

Locked In

The Economic and Fiscal Effects of Vermont's Proposal 3

by William Ruger and Jason Sorens



Executive Summary

Proposal 3 would make a significant change to Vermont labor policy by moving collective-bargaining protections from statute into the state Constitution. This paper examines not only the amendment's effect on Right-to-Work policy, but also how its broader language could affect existing Vermont labor laws, public-sector costs, employers, workers, and taxpayers.

What Vermonters are voting on

On November 3, Vermonters will vote on Proposal 3, an amendment to the Vermont Constitution. It would guarantee both public and private sector employees the power to bargain collectively through a union, forbidding the legislature from passing any law that “interferes with, negates, or diminishes” that right.

Vermont is already one of the most pro-union states in the country. Proposal 3 would lock costly, pro-union policies like duty-to-bargain laws into the constitution. Vermont is already struggling economically, and this amendment would take away some of the legislature's tools to address those struggles.

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The scope of that change could extend well beyond the debate over Right-to-Work. As this paper examines, Proposal 3 could affect existing state laws governing which workers may collectively bargain, what issues are subject to bargaining, and the legislature's ability to establish statewide rules affecting public employees.

What the amendment would change

First, it would permanently bar a “right-to-work” law, which lets workers at unionized private workplaces opt out of paying union dues.

Second, and more significantly, its broad language could extend collective bargaining to workers Vermont law now exempts, such as farmworkers, independent contractors, and supervisors. It could also eliminate the legislature's ability to set basic ground rules for union elections and collective bargaining agreements.

These questions have direct implications for Vermont. More than 8,000 farmworkers work on Vermont farms with employees, while public-sector collective bargaining affects a large share of state and local government employment. Proposal 3 could also affect existing policies involving school employee health benefits, class sizes, bargaining procedures, and other terms and conditions of public employment.

The precise effects would ultimately depend on how Vermont courts interpret the amendment's prohibition against laws that “interfere with, negate, or diminish” collective bargaining rights.

What the research says could happen

Unions raise wages for the workers they represent. But unions create costs too: lower profitability, higher unemployment elsewhere, reduced investment, and a higher chance that a unionized workplace closes. Establishments are about three to five percentage points more likely to shut down within a few years of unionizing.

The research reviewed in this paper also examines the effects of collective bargaining on employment, capital investment, consumer prices, public-sector compensation, and government costs. While results vary across studies and industries, the literature identifies broader economic tradeoffs associated with increased union bargaining power.

In the public sector, Proposal 3 could undermine accountability and raise costs to taxpayers. Collective bargaining in schools raises spending and staffing while lowering results for students. Vermont test scores are already falling, and strengthening teachers' unions' ability to bargain for restrictive work rules will make the problem worse. Proposal 3 could invalidate the state's efforts to contain employee healthcare costs and make class sizes more efficient.

Using Vermont's approximately \$4.1 billion in annual state and local employee compensation as a base, this paper estimates that Proposal 3 could increase taxpayer costs by approximately \$53 million to \$135 million annually through higher public-sector personnel and health-care costs. The ultimate impact on the average homeowner could be around \$140 to \$352 in higher property taxes per year.

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The paper also estimates that extending collective-bargaining rights to currently exempt farmworkers, independent contractors, and supervisors could eventually produce approximately \$5 million to \$7 million per year in economic welfare costs.

These estimates depend on how courts interpret Proposal 3 and how broadly collective bargaining expands following its adoption. They illustrate the potential fiscal and economic consequences of placing collective-bargaining protections in the Vermont Constitution and limiting the legislature's future authority over labor policy.

Introduction

The relationship between workers and employers, particularly over wages and workplace protections, has been the subject of intense political debate in the United States since the rise of organized labor in the late nineteenth century. The National Labor Relations Act of 1935 - or Wagner Act - and the Labor Management Relations Act of 1947 - or Taft-Hartley Act - have been the most consequential pieces of legislation governing labor issues at the federal level. The Wagner Act supported the power of labor unions, especially through its protection of unionization, collective bargaining, exclusive representation, and strikes. Taft-Hartley aimed to balance labor union power by forbidding closed shops and restricting certain types of strikes. It also allowed states to create right-to-work laws that prevent union shops.

