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PUTTING PENSION COSTS IN CONTEXT: NEW REPORT SHOWS CORPORATE TAX SUBSIDIES AND LOOPHOLES OFTEN EXCEED STATE RETIREMENT COSTS

Attacks on Pensions, Safety Net Programs, Distract from Corporate Giveaways that Exacerbate Economic Inequality

Washington D.C. -- State lawmakers who are considering drastic cuts to the retirement benefits of state workers are simultaneously giving away billions of dollars in corporate tax subsidies and loopholes, often in amounts far exceeding the cost of pensions, according to a new report.

Putting State Pension Costs in Context by Good Jobs First examines 10 states where elected officials are threatening to undermine retirement security by cutting the pension benefits of their teachers, firefighters, police officers, and hundreds of thousands of other public employees. The states included in the report are: Arizona; California; Colorado; Florida; Illinois; Louisiana; Michigan; Missouri; Oklahoma; and Pennsylvania.

The findings show that in each state, the revenue lost to corporations through loopholes and tax breaks outpaces the current cost of pension benefits to state employees.

"In states across the country, politicians are attempting to solve the budget woes caused by Wall Street and the Great Recession by cutting the pension benefits of public employees," said Philip Mattera, Research Director of Good Jobs First. "It is often stated that budgets are a matter of priorities. And our research shows that corporate interests are generally prioritized over teachers, firefighters, police officers, and thousands of other employees who dedicate their lives to public service."

The average retirement for a member of the Louisiana State Retirement fund is $19,000 per year. Yet, Louisiana gives away about $1.8 billion a year to corporations through corporate subsidies and tax loopholes—totaling about five times the annual pension cost for state workers.

Pennsylvania loses nearly $4 billion annually as a result of corporate subsidies and loopholes—more than two and half times the cost of public pensions. Pennsylvania's state pensions average a modest $24,000 a year. In Michigan, corporations also enjoy about $1.8 billion in subsidies and tax breaks – more than three times the cost of meeting the state's commitment to retirees. The list goes on.

These ten states were chosen for analysis because their legislatures are underfunding pensions or elected officials are threatening to cut pension benefits. Actuarial analysis provided the normal cost of funding pensions on a yearly basis, which excludes the costs of making up for past underfunding. The chart below compares the normal cost of pensions to the public cost of corporate tax subsidies and loopholes in each of the ten states examined. Data was derived by examining the latest state tax expenditure reports, state budget documents, and reports by state tax and budget watchdog groups.

	Annual employer normal pension costs	Annual cost of corporate subsidies and tax breaks/loopholes	Annual pension costs as a share of subsidies + tax breaks/loopholes
Arizona	$474,524,688	$552,108,211	86%
California	$6,822,294,460	$9,701,000,000	70%
Colorado	$179,560,282	$593,109,000	30%
Florida	$905,581,094	$3,810,902,291	24%
Illinois	$1,855,100,000	$2,400,796,000	77%
Louisiana	$348,471,694	$1,813,729,079	19%
Michigan	$586,592,328	$1,860,600,000	32%
Missouri	$427,300,226	$840,231,523	51%
Oklahoma	$221,501,696	$479,033,081	46%
Pennsylvania	$1,395,509,900	$3,888,000,000	36%
TOTAL	**$13,216,436,368**	**$25,939,509,185**	**51%**

"As a matter of honest accounting and fair budgeting, state leaders should examine all forms of spending before they single out pensions or any other expense," said Mattera. "Corporate tax breaks and loopholes are often poorly understood and little-noticed because they do not get debated as appropriations, nor do they often get sunsetted or audited. But over time they add up to hundreds of millions, or even billions, of dollars per year."

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Good Jobs First is a non-profit, non-partisan research center focusing on economic development accountability. It is based in Washington, DC.