August 2019

Transparency Can Curb the High Taxpayer Cost of Government Union Contracts

Jessica Barnett

Behind closed doors, Pennsylvania elected officials routinely negotiate billion-dollar contracts with government unions leaders from whom they often receive political donations.1 Although state law guarantees citizens access to many government records, final union contracts—which determine employee salaries, benefits, health care contributions, and employment conditions—are available only after their ratification. Still, the negotiation process and related documents remain inaccessible.

Three government union recently finalized their contracts:

• The American Federation of State, County and Municipal Employees Council 13 (AFSCME 13), representing 30,300 commonwealth employees.
• The Service Employees International Union 668 (SEIU 668), representing 9,300 primarily social service workers.
• The United Food and Commercial Workers (UFCW), representing 1,500 state liquor store employees.

Via Act 15 of 2016, the Independent Fiscal Office (IFO) must provide an analysis of a contract’s additional costs prior to its execution, but after it’s certified.2 In other words, taxpayers do not know the price tag until it is finalized.3 These three contracts negotiated in 2019 will cost an additional $1.15 billion by the time they expire in 2023.

Contract Cost Analysis 2019-23

• The IFO analyses conclude AFSCME 13, SEIU 668, and UFCW will cost an additional $1.04 billion in salary and benefits (pension, Social Security, Medicare, and workers’ compensation payments) and $106 million in health care contributions.
• This is driven by cumulative 18% salary hikes (across-the-board raises, a retroactive 3% raise, and annual step increases) and annual increases in employer health care contributions. Employee health care contributions remain unchanged.

---

3 The governor’s Office of Administration negotiates contracts with 18 unions, typically every three to five years, https://www.hrm.oa.pa.gov/employee-relations/cba-md/Pages/default.aspx.
Cost Increase of State Union Contracts

From 2019-23, three government union contracts will cost an additional $1.15 billion.

<table>
<thead>
<tr>
<th>Union</th>
<th>4 Year Total</th>
<th>2019-20</th>
<th>2020-21</th>
<th>2021-22</th>
<th>2022-23</th>
</tr>
</thead>
<tbody>
<tr>
<td>AFSCME 13</td>
<td>$749,300,000</td>
<td>$71,300,000</td>
<td>$146,800,000</td>
<td>$228,900,000</td>
<td>$302,300,000</td>
</tr>
<tr>
<td>Health Care</td>
<td>$78,000,000</td>
<td>$0</td>
<td>$12,600,000</td>
<td>$26,000,000</td>
<td>$39,400,000</td>
</tr>
<tr>
<td>Total</td>
<td>$827,300,000</td>
<td>$71,300,000</td>
<td>$159,400,000</td>
<td>$254,900,000</td>
<td>$341,700,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Union</th>
<th>4 Year Total</th>
<th>2019-20</th>
<th>2020-21</th>
<th>2021-22</th>
<th>2022-23</th>
</tr>
</thead>
<tbody>
<tr>
<td>SEIU 668</td>
<td>$266,100,000</td>
<td>$25,600,000</td>
<td>$52,400,000</td>
<td>$81,300,000</td>
<td>$106,800,000</td>
</tr>
<tr>
<td>Health Care</td>
<td>$24,100,000</td>
<td>$0</td>
<td>$3,900,000</td>
<td>$8,000,000</td>
<td>$12,200,000</td>
</tr>
<tr>
<td>Total</td>
<td>$290,200,000</td>
<td>$25,600,000</td>
<td>$56,300,000</td>
<td>$89,300,000</td>
<td>$119,000,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Union</th>
<th>4 Year Total</th>
<th>2019-20</th>
<th>2020-21</th>
<th>2021-22</th>
<th>2022-23</th>
</tr>
</thead>
<tbody>
<tr>
<td>UFCW</td>
<td>$26,800,000</td>
<td>$2,600,000</td>
<td>$5,300,000</td>
<td>$8,200,000</td>
<td>$10,700,000</td>
</tr>
<tr>
<td>Health Care</td>
<td>$3,900,000</td>
<td>$0</td>
<td>$600,000</td>
<td>$1,300,000</td>
<td>$2,000,000</td>
</tr>
<tr>
<td>Total</td>
<td>$30,700,000</td>
<td>$2,600,000</td>
<td>$5,900,000</td>
<td>$9,500,000</td>
<td>$12,700,000</td>
</tr>
</tbody>
</table>

SOURCE: Independent Fiscal Office

Compensation Exceeds Industry Standards and Previous Contract Increases

- In 2015, before IFO provided cost analysis, Wolf negotiated one-year contracts with 16 unions, costing an estimated $3.4 billion in employee compensation.
  - Using the same analysis, the AFSCME 13, SEIU 668, and UFCW contracts alone will cost $3.6 billion in employee compensation the first year, for a cumulative $15.3 billion over the life of the contract.4
- In 2016, Wolf and union leaders negotiated a 12.31% cumulative salary increase. The 3-year contracts cost an additional $591 million5, approximately half the cost of 2019-23 increases for AFSCME 13, SEIU 668, and UFCW. The 2016-19 cost breakdown:
  - AFSCME – $390.3 million;
  - SEIU 668 – $134.9 million;
  - Nine smaller unions – $66.7 million.
- According to the most recent 2018 state workforce statistics data, Pennsylvania state workers earn an average $102,600 in compensation, with benefits alone doubling over the past 10 years.6
  - In comparison, private employees in Mid-Atlantic states earn $75,000 on average, with just a 50% increase in benefits over the past 10 years.

---

4 This assumes no employment changes and accounts for increases in salary, benefits, and health care contributions.
5 Employee health care contributions saved $18.3 million, for a net $506.9 million in additional taxpayer spending.
The Need for Transparency

- Government union leaders negotiate these contracts with the public officials they help elect. **AFSCME, SEIU, and UFCW donated over $5.3 million to Wolf’s campaigns** in PAC donations alone. This does not include members’ dues spent on voting guides, political communications, and get-out-the-vote efforts.
  - Opening the negotiation process will help counteract this conflict of interest and allow Pennsylvanians to have a say over the bills their taxes cover.
- Transparency throughout the negotiation process will equip state workers with a more active voice in determining their own workplace standards and employee contracts.
  - Sixteen states have at least partial contract transparency laws. Similarly, Pennsylvania legislators have proposed transparency measures.
    - **Senate Bill 448** (Sen. Ryan Augment) opens contract negotiations to the public under Pennsylvania’s Sunshine Act. **Senate Bill 449** (Sen. Scott Martin) removes negotiation records’ current exemption from the Right to Know Law.
    - **Senate Bill 339 and House Bill 250** (Sen. Pat Stefano and Rep. Matt Gabler) require public posting of all contracts before they go into effect.
- Transparency fosters fairer contracts for individual workers. For instance, public awareness helped enhance workers’ rights in the three new contracts, specifically:
  - **Removal of fair share fee language.** The 2018 Janus v. AFSCME Supreme Court decision ruled nonmember fair share fees unconstitutional. Removing the contract provision was crucial considering the fees remain in state law and some local teacher unions—in the absence of accountability—are actively negotiating fair share fees into contracts.
  - **Union resignation rights.** Following a publicized lawsuit from union members, SEIU 668 granted employees the right to resign union membership at any time.

Secretly negotiated union contracts impact public policy, as one tax dollar spent on employee benefits is one less tax dollar available for other public services. Taxpayers and state workers should not be kept in the dark. Transparency can rectify this blatant conflict of interest and better ensure contracts are negotiated fairly, compensate public sector workers appropriately, and respect employees’ individual rights.