26 states have adopted right-to-work laws, plus Michigan adopted and then later repealed its own right-to-work law. Half of these were passed in the decade after Taft-Hartley. But the last two decades have witnessed another batch of enactments and considerable debate in other states about the proper relationship between organized labor and employers. Between 2015 and 2017, three states (Wisconsin, West Virginia, and Kentucky) enacted right-to-work laws. New Hampshire is an example of one of the states where it has been hotly contested, nearly enacting right-to-work legislation several times in the last two decades.

On the other side of the Connecticut River, Vermont has been a staunch pro-union state going in a very different direction from its neighbor. The state government even trumpets that “Vermont has more labor relations statutes per capita than any other state in the union.”¹ Thus it is no surprise that union membership (13.1%) and representation (14.8%) rates in Vermont are relatively high, especially for a rural state.²

Vermont voters will soon head to the polls to consider another pro-union effort: whether to amend the Vermont Constitution to further enshrine legal protections for unions. This proposed amendment, Proposal 3, would create a constitutionally guaranteed right for employees to collectively bargain with employers through an exclusive representative. It would also effectively ban right-to-work legislation from being simply enacted through the legislative process. A key question is whether this is good for Vermonters as a whole, in part, or not at all.

What follows is a non-partisan analysis of Proposal 3, including the likely impact of the amendment on key outcomes such as collective bargaining, consumer prices, wages and employment, firm profitability and survival, local budgets, and public sector accountability (including in education and policing).

1 <https://vlrb.vermont.gov/laws/statute-history>

2 <https://www.bls.gov/news.release/union2.t05.htm>

What Proposal 3 Means for Vermont

Before moving to the impact analysis, it is worth discussing what Proposal 3 does and how to interpret it, especially in light of federal law. The text of the proposed constitutional amendment reads as follows:

TEXT OF PROPOSAL 3

Article 23. [Right to collectively bargain] That employees have a right to organize or join a labor organization for the purpose of collectively bargaining with their employer through an exclusive representative of their choosing for the purpose of negotiating wages, hours, and working conditions and to protect their economic welfare and safety in the workplace. Therefore, no law shall be adopted that interferes with, negates, or diminishes the right of employees to collectively bargain with respect to wages, hours, and other terms and conditions of employment and workplace safety, or that prohibits the application or execution of an agreement between an employer and a labor organization representing the employer's employees that requires membership in the labor organization as a condition of employment.³

This amendment would expressly forbid *any* law that “interferes with, negates, or diminishes the right of employees to collectively bargain” with respect to any of the terms of their employment. This far-reaching language could be interpreted by Vermont courts to go well beyond simply a ban on right-to-work legislation.⁴ It could mean that any law setting conditions or parameters for successful union organization of a workplace would be unconstitutional, including existing laws on the books in Vermont.

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States differ in their legal frameworks for organizing workplaces and implementing the outcomes of collective bargaining. For example, Massachusetts law guarantees the right of rideshare drivers to organize a union for the purpose of collective bargaining with rideshare companies so long as 25 percent of drivers designate a union as their preferred representative.⁵ Drivers who disagree have only seven days in which to organize at least 25 percent of their fellows to oppose the designation. It is a distinct possibility that Massachusetts law will

³ <https://governor.vermont.gov/sites/scott/files/documents/Proclamation%203%20Collective%20Bargaining.pdf>.

⁴ Vermont is indisputably legally authorized to ban right-to-work in the private sector. It may be imprudent to do so, but we do not contest here the legality of this aspect of Proposal 3.

