

Republican Perspective
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CALIFORNIA - GOVERNMENT UNION NIRVANA

“All Government employees should realize that the process of collective bargaining, as usually understood, cannot be transplanted into the public service.” Franklin Delano Roosevelt

Earlier this year, State Controller Betty Yee published a report stating the cost for retiree health and dental benefits grew to \$74.1 billion. The total “unfunded liability” grew by nearly \$2.4 billion over fiscal year 2015. The State’s Treasurer reported that California has debt of \$1.2 trillion. What’s a trillion bucks to a state that has one of the nation’s highest poverty rates?

Starting in the 2017-18 fiscal year, the Governmental Accounting Standard Board will require state and local governments to incorporate into their financial statements the unfunded liabilities for retiree health care. Expect California to report substantial liabilities.

California pays for retiree health benefits on a pay-as-you-go basis, which means covering costs as they come due. Ms. Yee’s report shows the state setting aside \$1.9 billion to cover just actual costs. True accounting of existing and future cost would have required a \$5 billion set aside.

How to handle the retiree unfunded liabilities is a delicate subject for Governor Brown and the Democratic Legislature. Their government union friends donate generously to their political campaigns and expect favorable treatment. Brown would like to see retiree health care costs approached more like public employee pensions. Pension costs are paid upfront using employee contributions, state contributions and investment earnings.

“California has a duty to ensure it can meet its obligations to workers who earned these retirement benefits,” said Ms. Yee. Further, “We need to assure through collective bargaining that we set aside money to meet this obligation and keep the state on sound fiscal footing.” Past state collective bargaining efforts does not provide us with confidence that a change to the funding of health care will occur soon.

Governor Brown has proposed pre-funding the entire retiree health care liability by the 2044-45 fiscal year. Now that’s kicking the can down California’s pothole infested roads. Or should I say, kicking the can down the bullet train rails?

Who represents the California taxpayer in state/local collective bargaining? How do union elected Democrat representatives negotiate the best deal for the taxpayer? Past negotiating results have shown a largesse unfamiliar to private sector workers. Why don't we hear the hue and cry from Progressive social Democrats over government union campaign contributions?

California's government unions, along with their allies in the financial industry, are a potent lobby in Sacramento. Don't expect a change to be forthcoming to the public sector union's

lavish health and pension benefits. It's not going to happen with a super-majority Democrat legislature. Former San Jose Mayor, Chuck Reed (D), is planning a pension reform initiative for the 2018 election. Any chance of change will have to come from the California voters. Rest assured that California's public sector unions will spend aggressively to defeat reform. There will be no outrage from Progressive social Democrats over this campaign spending. For California's private sector worker and retiree, expect your state and local taxes to rise in order to pay for negotiated health and retirement benefits. If California only heeded FDR's words...