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SPECIAL ISSUE for the
2011 Legislative Session

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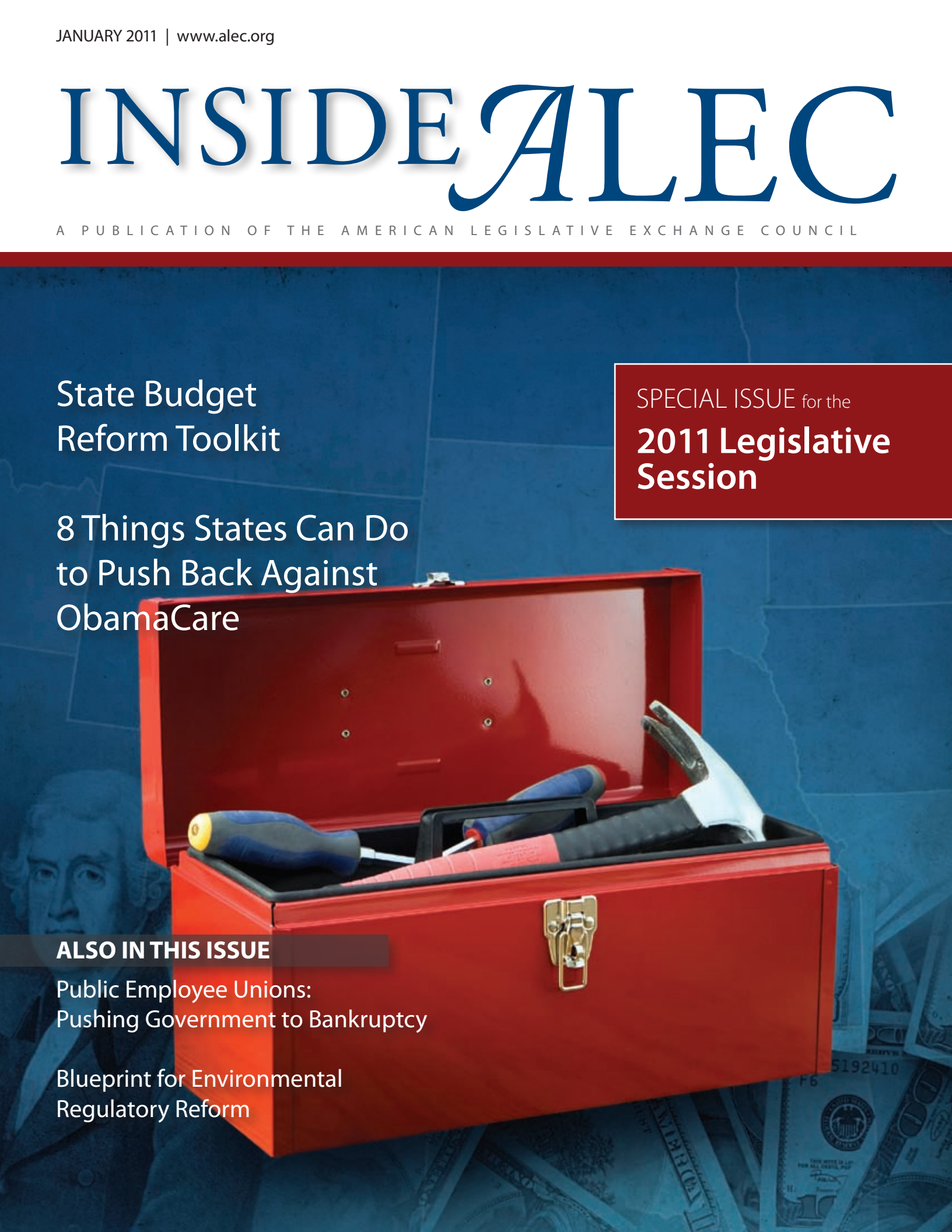

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Public Employee Unions

Pushing Government to Bankruptcy

BY MICHAEL HOUGH

The ever increasing size of government is a huge issue for the public and for state lawmakers who are held responsible for producing balanced budgets. A major factor in the growth of local and state government is public employee unions, which constantly push for higher member pay and more generous pensions, regardless of economic conditions. These unions wield a great deal of power as they can funnel members' dues into political campaigns. ALEC lawmakers should work to adopt paycheck protection legislation to reduce the size of government and protect workers from having their money go to candidates they don't want to support.