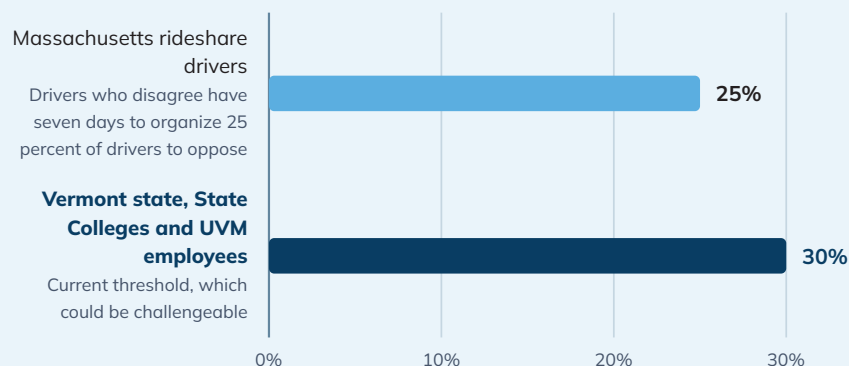
⁵ <https://www.mass.gov/administrative-bulletin/notice-to-active-rideshare-drivers-regarding-25-designation-of-representative>.

force most rideshare app drivers into a collective bargaining relationship they do not want.

If Proposal 3 passes, would Vermont be prevented from setting *any* minimum thresholds for exclusive representation, even one as lax as Massachusetts'? At present, Vermont requires a 30 percent threshold for exclusive representation for State employees, State Colleges employees, and University of Vermont employees.⁶ This threshold could be challengeable if Proposal 3 passes.

FIGURE 1

Representation thresholds in Massachusetts and Vermont



Share of workers who must designate a union

Sources: Massachusetts notice to rideshare drivers regarding the 25 percent designation of representative; Vermont Labor Relations Board, Rules Applicable Under State Employees Labor Relations Act, section 13.3(E) (notes 5 and 6).

Another consideration is whether Vermont may enforce the outcomes of collective bargaining on non-parties, such as other firms and workers in the same industry. This is the way collective bargaining generally works in France.⁷ Would the adoption of Proposal 3 prevent the state from setting *any* limits on how far collective bargaining outcomes may be enforced on non-parties?

At present, Vermont law exempts categories such as independent contractors, agricultural laborers, and supervisors from collective bargaining.⁸ The plain language of the proposed amendment seems to rule such “interfer[ence], negat[ion], or dimin[ution]” unconstitutional. The Vermont legislature has recognized such a possibility:

⁶ Vermont Labor Relations Board, Rules Applicable Under State Employees Labor Relations Act, section 13.3(E).

⁷ *Code du travail*, Arts. L.2261-15 to L.2261-31.

⁸ 21 V.S.A. § 1502(6).

[Proposal 3] “does not exclude agricultural workers and, if adopted, could potentially be construed by the Vermont courts to grant collective bargaining rights to agricultural workers regardless of whether the General Assembly enacts a law providing collective bargaining rights to them.”⁹

In such an event, 8,331 farmworkers on 1,813 Vermont farms with one or more employees, comprising \$144 million of annual payroll, could be unionized, putting increased pressure on farms already struggling to make ends meet.¹⁰

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We cannot anticipate how all the possible legal disputes over the meaning of the new constitutional provision might play out, but in the analysis that follows, we assume that the adoption of this amendment will extend collective bargaining and its outcomes to more workplaces and workers in Vermont than would be the case otherwise. How would this extension of collective bargaining affect Vermont?

