INSTITUTE BRIEF

Volume 15, Number 15 May 2008

House File 2645: Iowa's Fiscal Train Wreck

By Jonathan J. Miltimore

The Iowa Legislature recently passed House File 2645, a bill that would significantly expand the scope of collective bargaining negotiations for government employee unions. Issues that have traditionally been decided by Iowa school boards and city councils — such as class size, teacher preparation time, employee discipline and dismissal protocols, procedures for evaluating teachers, and uniform dress codes — would become subject to negotiation between union officials and government bodies (or, rather, their attorneys). Employees would also be able to negotiate "leaves of absence, including cash payments for accumulated leave" and "other terms and conditions of employment."[1]

Iowa Legislators may not fully appreciate the extent of damage HF 2645 could wreak on schools and local governments should it become law. It is true, as defenders of the bill maintain, that many states have "open-scope" bargaining that allows government employee unions to negotiate on a broad array of issues. However, none of these states have arbitration laws as permissive as Iowa's. Of all the other states in the country that permit "open-scope" bargaining, arbitration can only be employed in special cases or when both parties agree to it. But chapter 20.22 of the Iowa Code reads as follows: "If an impasse persists after the findings of fact and recommendations are made public by the fact-finder … the board shall have the power, upon request of either party, to arrange for arbitration, which shall be binding."[2]

As a simple reading of 20.22 reveals, the path to arbitration in Iowa is extremely simple. Essentially, if management and labor cannot reach a contractual agreement either side can ask for negotiations to go to arbitration. Once the arbiter has decided a case, the agreement is complete and binding; it cannot be altered or appealed.

Binding arbitration is not an ideal method for resolving contractual disputes. Its precipitates confrontation and the fact that one party can force another to swallow a bargain it may despise can lead to embittered relations between management and employees. It also removes ultimate decision making from elected bodies and grants significant power and authority to unelected arbiters who may not fully understand the implication or expense of far-reaching contractual changes.

Binding arbitration is looked at as a means of avoiding worker strikes (which are prohibited). However, by overhauling the laws which limit the scope of bargaining, local governments could soon find themselves being forced into contracts that they do not desire and cannot afford, as unions press for sweeping, expensive demands — everything from "accumulated leave" dispensations to early-retirement healthcare benefits — that local governments simply may not be able to afford but an arbiter may decide to grant.

Local governments would simply be unable to say "NO" to such contracts, and they would be legally compelled to do one of two things: Raise property taxes to fund contracts they did not agree to, or declare bankruptcy.

Some may allege that the prospect of the latter option is highly dubious. In fact, in the early 1990s Bridgeport, Connecticut, was forced to do just that. Just this year Vallejo, California, came "within an eyelash" of doing the same. Economist Stephen Moore points out the reason: "Incredibly, 80 percent of [Vallejo's] budget is consumed by labor and pension costs." In a town where the average family income is $57,000, "ten firemen earned over $200,000 last year."[3] And Vallejo is hardly unique.

A Publication of: **Public Interest Institute *at* Iowa Wesleyan College**
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Moore reports that many state workers are walking away "with lifetime annual pension and health benefits of $300,000 year," and it is estimated that "one of every three dollars budgeted for the L.A. schools goes to teacher retirement costs." It is not coincidental that both Connecticut and California have "open-scope" bargaining. But this begs a fair question: How well are Iowa state employees compensated?[4]

The Bureau of Labor Statistics data reveal that the average wage of state employees in Iowa in 2006 (the most recent year available) was $49,552[5]; this is nearly 33 percent higher than the average annual income in Iowa ($33,250)[6]. One may contend that state workers are more likely to have college and advanced degrees than private sector workers. Perhaps this is true, but BLS data also reveal that state workers in Iowa make much more than state workers in other states. In fact, the $49,552 that Iowa state workers averaged in 2006 was nearly $6,000 more than the national average. Iowa state workers averaged more than state workers in, get this, New York.[7] But this is nothing new. As the Public Interest Institute has pointed out, "As has been the case since the mid 1980s, Iowa's relative pay gap [between private and public sector workers] is the largest in the country."[8]

HF 2645 would only widen this compensation gap, as the vast majority Iowans who are not state workers would have to finance the gold-plated demands of unions that cash-strapped local governments would be legally bound pay for. Where would they go for the cash? Simple: the taxpayers.

And this says nothing about the multitude of problems HF 2645 would inflict on Iowa schools. Do Iowans really want to relinquish control of their classrooms to lawyers and arbiters? Iowa schools have thrived largely because they have allowed school boards and superintendents do to what they are paid to do: lead and administer. In fact, a 2006 Harvard University study states that "the tendency for collective bargaining to spill into managerial prerogatives poses real problems for school reform." It is clearly "open-scope" bargaining that the authors are referring to as a hurdle to school improvement: "[T]he sheer scope of teacher collective bargaining agreements ensures that they will collide with virtually any reform effort that sets out to change [and improve] established practices in education."[9]

In conclusion, HF 2645 would make it increasingly difficult for governments to control their already tight budgets and hinder the ability of education supervisors to effectively administer their schools. Unions exist for a reason: to get the best contracts possible for their members. Union officials would not be doing their jobs if they weren't trying to change the law in a way that would allow their members to get even better deals. But in the case of public employee unions, when taxpayers are footing the bill, the people have a job as well: To say "NO" to and express their outrage at bad laws.

Endnotes

1) Iowa Bill, House File Bill 2645 by Committee on Labor.
2) (My italics), Iowa Code, 20.22.
3) Stephen Moore, "The Unions Go to Town … and bankrupt America's cities," The Weekly Standard, March 24, 2008, <http://www.weeklystandard.com/Content/Public/Articles/000/000/014/886hxint.asp> (April 1, 2008).
4) Ibid.
5) BLS, Table 8: State Government by State and Selected Industries: Establishments, Employment, and Wages, 2004 Annual Averages, Employment and Wages Annual Averages 2006, <http://www.bls.gov/cew/ew06table8.pdf> (March 16, 2008).
6) United States Bureau of Labor Statistics, November 2004 State Occupational Employment and Wage Estimates:Iowa, <http://www.bls.gov/oes/current/oes_ia.htm#b00-0000> (March 16, 2008).
7) BLS.
8) Robert Stewart, "Iowa State Employees: Ten Years Later, They're still Iowa's Privileged Class," Public Interest Institute INSTITUTE BRIEF, Vol. 13, No. 15, May 2006.
9) Frederick M. Hess and Martin R. West, A Better Bargain: Overhauling Teacher Collective Bargaining for the 21st Century, Harvard University Press, 2006, <http://www.ksg.harvard.edu/pepg/PDF/Papers/BetterBargain.pdf> (April 1, 2008).

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