Taxpayers Throttle Back Unions in California

Two California cities, San Jose and San Diego, the tenth- and eighth-largest cities in the country respectively, just voted overwhelmingly to rein in excessive union pensions. In San Jose the ballot measure that passed was called Measure B, while in San Diego it was called Proposition B, but the message was the same: The day of excessive union pension benefits extending upward and outward to infinity is coming to a close.

San Jose's Measure B, which passed with nearly 70 percent of the vote, gives union members a choice: increase their contributions to their pension benefits from its current level (between 5 percent and 11 percent) to 13 percent, or switch to a lower cost plan with reduced benefits. It also sharply reduces benefits for new hires and tightens rules to qualify for disability benefits.

In San Diego, Proposition B which passed 66 percent to 34 percent, eliminated pensions for new workers altogether, providing them with traditional 401(k) defined contribution plans instead. It also puts a freeze on pay levels for five years and, most importantly, removes elected officials' ability to approve increases in pension benefits without voter approval.

As San Jose Mayor Chuck Reed expressed it, the voters "understand the direct connection between skyrocketing pensions and the cuts in services…. They recognize that the [present] system is simply not sustainable." And San Diego Mayor Jerry Sanders echoed Reed: "These pension systems are simply unsustainable."

These votes in San Jose and San Diego are just the most obvious, getting lots of national attention. But prior to these votes, there have been 20 other similar votes by other cities and municipalities in California, and 18 of them passed, with majorities in excess of 62 percent.

The unions themselves are backing away from trying to influence votes through spending campaigns, and have decided to try to have the measures overturned or modified by the courts. Michael Zucchet, general manager of the San Diego Municipal Employees Association, said, "We could have spent $100,000, $1 million, or $10 million, trying to educate people and it wouldn't have helped…. People would have said 'It feels good to vote for it.'"

Instead, unions are suing to reverse the will of the people, claiming in San Diego for instance, that Mayor Sanders and the San Diego city council were guilty of unfair labor practices by putting the matter on the ballot in the first place. Given California courts' pro-union stance, the outcomes of such suits could easily go the unions' way, but the voters, in the end, aren't likely to be denied.

And the California state legislature isn't likely to stand in the way of the voters, either. When San Jose Mayor Reed wrote to the state's Assembly and Senate leadership, he noted that retirement costs now consume more than 20 percent of the city's general fund's revenues and asked that the legislature "not encroach on cities' authority to determine compensation for their employees." In response, state Senate leader Darrell Steinberg said: "I would not favor doing anything that would affect the voter-approved initiatives [in San Jose or San Diego]…. Whatever the state ends up doing will not impact San Diego's [or San Jose's] initiative[s]."

Supporters of the measures were ecstatic. Lani Lutar, president and CEO of the San Diego County Taxpayers Association, said:

> San Diego's victory isn't just a win for San Diego taxpayers. It marks the beginning of the pension reform movement for our country.
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> Tuesday the voters sent a very clear message to elected officials: put the taxpayer first. Use our money prudently, and stop giving away benefits we can't afford.

John Nienstedt, president of Competitive Edge Research and Communication in San Diego, said that the votes in San Jose and San Diego are just the tip of the iceberg:

> Ballot box pension reform is here to stay.
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> In both San Jose and San Diego, "yes" votes came from independent voters, and even 40 percent of Democrats supported the measures. That across-the-board support makes pension reform a bonafide movement.

The saying goes that the "the first olive out of the bottle is always the hardest," and Scott Walker's victory in Wisconsin was the first olive. With pension costs skyrocketing in San Jose from $73 million in 2001 to $245 million in 2012 and in San Diego from $43 million in 1999 to $231 million this year, the voters have finally awakened to two simple facts: First, the unions' pension plans were unaffordable, and second, the voters have the power to do something about it.

A final note: In San Diego, Proposition A also passed by a similar margin as Proposition B. That now prohibits "project labor agreements," which forced the city in the past to pay prevailing union wages and provide prevailing union health coverage on its municipal construction contracts. In simple terms, passage of Proposition A now allows competitive bidding on those projects for the first time, and is expected to save the city and its taxpayers millions of dollars. That makes San Diego the largest city in the country to allow fair and open competition for such projects. For the unions, it's another indication that their days of milking the taxpayers are coming to a end.