must be fined an amount not exceeding \$10,000. A person who willfully makes a false entry in the employee organization's books, records, reports, or statements required for the reports, or conceals, withholds, or destroys any of these items must be fined not more than \$10,000. The president and secretary of the employee organization who are required to sign the report detailing organization and governance of the employee organization are personally responsible for filing the reports and for any statement in the reports that they know is false.

The disclosure and reporting requirements apply to employee organizations representing marine employees, academic personnel in community colleges, public employees, educational employees, faculty of public four-year institutions of higher education, state employees, and symphony musicians.

The bill takes effect July 1, 2014.

**EFFECT OF CHANGES MADE BY COMMERCE & LABOR COMMITTEE (Recommended Substitute):** The disclosure and reporting requirements mirror the requirements in LMRDA. Employee organizations with 100 or more employees must submit reports to PERC. An employee organization may satisfy the reporting requirements by filing with PERC copies of the reports required to be filed with the United States Department of Labor under LMRDA. PERC has the authority to adopt rules necessary to align filing requirements with federal law and regulations.

**Appropriation:** None.

**Fiscal Note:** Available.

**Committee/Commission/Task Force Created:** No.

**Effective Date:** The bill takes effect on July 1, 2014.

**Staff Summary of Public Testimony on Original Bill:** PRO: It is important for union membership to have information on the governance and finances of the union. The federal law has helped private union members make informed decisions and know how their money is being spent. Many union members do not know where their money is going. Since federal law protects workers from financial exploitation by requiring disclosure, justice and fairness

require that the public unions in Washington also report financial information. Financial reporting requirements make labor unions transparent and accountable for the use of funds. Non-members have not received clear answers about labor organization finances.

CON: The requirements in SB 6300 far exceed the federal requirements, and SB 6300 is unnecessary, duplicative, burdensome, and punitive. Most of the large labor unions in Washington are subject to LMRDA. The key finances required in SB 6300 are already required by federal law. SB 6300 reporting requirements are burdensome because gathering, completing, reviewing, and submitting the reports is time consuming; especially in some labor unions that were required to create reports under the federal and state laws. Organization information is already available to any member who requests the information. The fines and liabilities for report deficiencies are unfair.

OTHER: There is some duplication because many public labor organizations are required to report under LMRDA, but not all labor unions are required to report. PERC is not involved with any of the current reporting requirements.

**Persons Testifying:** PRO: Senator Becker, prime sponsor; Maxford Nelsen, Freedom Foundation; Dennis Redmon, Free Conscience; Gerald Marsh, Glen Suggs, Michael Farley, Ed Madden, Linda Minor, citizens.

CON: Greg Devereux, WA Federation of State Employees; Geoff Simpson, WA State Council of Fire Fighters.

OTHER: Mike Sellars, PERC.