The Economic Effects of Collective Bargaining: Evidence

Economists think about unionization through the lens of cartel bargaining. Unions are worker cartels that enhance the ability of unionized workers to extract compensation from employers, who lose the ability to negotiate individually with workers. If employers are a monopsony (employees have limited options to choose their employment), then a worker cartel could increase efficiency. But if employers compete for workers, then unionization would cause employers to pass on some of the costs of higher compensation to consumers in the form of higher prices and to non-unionized workers through lower wages and higher unemployment. We focus particularly here on empirical studies of the evidence on how collective bargaining affects wages, employment, firm profitability and survival, and consumer prices at the U.S. state level.¹¹

9 <https://legislature.vermont.gov/Documents/2024/WorkGroups/AgLabor/Legal%20Documents/W~Sophie%20Zdatny~Agricultural%20Worker%20Labor%20and%20Employment%20Laws%20Study%20Committee%20-%20draft%20report~12-10-2024.pdf>.

10 U.S. Census of Agriculture, Table 7, https://www.nass.usda.gov/Publications/AgCensus/2022/Full_Report/Volume_1,_Chapter_2_US_State_Level/st99_2_007_007.pdf.

11 The literature on unions is voluminous and beyond the scope of this paper to summarize in full; however, we capture the main U.S.-based studies on the issues at stake in Proposal 3.

Employment, Wages, and Benefits

The literature on labor unions and wages has for a long time held that unions raise wages for unionized workers relative to their non-union counterparts. Freeman and Medoff's classic 1984 study, *What Do Unions Do?*, casually described this conclusion as something "EVERYONE 'KNOWS.'" Researchers have spent decades tackling the question of the size of the wage premium, however, and their findings vary across the voluminous literature. Some even suggest that the wage premium has been relatively low or perhaps has even disappeared more recently.

Freeman and Medoff note that work on the question prior to 1963 "found a union wage effect of 10-15% on average, with considerable variation over time and among different groups of workers."¹² But they found that the wage effect for unionized labor had risen and was more like 20-30% in the 1970's.¹³ They also found that unionization increased fringe expenditures benefitting workers even more as a percentage than wages.¹⁴ H. Gregg Lewis, in 1986, argued that from 1967-1979, the wage effect was actually lower than previously thought, ranging from 9.6% to 16.4%.¹⁵ In a 1990 meta-analysis of over a hundred previous studies, Jarrell and Stanley observed that the wage effect was actually only between 8.9% and 12.4% for the period from 1967-1979.¹⁶ In 2004, Blanchflower and Bryson found the wage premium remained but was lower than in the 1970's.¹⁷

In 2025, Palagashvili and Sharfuddin report that the union wage premium "has declined in recent years and may even be negligible or zero." They note that this is due at least in part to factors such as "increased global competition and technology changes" as well as "long-term rigid collective bargaining contracts that limit firms' ability to adjust wages to economic changes" - including increases during good times that non-unionized workers may capture.¹⁸ This conclusion is supported by the recent against-the-grain analysis of Frandsen who finds that "unionization substantially decreases payroll, employment, average worker earnings, and establishment survival" - though largely through employee composition.¹⁹ In the public sector, Brunner and Ju find that collective bargaining increases wages between five and eight

12 Richard B. Freeman and James Medoff. *What Do Unions Do?* N.Y.: Basic Books; 1984, 44.

13 Ibid., 46.

14 Ibid., 77.

15 H. Gregg Lewis. *Union Relative Wage Effects: A Survey*. Chicago: University of Chicago Press, 1986.

16 Stephen B. Jarrell and T. D. Stanley. "A Meta-Analysis of the Union-Nonunion Wage Gap." *ILR Review* 44:1 (1990): 66.

17 David Blanchflower and Alex Bryson. "What Effect Do Unions Have on Wages Now and Would Freeman and Medoff Be Surprised?" *Journal of Labor Research* 25, 3 (Summer 2004): 383-414.

18 Liya Palagashvili and Revana Sharfuddin. "Do More Powerful Unions Generate Better Pro-Worker Outcomes?" Mercatus Center at George Mason University (2025), 5-6; <https://www.mercatus.org/research/working-papers/do-more-powerful-unions-generate-better-pro-worker-outcomes>.

