



FACT SHEET

National Institute for Labor Relations Research

5211 Port Royal Road, Suite 510 • Springfield, VA 22151 • Phone: (703) 321-9606 • Fax: (703) 321-7342 • research@nilrr.org • www.nilrr.org

April 16, 2009

Will Big Labor Congress Prime the Pump For More State and Local Tax Hikes?

Federally Mandated Union Monopoly Over Public-Safety Employees Dangerous For Taxpayers

Union-label Speaker Nancy Pelosi (D-Calif.) is expected soon to bring to the U.S. House floor legislation that would federally mandate union monopoly bargaining over state and local public-safety employees across the country. H.R. 413, the Police/Fire Monopoly-Bargaining Bill, was introduced in January by Congressman Dale Kildee (D-Mich.). Mr. Kildee's cynically misleading label for the measure is the Public Safety Employer-Employee Cooperation Act of 2009.¹

H.R. 413 would rewrite the public-sector labor laws of the vast majority of the 50 states to make them more supportive of so-called "exclusive" union bargaining in the public sector.

In states that don't currently authorize public-safety monopoly bargaining, H.R. 413 would impose it, denying localities the option to refuse to grant a single union the power to speak for all front-line employees, including those who don't want to join. And in most states that already authorize public-safety union monopoly bargaining, H.R. 413 would widen its scope.

For example, under current Massachusetts law, state police and other state government union officials wield monopoly power to negotiate employees' pay with state agencies, but do not have any control over employees' health insurance plans. But H.R. 413 would force Massachusetts legislators either to rewrite state law to grant government union officials monopoly-bargaining power over the health plans of all public-safety workers employed at the state level, or allow federal bureaucrats to do the same thing for them.

Kildee Bill Would Pave Way For 'Exclusive' Union Bargaining Over All State, Local Public Employees

The Kildee bill would force countless policemen, firefighters and EMT's to accept as their monopoly-bargaining agent a union they never voted for, and want nothing to do with. It would also constitute a major step towards Big Labor's decades-old goal of enacting a federal law that foists union monopoly-bargaining on front-line state and local government employees of all types across America.

¹ Go to <http://thomas.loc.gov/> and type in the bill number under "Legislation in Current Congress" to obtain a copy of the Kildee bill.

(page 2)

Once Congress has opted to trample the prerogatives of state and local governments nationwide to federalize the system of union monopoly bargaining over public-safety employees, congressmen and senators who voted for this scheme will lack any principled argument to deny granting lobbyists for other types of government unions the same privilege.

And experience indicates that sharply increasing the share of public-sector employees who are unionized in state after state would lead to even heavier burdens for state and local taxpayers.

As of 2008, according to economists Barry Hirsch and David Macpherson, 40.7% of government employees nationwide were under “exclusive” union representation.² In seven states – California, Connecticut, Massachusetts, New Jersey, New York, Oregon and Rhode Island – 60% or more of government employees were unionized. Legislators in two of these states, California and New York, recently imposed multibillion-dollar tax increases that went into effect earlier this year. Politicians in four others – Connecticut, Massachusetts, New Jersey and Oregon – are considering major tax increase this spring.³ But that is hardly the only connection between union density among public employees and higher taxes.

Even before the recent round of tax increases began, taxpayer burdens in states with heavily unionized public sectors were substantially greater than in states with relatively low public-sector unionization, as one can see by reviewing the states’ respective “Tax Freedom Days.”

As the Washington, D.C.-based, nonpartisan Tax Foundation, the coiner and popularizer of the term, has explained, a state’s “Tax Freedom Day” is the day when its residents have “finally earned enough money to pay off their total [federal, state and local] tax burden of the year.”

Government Union Monopolists Jack up a State’s Tax Burden in Two Major Ways

The aggregate 2008 Tax Freedom Day of the seven states with the most heavily unionized public sectors was May 2. That’s 11 days later than the national average of April 21.⁴

That same year, in 28 states the share of public-sector workers under union monopoly control was below the national average of 40.7%. Those states are Alabama, Arizona, Arkansas, Colorado, Florida, Georgia, Idaho, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maryland, Mississippi, Missouri, Nebraska, New Mexico, North Carolina, North Dakota, Oklahoma, South Carolina, South Dakota, Tennessee, Texas, Utah, Virginia, West Virginia and Wyoming.

