The following article appeared in *The Orange County Register* on October 11, 2015 and was written by Hank Adler, a contributing writer and assistant professor at Chapman University.

“The impending Cadillac tax strike”

“The next president of the United States may have virtually no time to prevent the greatest labor strife in the United States since the deadly Haymarket strike in 1886. It is probable that great portions of the country’s public sector unions will go on strike some time shortly after June 30, 2017, and will be quickly followed by virtually every school district in the country at the beginning of the 2017–18 school year.

The next president will be sworn in on Jan. 20, 2017. Obamacare’s 40 percent ‘Cadillac tax’ on employers providing excellent health insurance benefits begins Jan. 1, 2018. It will be 40 percent of the cost of health care coverage that exceeds threshold amounts. The Cadillac tax is imposed upon all entities, including states, cities, school districts and other public institutions. Many, if not most, public sector entities provide health care benefits that exceed the threshold amounts. Because most public sector unions have contracts that begin July 1 and end June 30, these public sector union contracts will already be in the process of negotiation on Jan 20, 2017.

There are only three possibilities (or a combination of them) for public sector employees with respect to who will pay the Cadillac tax; 1) Compensation can be reduced; 2) Health care benefits currently being provided can be reduced; 3) Or the employer organization can reduce services or raise taxes. A reduction in direct compensation or in health care benefits is not going to be easy for any public entity to negotiate, and it would be next to impossible to raise taxes to pay for health care benefits beyond those available to most voters.

Focusing on school districts, passing along the extra cost of the Cadillac tax to school teachers or increasing the individual costs of health care will be seen accurately as a decrease in overall compensation. Increasing classroom sizes and eliminating teaching positions seems likely to be unacceptable, and going to the voters to approve increased taxes appears to be a non-starter. This formula will produce 2017–18 school year strikes.

The politics of the Cadillac tax specifically and Obamacare in general are a continuing nightmare. President Obama has hinted that he would veto a repeal of the Cadillac tax because of its resulting loss of revenues to the Treasury. Virtually all of the Republican candidates for president want to repeal all of Obamacare, not simply wanting to eliminate the Cadillac tax. As a result, it is hard to imagine anything happening before January 2017.

Assume an incoming Republican president. To repeal Obamacare, a new Republican president would require a filibuster-proof Senate. No one is expecting this. This would leave the new Republican president with a Senate that cannot repeal Obamacare and with Republicans likely unwilling to solely repeal the Cadillac tax.

Assume an incoming Democratic president. Under a new congress with a Democratic president, Republicans would refuse to eliminate the Cadillac tax without the elimination of Obamacare in its entirety. Republicans would likely prefer to watch a Democratic president cook in the juices of public sector strikes.

And what are school districts doing in preparation for the stress of negotiating with public sector unions in early 2017? I inquired of many school districts, and this summarized and combined response is typical: “Based on initial projections, it appears the district may be liable for the Cadillac tax. As of today, no decision has been made with respect to how the 40 percent excise tax would be paid.”

And what about the states? Many state finance directors are making the ostrich look like a marine fighter pilot. It appears most are waiting for a federal legislative fix, as their budgets will not sustain the Cadillac tax to which their
states will be subject.

With respect to the Cadillac tax, public sector entities appear unprepared to deal with public sector unions, and are focusing on wishing the problem away.

We cannot blame unions or employers for this gift from Washington. We can only blame President Obama and the Democratic Congress that put Obamacare in place without a single Republican vote. We should be getting definitive plans regarding the Cadillac tax from every presidential candidate and every member of Congress who is running for office in 2016. Someone needs to eat some humble pie to prevent the Great Public Sector Strike of 2017.”

The following article appear in The Orange County Register on October 9, 2015 and was written by Sean Emery, a staff writer. This is a follow up of a story that was covered previously.

“O.C. business owner convicted of tax, wage fraud in L.A. projects”

“An Orange County Business owner was convicted this week of committing more than $120,000 in tax fraud and failing to pay his employees the prevailing wage on Los Angeles County public works projects.

An Orange County Superior Court jury deliberated for a day and a half before finding Shamseddin Hashemi-Mousavi guilty of 37 felony counts, including taking a portion of his workers' wages on public works projects, forging documents and failing to pay taxes.

Deputy District Attorney Donde McCament described the case, with its focus on workers being denied their prevailing wage, as the first of its kind in the state. She described it as a prevalent problem in the industry.

Hashemi-Mousavi stared ahead Wednesday as the first verdict was read, later dropping his head and eyes and looking down as the court clerk read through the lengthy list of felonies. He was acquitted of four charges of making false statements tied to his workers' compensation insurance rates.

As owner of AAA-HVAC, an Orange County-based heating and air conditioning business, Hashemi-Mousavi worked on several public works projects in Los Angeles County between 2009 and 2012.

Prosecutors say Hashemi-Mousavi paid his employees less than the prevailing wage and kept the extra money. They also believe he filed false bank records to hide the wage theft and failed to pay his premium insurance tax or the money he owed to the Employment Development Department.

Orange County Superior Court Judge Steven D. Bromberg decided against having Hashemi-Mousavi immediately taken into custody following the verdict, instead allowing him to remain free on $140,000 bail until his sentencing.

Bromberg also decided against a request from the prosecution to bar Hashemi-Mousavi from working on any other public works projects before sentencing.