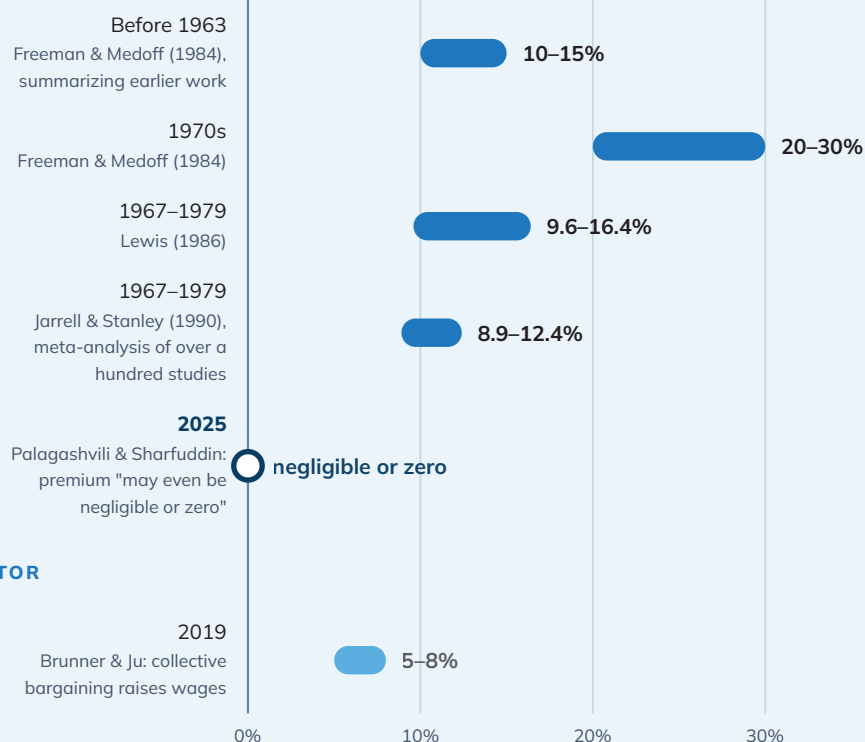
19 Brigham R. Frandsen, "The Surprising Impacts of Unionization: Evidence from Matched Employer-Employee Data," *Journal of Labor Economics* 39:4 (October 2021): 1097-1136.

percent.²⁰ The effect on total compensation is almost certainly larger, since public employee nonwage benefits make up a larger percentage of total compensation than for private employees.

FIGURE 2

Estimates of the union wage premium, by study

PRIVATE SECTOR



PUBLIC SECTOR



Union wage premium, percent

Sources: Freeman and Medoff (1984); Lewis (1986); Jarrell and Stanley (1990); Palagashvili and Sharfuddin (2025); Brunner and Ju (2019) (notes 12–20). Blanchflower and Bryson (2004) found the premium remained but was lower than in the 1970s; the paper gives no range, so it is not plotted. The 2025 entry plots the authors' statement that the premium may be negligible or zero.

Even if the wage premium remains, the benefit is naturally concentrated on those who remain employed and does not consider the negative impact on additional workers who might have been hired in the absence of unionization or the impact of unionization on firm profitability and survival - and thus longer-run employment. In other words, unions help their employed members get higher wages and benefits. But that does not mean that unions are good for workers as a whole or in the long run.

20 Brunner, Eric J., and Andrew Ju. "State collective bargaining laws and public-sector pay." *ILR Review* 72, no. 2 (2019): 480–508.

A further literature therefore investigates the effects of policies determining the extent of collective bargaining, like right-to-work, on employment and wages in an industry or a region. Right-to-work is a common policy to study here because it affects union density, the percentage of workers covered by a collective bargaining agreement. In reality, Vermont is unlikely to adopt a right-to-work law, but Proposal 3's extension of collective bargaining to previously exempt workers is likely to have similar but opposite effects to adoptions of right-to-work laws.