Two examples of public-sector unions harming taxpayers are Vallejo, Calif., and Montgomery County, Md. In the City of Vallejo, 74 percent of the city's $80 million general budget was for police and firefighter salaries, benefits, and pensions.[1] The average firefighter salary was $171,000.[2] City employees could retire at age 55 with 81 percent of their final year's pay guaranteed and police and city firefighters can retire at age 50 with 90 percent of their salaries for life and for the lives of their spouses.[3]

Despite Vallejo providing generous benefits for years, when the city faced a $16.6 million deficit, the unions refused to cut salaries or benefits. Even after Vallejo filed for bankruptcy, unions took the city to court forcing it to pay a 14 percent salary increase. Listed on Vallejo's bankruptcy filing as top creditors were the city retiree health plans, $135 million, and the California Public Employees Retirement System, $84 million.[4]

In Montgomery County, Md., even the *Washington Post* took them to task for their "political spinelessness—particularly in the face of politically powerful public employee unions."[5]

Eighty percent of Montgomery County's budget is for personnel. *The Washington Post* noted that in 2006 former County Executive "Douglas M. Duncan, a career politician then running in the Democratic primary for governor, pitched a gold-plated, pork-laden grab bag of political largess that drove county spending up by 11 percent."[6]

Over three years, Duncan increased spending by 30 percent and increased pay for firefighters, police, and county employees. Teachers also received raises so that today the average teacher salary in Montgomery County is $76,483.[7] *The Washington Post* editors wrote, "Montgomery County Council members, most of whom were hoping for union endorsements in the fall elections, rubber-stamped Mr. Duncan's contracts. The Board of Education, equally beholden to the teachers union did the same…"

After years of fiscal irresponsibility and politicians caving into every demand of public-employee unions, Montgomery County now faces over a $1 billion deficit.

These are just two examples of many where public-employee unions were responsible for recklessly driving up government costs.

To reduce the size of government and close budget gaps, legislators should limit the power of public employee unions. Unions often have hoards of money to spend in political campaigns because they can use automatically deducted dues from government employee paychecks. *The Wall Street Journal* reported that The American Federation of State, County and Municipal Employees (AFSCME) was the largest outside spending group in the 2010 elections, spending $87.5 million.[8] "We're the big dog," said Larry Scanlon, the head of AFSCME's political operations.[9]

Public employee unions will continue being the "big dog" as long as they have access to the taxpayer provided salaries of their members. Lawmakers should adopt paycheck protection legislation to block this process. ALEC has two model bills which state lawmakers can introduce:

The Voluntary Contributions Act

This legislation requires public employee unions that engage in political activities keep a segregated fund for political contributions. Contributions to this fund must be voluntary and the state payroll system shouldn't be used to distribute political contributions.

Prohibition on Compensation Deductions Act

This legislation prohibits public employee pay from being deducted for a political committee or to an intermediary through which any amount is provided to a political committee.

Both of these reforms will help protect public employee paychecks and will hinder the political influence of public employee unions who rely on funneling taxpayer funds into political campaigns. Public employee unions have used their influence to relentlessly push for bigger and bigger government—driving local and state governments to the brink of bankruptcy. These groups should not use coerced wages to push their big government agenda.

For more information on paycheck protection legislation, go to www.alec.org or email mhough@alec.org.

1 Michael B. Marois, "Vallejo, California, Plans to File for Bankruptcy," Bloomberg, May 7, 2008, http:www.bloomberg.com/apps/news?pid=20601103&sid=atl3yFmV508A&refer=news.

2 Don Bellante, David Denholm, and Ivan Osorio, "Vallejo Con Dios: Why Public Sector Unionism is a bad deal for Taxpayers and Representative Government."

3 Richard Rider, "The Failure of the Vallejo, CA Bankruptcy." http://open.salon.com/blog/richard_rider/2010/03/30/the _failure_of_the_vallejo_ca_bank

4 Ed Mendel, "Vallejo Plans to Exit Bankruptcy by Next Fall." Calpensions. http://calpensions.com/2010/11/01/vallejo-plans-to-exit-bankruptcy-by-next-fall/

5 "A Tale of Two Counties" *The Washington Post*. May 30, 2010.

6 Ibid

7 Ibid

8 Broody Mullins and John D. McKinnon, "Campaign Big Spenders: Public-Sector Unions Now Lead All Groups in Independent Election Outlays." *Wall Street Journal*. October 22, 2010. http://online.wsj.com/article/SB10001424052702303339504575566481761790288.html

9 Ibid

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