The aggregate Tax Freedom Day of these 28 low union-monopoly-density states was April 17, four days earlier than the national average and a full *15 days* earlier than the average in states with government union monopoly-bargaining density of 60% or higher.

² Visit <http://www.unionstats.com/> – a web site maintained by Drs. Hirsch and Macpherson – to obtain all the data on the unionization of state and local government employees nationwide and state-by-state cited here.

³ See “More States Look to Raise Taxes,” *Wall Street Journal*, April 9, 2009.

⁴ Aggregate Tax Freedom Days for groups of states are calculated with the help of the revised 2008 state Tax Freedom Days appearing in Tax Foundation *Special Report No. 165*, issued in April 2009, and 2008 state personal income data available on the web site of the U.S. Census Bureau.

(page 3)

Pervasive public-sector union monopoly bargaining helps government union bosses build up giant political machines, which in most cases are fueled by workers' compulsory union dues and fees. Of course, it is union officials' status as employees' monopoly-bargaining agents that furnishes them with a pretext to demand that the public employer agree in the first place to force employees to pay union dues or fees, or be fired.

Government union officials wield their political machines to bankroll Tax-and-Spend state legislators and governors. Once they are in office, these politicians know that they will need to see to it that their government union supporters are kept happy at contract-negotiation time in order to have the union political machine at their disposal for their re-election bids. That's one key reason why the average overall tax burden in states with 60% or more of public-sector workers under union monopoly bargaining is 13% higher than the average in states with public-sector unionization below the national average.

Excluding all federal taxes, the tax burden for residents of the seven states with the most public-sector union monopoly bargaining is nearly 22% higher, as a share of their income, than is the burden of residents of states with below-average public-sector unionization.⁵

The second key factor driving up the tax burdens of states like California, New York, and New Jersey is their extraordinarily high cost of living. The same Organized Labor-backed politicians who keep raising state and local taxes in such states also typically impose excessive regulations on housing construction, energy generation, and other necessities, thus making the states extraordinarily expensive places to live.

The aggregate cost of living-adjusted, per capita personal income in 2008 for the seven states with the highest public-sector union monopoly-bargaining density was \$35,205, compared to \$38,090 for states with below-average monopoly bargaining.⁶ But because federal income tax rates are based on people's nominal incomes, rather than their real, spendable incomes, residents of California, New York and New Jersey actually have to fork over substantially greater shares of their incomes in federal taxes than do residents of lightly unionized states. This widens the tax disadvantage residents of government union strongholds already have as a consequence of their heavier state and local tax burdens.

Heavier Tax Burdens Mean Slower Economic Growth

At a time when a number of states are already raising taxes, H.R. 413 would add more fuel to the tax-hike fire. That fact alone should give pause to the legislation's Capitol Hill supporters, as well as President Obama, who has pledged to sign such a measure should it reach his desk.

And the fact that a wide array of evidence shows heavier taxation results in less economic growth⁷ should make Congress and the President even more concerned about pushing for enactment of legislation designed to promote public-sector union monopoly bargaining.

⁵ The 2008 tax burdens, excluding all federal taxes, cited here can be found in the Tax Foundation's *Special Report No. 163*, issued in August 2008.

⁶ Census Bureau personal income data are adjusted for cost of living with the help of an index for 2008 furnished by the Missouri Economic Research and Information Center in Jefferson City, Mo.

⁷ See, e.g., the recently published second edition of *Rich States, Poor States: ALEC-Laffer State Economic Competitive Index*, by Arthur B. Laffer, Stephen Moore, and Jonathan Williams, American Legislative Exchange Council, Washington, D.C., 2009. See esp. pp. 35-42.

(page 4)

Because a measure nearly identical to H.R. 413 steam-rolled through the House in 2007 and a filibuster-proof majority of more than 60 senators have gone on record in support of such legislation, opponents of H.R. 413 appear to be fighting an uphill battle this year.

However, with public anti-tax sentiment on the rise, as witnessed by the more than 300 “tea party” protests against excessive federal spending staged nationwide on April 15,⁸ H.R. 413’s enactment is far from certain.

Before giving this measure the green light, Congress clearly owes it to the American people to hold hearings and debates during which its far-reaching fiscal implications for state and local taxpayers can be carefully considered.

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⁸ Ashley Fantz, “Nationwide ‘Tea Party’ Protests Blast Bailout,” CNN, April 15, 2009.