While there is some dispute in the literature, it generally finds that right-to-work laws have a positive effect on manufacturing employment. Holmes compares manufacturing employment across the borders of state pairs with and without right-to-work laws, and finds that manufacturing employment in the long run is one-third higher in right-to-work states.²¹ In Vermont, manufacturing has been shrinking at 1.5 times the rate of the broader United States. A later study looking at cross-border counties across the U.S. found that "Manufacturing employment as a percentage of total employment increased as a result of right-to-work laws."²² Synthetic control analysis of right-to-work adoption in Oklahoma showed no effect on employment or wages.²³ In a 2020 study, Chava, Danis, and Hsu found that while right-to-work laws reduced wage growth for unionized workers, it increased both employment and capital investment.²⁴ A recent event study by Fortin, Lemieux, and Lloyd finds a small negative effect of right-to-work of -1% on log wages.²⁵

The Palagashvili and Sharfuddin literature review finds 25 studies showing a net negative effect of unionization on employment, with only two studies finding a positive effect. They write:

*"Research shows that labor unions that have substantial leverage—such as monopoly control over an industry—can extract victories that can reduce employment and job opportunities in both the short and long run. These impacts relate to effects on productivity, profits, and investment: The evidence indicates that firms that experience reduced investments and lower productivity growth, and that become less profitable over time from excessive labor union demands, will also experience slower growth—especially slower employment growth for unionized workers—and, occasionally, the firms will relocate or close entirely."*²⁶

21 Thomas J. Holmes, "The Effect of State Policies on the Location of Manufacturing: Evidence from State Borders," *Journal of Political Economy* 106:4 (1998): 667–705.

22 Michael D. LaFaive and Todd Nesbit, *The Impact of Right-to-Work Laws: A Spatial Analysis of Border Counties* (Mackinac Center for Public Policy, 2022).

23 Ozkan Eren and Serkan Ozbeklik, "What Do Right-to-Work Laws Do? Evidence from a Synthetic Control Method Analysis," *Journal of Policy Analysis and Management* 35:1 (2016): 173–194.

24 Sudheer Chava, Andras Danis, and Alex Hsu, "The Economic Impact of Right-to-Work Laws: Evidence from Collective Bargaining Agreements and Corporate Policies," *Journal of Financial Economics* 137:2 (2020), 451–469.

25 Nicole Fortin, Thomas Lemieux, and Neil Lloyd, "Right-to-Work Laws, Unionization, and Wage Setting," *Research in Labor Economics*, 50 (2023): 285–325.

26 Palagashvili and Sharfuddin, 15.

The effects of collective bargaining may differ in the long run and short run. The literature on firm survival helps explain why.

Firm Profitability and Survival

If unions create a wage (and benefit) premium for their workers, logically unionized workplaces will be less profitable in the absence of compensating employee productivity gains due to any positive features of a unionized workforce (or if they can shift the higher labor costs onto consumers through higher prices²⁷). Moreover, should unionized workforces suffer reduced productivity²⁸, then risks to profitability and even survival would increase. Either way, it is unsurprising that unions are not popular with the capitalist class – firms or shareholders (and that in the public sector, informed taxpayers would be concerned about higher costs for government and/or worse service provision and accountability). But what does the empirical literature find?

Scholars generally conclude that unions hurt profitability. Freeman and Medoff's classic 1984 study on unions found that generally unionization was "associated with lower profitability" (despite arguing that unions improved productivity) and that "on average, unionism is harmful to the financial well-being of organized enterprises or sectors."²⁹

An early study of California found that unionization reduced firm growth, and 61 percent of the post-1950 decline in private sector unionization could be attributed to slower firm growth in unionized companies.³⁰

Campello et al. use regression discontinuity on union elections and find negative effects on bond values and higher bankruptcy costs for unionized firms, especially in non-right-to-work states like Vermont.³¹

Doucouliafos, Freeman, and Laroche's 2017 update and meta-analysis found that "unionization has a statistically significant negative correlation with profits that is larger for market-based measures of profitability, and has indeed declined over time."³² In this study, the "main channel through which unions adversely impact profitability is by increasing the costs of unionized labor. These higher costs arise from the wage premium and higher fringe benefits for unionized labor that virtually every union study of compensation

27 Hristos Doucouliagos, Richard B. Freeman, and Patrice Laroche, *The Economics of Trade Unions: A Study of a Research Field and Its Findings*. Routledge, 2017: 107.

