

IOWA TRANSPARENCY NEWSLETTER

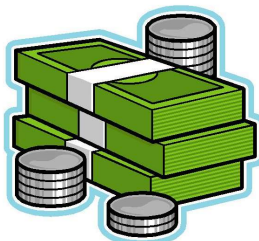


What Do the Changes to Chapter 20 Mean for Iowa Taxpayers?

By Jennifer L. Crull

Collective bargaining has changed dramatically, but what does this mean to you, the taxpayer? Before these reforms, state employees in Iowa had been paid on average almost 1.5 times the amount the average private-sector employee had been paid.¹ How will these changes affect the high tax rates we currently have? We have read that after the passage of Act 10, Wisconsin was able to save \$5 billion for taxpayers. But what do the Chapter 20 reforms mean for the economy of Iowa?²

As we look at the Chapter 20 reforms, the first major change is in regard to the scope of negotiations. Table 1 outlines



the list of mandatory bargaining topics from before House File 291 (HF 291) was signed into law, reforming collective bargaining. The only illegal subject was retirement systems. Now, with the changes to Chapter 20, the following are illegal matters for bargaining:

All retirement systems,

dues checkoffs, and other payroll deductions for political action committees or other political contributions or political activities shall be excluded from the scope of negotiations. For negotiations regarding a bargaining unit that

Table 1 - Mandatory Topics (Pre-Reform)
Wages
Hours
Vacation
Insurance
Holidays
Leaves of absence
Shift differentials
Overtime compensation
Supplemental pay
Seniority
Transfer procedures
Job classifications
Health and safety matters
Evaluation procedures
Procedures for staff reduction
In-service training

**IOWA TRANSPARENCY
NEWSLETTER**

May 2017

Volume 10, Number 2

Public Interest Institute
Dr. Don Racheter, President
Jennifer L. Crull, Editor

IOWA TRANSPARENCY NEWSLETTER is one of our quarterly membership newsletters, arriving in February, May, August, and November.

IOWA TRANSPARENCY NEWSLETTER is published by Public Interest Institute, a nonpartisan, nonprofit, research and educational institute whose activities are supported by contributions from private individuals, corporations, companies, and foundations. The Institute does **not** accept government grants.

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A Publication of:
Public Interest Institute,
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does not have at least 30 percent of members who are public-safety employees, insurance, leaves of absence for political activities, supplemental pay, transfer procedures, evaluation procedures, procedures for staff reduction, and subcontracting public services shall also be excluded from the scope of negotiations.³

Now, the only mandatory item is base wages. Table 2 lists the permissive topics of collective bargaining. By "permissive," we mean topics that may be discussed if both parties agree to the

Table 2 - Permissive Topics (Post-Reform)

Hours
Vacation
Leaves of absence
Shift differentials
Overtime compensation
Seniority
Job classifications
Health and safety matters
In-service training
Grievance procedures
Seniority and any wage increase
Employment benefits
Other employment advantages based on seniority
Other matters mutually agreed upon

discussion. Among these changes, note that staff reduction has been changed to an illegal subject, as this allows public entities to make reductions that are truly in the best interest of the organization, not what the contract says must be done.

The next section that has a significant financial impact is Section 22, which deals with binding arbitration. Previously, arbitration had no financial cap on arbitration awards and allowed the arbitrator to consider:

- Past collective-bargaining agreements
- Comparison of wages, hours, and conditions of employment with other public employees doing comparable work
- Interest and welfare of the public
- Power of the public employer to levy taxes and

appropriate funds⁴

The following changes are vital to the taxpayer, as the awards cannot exceed the lesser of 3 percent or the percentage equal to the increase in the consumer price index.⁵ Additionally, arbitrators **cannot** consider past collective-bargaining agreements and the power of the public employer to increase or impose new taxes, fees, or charges.⁶ The arbitrator should consider:

(1) Comparison of base wages, hours, and conditions of employment of the involved public employees with those of other public employees doing comparable work, giving consideration to factors peculiar to the area and the classifications involved. To the extent adequate, applicable data is available, the arbitrator shall also compare base wages, hours, and conditions of employment of the involved public employees with those of private-sector employees doing comparable work, giving consideration to factors peculiar to the area and the classifications involved.

(2) The interests and welfare of the public.

(3) The financial ability of the employer to meet the cost of an offer in light of the current economic conditions of the public employer. The arbitrator shall give substantial weight to evidence that the public employer's authority to utilize funds is restricted to special purposes or circumstances by state or federal law, rules, regulations, or grant requirements.⁷

These changes are very likely to have a great impact on budgets for public employers. Before, with no consideration for restricted funds or limiting growth, an arbitrator could often rule in favor of the union, which would have a severe impact on taxpayers. This reform should restrict growth when it is not warranted.

In addition to the substantial changes to Chapter 20, HF 291 makes changes to other code sections, such as Chapter 279, which deals with Powers and Duties of Directors (school boards); Chapter 22, Examination of Public Records; and Chapter 70, Financial and Other Provisions for Public Officers and Employees. These changes are also imperative to controlling the growth of government. From FY15 to FY16, the Iowa budget grew 2.67 percent, yet the inflation rate for 2016 was only 1.26 percent.⁸ So the state government is growing much faster than inflation.

The hope is that with these changes to the state's collective-bargaining procedures, most governmental agencies will see less strain on their operations because they will be able to make cuts that work the best for each entity. Additionally, with an arbitrator considering economic conditions, there should be more common-sense solutions for public entities.

There is a reflective piece to this question: considering the changes Act 10 brought to Wisconsin and seeing if there are issues Iowa should now consider. One issue that has surfaced for the Wisconsin Department of Education is the decline in students in teacher education programs. Enrollment in 2010-2011 was 11,780, and by 2014-15 that number had dropped to 7,956. The number of students completing teacher education programs dropped over 20 percent in the same period.⁹

This is an issue the Iowa Department of Education needs to pay close attention to, because if we create a teacher shortage, the cost-saving measures are gone. Yet the changes that were made to Chapter 20 are

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important to the taxpayers of Iowa, especially for restraining the growth of government and not seeing the steady increase in the tax burden on all Iowans.

incorp.pdf> accessed on May 5, 2017.

⁴ Ibid.

⁵ Ibid.

⁶ Ibid.

⁷ Ibid.

accessed on May 5, 2017.

⁹ Title 2, “Higher Education Act Data,” *U.S. Department of Education*, <<https://title2.ed.gov/Public/Report/StateHome.aspx>> accessed on May 8, 2017.

(Endnotes)

¹ Amy K. Frantz, “Iowa’s Privileged Class: State-Government Employees,” *Public Interest Institute, INSTITUTE BRIEF*, Vol. 24, No. 4, February 2017, <<http://www.limitedgovernment.org/brief24-4.html>> accessed on May 5, 2017.

² John Hendrickson, “Wisconsin in the Aftermath of Act 10,” *Public Interest Institute, INSTITUTE BRIEF*, Vol. 24, No. 12, April 2017, <<http://www.limitedgovernment.org/brief24-12.html>> accessed on May 5, 2017.

³ “House File 291 Changes Incorporated into Chapter 20,” *Public Employees Relations Board*, <<https://iowaperb.iowa.gov/sites/default/files/ch.%202020%20with%20HF291%20>

⁸ “Historical Inflation Rates: 1914-2017,” *U.S. Inflation Calculator*, <<http://www.usinflationcalculator.com/inflation/historical-inflation-rates/>>

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