



# INTERNATIONAL FEDERATION OF PROFESSIONAL & TECHNICAL ENGINEERS AFL-CIO & CLC

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## 2018 IFPTE Issue Brief

## 115<sup>th</sup> Congress

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### **State and Local government worker issues have huge economic impact**

**Overview** - Public servants in states, counties and cities all across America not only provide us with quality public services each and every day, they do so at the most efficient cost to the taxpayer. Unfortunately, some lawmakers have decided to ignore the services provided by these public servants and instead focus on damaging policies like costly privatization, cutting or eliminating public pensions, and reducing pay and workforce size. However, Congress can inject a much needed shot in the arm for our nation's public employees, and the economies they support by passing a robust transportation infrastructure bill that could maintain and create thousands of public sector jobs, pass the Marketplace Fairness Act which will give States the mechanism necessary to collect billions in unpaid sales and use tax, and put in place a Supreme Court Justice that will respect the constitutional rights of public sector employees to collectively bargain.

A good sign for the current 115<sup>th</sup> Congress is that during the previous Congress there was strong bipartisan support for the Marketplace Fairness Act (S. 698, HR 2775). Regrettably, the House of Representatives, led by Judiciary Chairman Bob Goodlatte (R, VA), failed to pass the bill. Not only is this bill important so states and localities will have the ability to collect taxes on the sales of goods and services, it will also bring fairness to brick-and-mortar businesses who experience a competitive disadvantage versus companies like Amazon, EBay and others who sell products over the internet without collecting taxes. It is estimated that \$30 billion a year is lost to State revenues due to unpaid taxes on sales of goods and services over the internet, and results in States like Virginia - where Congressman Goodlatte is from - having to raise sales taxes (from 5% to 5.3%).

**Transportation Infrastructure Spending** - IFPTE is disappointed by President Trump's recently released infrastructure outline, as it calls for only \$200 billion in federal resources for infrastructure over ten years, opens the door to massive privatization of public services, and exacts an onerous and unrealistic burden on States and Localities to provide the lion's share of any infrastructure spending. Instead, IFPTE urges Congress to provide for a more robust bill that will create and maintain hundreds of thousands of jobs for many years, including public sector services in the transportation sector - everything from engineering, to planners to evaluation specialists, to quality control workers.

**Pensions and other issues of importance to Public Sector workers**- In addition to protecting the democratic right of public sector workers to collectively bargain, there were also bills before the 114<sup>th</sup> Congress that would have been damaging to state & local government budgets and their workers. Below are the top four IFPTE Public employee issues and positions for the 115<sup>th</sup> Congress:

1. **The Marketplace Fairness Act/Remote Transactions Parity Act**- Unlike many issues in Congress, this legislation has historically had strong bipartisan support, including Senators Durbin (D-IL), Enzi (R-WY), Alexander (R, TN), Cardin (D-MD), and Blunt (R-MO), and Representatives Chaffetz (R, UT), Conyers (D, MI), Cohen (D, TN) and Kilmer (D, WA). First and foremost, it does not raise, or create any new taxes. Rather, it enables state and local governments to enforce their own tax codes by collecting sales and use tax resulting from online and remote sales of goods and services. It also levels the playing field for brick-and-mortar retailers who charge sales and use tax. In these days of austerity, where budgets at all levels are being cut to the core, it is clearly time for the Congress to give states the flexibility and tools necessary to collect the taxes they are owed. **IFPTE urges Congress to pass The Marketplace Fairness Act/Remote Transactions Parity Act.**

2. **Medicaid** - Various proposals being considered by Congress, and recommendations laid out by the Trump Administration budget, aim to cut Medicaid and even turn it into a block grant system. Such proposals would dramatically shift the burden of providing Medicaid services largely to state governments, resulting not only in reduced health care coverage for our nation's most vulnerable, but also in the cannibalization of other critical state resources to cover some of the cuts to Medicaid resources. As it stands now Medicaid funding from the federal government is the largest percentage of revenue to the states – 48%<sup>i</sup>. That revenue stream is critical – not only for Medicaid programs, but also to help sustain other state programs. **IFPTE urges lawmakers to avoid any cuts to Medicaid, including turning it into a block grant system.**
3. **Public Sector Worker Pension Funds** – Legislation was introduced in the last Congress that would have negatively impacted public sector worker pension funds. Specifically, the so-called Public Employee Pension Transparency Act would force state governments to change the metric used in determining their unfunded liabilities from the current return on investments rate, which is around 8%, to a Treasury rate, which is 4%-5%. This forced accounting gimmick to the lower Treasury rate will distort or artificially create an appearance of unfunded liabilities. It would also penalties on those state and local governments who fail to properly report to the Treasury Department by denying them the ability to issue federally subsidized tax-exempt, tax-credit or taxable bonds. The legislation would lead to the eventual forced transition of dependable State worker defined pension monies to risky Wall Street controlled 401(k) accounts. **IFPTE urges lawmakers to oppose the Public Employee Pension Transparency Act and similar legislation that may be introduced in the 115<sup>th</sup> Congress.**
4. **Business Activity Tax Simplification Act (BATSA)** – This bill was also pending in the last Congress and would hinder state and local governments' ability to collect taxes from businesses that do not have a “brick-and-mortar” presence in the State, even though they have employees and do business in said state. The Congressional Budget Office (CBO) estimates that passage of this legislation would reduce state revenues in excess of \$2 billion. **IFPTE urges lawmakers to oppose this bill and other legislative initiatives like it if they are introduced in the 115<sup>th</sup> Congress.**

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<sup>i</sup> Kaiser Family Foundation Report, *Medicaid Financing: How Does it Work and What are the Implications?*, May 20, 2015