28 According to a 2016 study, firm productivity is higher in right-to-work than non-right-to-work states, based on an empirical, firm-level model with state fixed effects and clustered standard errors. Michael J. Hicks, Michael D. LaFaive, and Srikant Devaraj, "New Evidence on the Effect of Right-to-Work Laws on Productivity and Population Growth," *Cato Journal* 36:1 (Winter 2016): 101–120.

29 Freeman and Medoff, 181 and 190.

30 Jonathan S. Leonard, "Unions and Employment Growth." In Mario F. Bognanno and Morris M. Kleiner, eds. *Labor Market Institutions and the Future Role of Unions*. Cambridge, Mass.: Blackwell Publishers, 1992, 80–94.

31 Murillo Campello, Janet Gao, Jiaping Qiu, and Yue Zhang, "Bankruptcy and the Cost of Organized Labor: Evidence from Union Elections," *Review of Financial Studies* 31:3 (March 2018): 980–1013.

32 Doucouliagos et al., 107.

finds.”³³ Unions also negatively impact physical capital investment, which would suggest long-term harm beyond immediate profitability.³⁴

While the effect of unionization on the wages of unionized workers has seemingly fallen over time, the ways in which collective bargaining agreements constrain work processes and firm strategies could also negatively affect firm survival. The Palagashvili and Sharfuddin review finds seven studies of firm survival showing a negative impact of collective bargaining and none showing a positive effect. They write:

“[M]ore balanced, moderate, and cooperative unions are able to achieve better long-term outcomes than powerful labor unions that force acquiescence to excessive bargaining table demands. The more moderate unions will often better preserve the benefits that labor unions can generate—a collective voice, higher wages, and better conditions—while minimizing the downside of extortive demands that can lead to fewer jobs, fewer investments, and reduced company growth. This moderation creates a balance between gains for workers and ensuring the firm’s growth and survival, benefiting both parties in the long run.”³⁵

Two early studies found null effects,³⁶ but the more recent literature has found negative impacts of unionization on firm survival.³⁷ The newer papers find identification threats to the regression discontinuity models in the older literature, namely, nonrandom selection into close elections. Correcting for these problems, the newer literature finds the probability of establishment survival declines by about three to five percentage points three to five years after a successful unionization election (and increasing thereafter).

The possibility of relocation enhances unionization’s negative effects on firm and plant survival. In the United States, the shift of manufacturing, especially in the auto industry, from the Rust Belt to states like Tennessee, Alabama, and South Carolina is just one indication of this process. However, as Brändle notes, this is not an area of union effects with the most robust examination.³⁸

In Vermont, with its high taxes and small consumer market, many businesses operate on thin margins, and the three to five percent exit rate within five years could be even higher here.

33 Ibid., 106.

34 Ibid., 121.

35 Palagashvili and Sharfuddin, 8.

36 John DiNardo and David S. Lee (2004), “Economic Impacts of New Unionization on Private Sector Employers: 1984–2001,” *Quarterly Journal of Economics* 119:4 (November 2004): 1383–1441; Richard B. Freeman and Morris M. Kleiner, “Do Unions Make Enterprises Insolvent?,” *ILR Review* 52:4 (July 1999): 510–527.

37 Brigham R. Frandsen, “The Surprising Impacts of Unionization: Evidence from Matched Employer-Employee Data,” *Journal of Labor Economics* 39:4 (October 2021): 1097–1136; Sean Wang and Samuel Young, “Unionization, Employer Opposition, and Establishment Closure,” Center for Economic Studies Working Paper CES-23-35 (2023).

38 Tobias Brändle, “Unions and Collective Bargaining: The Influence on Wages, Employment, and Firm Survival,” In Zimmermann, K.F. (eds) *Handbook of Labor, Human Resources and Population Economics*. Springer, 2025.

FIGURE 3

Counting the studies: employment and firm survival**UNIONIZATION AND EMPLOYMENT**

● 25 studies find a net negative effect of unionization on employment

○ 2 studies find a positive effect

COLLECTIVE BARGAINING AND FIRM SURVIVAL

● 7 studies find a negative impact on firm survival

○ 0 studies find a positive effect

3–5 pts

DECLINE IN THE PROBABILITY OF ESTABLISHMENT SURVIVAL THREE TO FIVE YEARS AFTER A SUCCESSFUL UNION ELECTION, AND INCREASING THEREAFTER

Source: Palagashvili and Sharfuddin (2025) literature review; Frandsen (2021); Wang and Young (2023) (notes 18, 19, 35–37). Each circle is one study.

Consumer Prices

There is little direct literature on the effects of unionization on consumer prices within the United States. However, there is a related literature on how U.S. minimum wage increases pass through into consumer prices, and there is an international literature on how collective bargaining affects consumer prices.

A recent study of Norway in the prestigious *Quarterly Journal of Economics* finds that a policy shock increasing private-sector unionization resulted in higher labor costs, lower profitability, lower production, and higher consumer prices.³⁹ The effect on consumer prices was highest in the manufacturing sector, where labor-market competition was weakest, and unionization actually expanded production.

Cross-national studies generally lack the strong causal identification of the Norway study but could be relevant. Bjørnstad and Kalstad look at a panel of 15 OECD countries from the 1960s to 2000 and find that coordination of wage bargaining raises markups. Highly coordinated wage bargaining systems raise consumer prices as much as 21 percent above competitive systems like that of the United States.⁴⁰ Caporale looks at a panel of 21

39 Samuel Dodini, Anna Stansbury, and Alexander Willén, “Who Pays for Unions?,” *Quarterly Journal of Economics* (2026), advance article qjag034.

40 Roger Bjørnstad and Kjartan Øren Kalstad, “Increased Price Markup from Union Coordination: OECD Panel Evidence,” *Economics: The Open-Access, Open-Assessment E-Journal* 4 (2010-30).

countries from 1974 to 2004 and finds that higher unionization is linked to higher peak inflation. A standard-deviation rise in union density is associated with 8.5 percent higher peak inflation.⁴¹ Bowdler and Nunziata find a positive union density effect on inflation in a model with time and country fixed effects.⁴² However, the latter two studies are about the interaction of union bargaining and macroeconomic policies; lacking a central bank or the ability to engage in long-term deficit financing, Vermont may not be subject to the price effects that they find. Still, the evidence overall suggests that increasing unionization and union power will raise consumer prices in Vermont.

The most relevant minimum wage study here is Renkin et al.⁴³ They find that a 10 percent minimum wage increase raises grocery prices by about 0.36 percent, consistent with a full pass-through of labor costs to consumer prices. Unionization often works in a similar fashion to raise labor costs and therefore should increase consumer prices if spread across a whole industry. If confined to a single firm in a competitive industry, unionization should simply cause the firm to shrink or exit, because it is unable to raise prices to maintain profitability, as already discussed.

FIGURE 4

What the evidence says about consumer prices

up to 21%

HIGHLY COORDINATED WAGE BARGAINING RAISES CONSUMER PRICES ABOVE COMPETITIVE SYSTEMS LIKE THE U.S. — 15 OECD COUNTRIES, 1960S TO 2000

8.5%

HIGHER PEAK INFLATION FOR EACH STANDARD-DEVIATION RISE IN UNION DENSITY — 21 COUNTRIES, 1974 TO 2004

0.36%

RISE IN GROCERY PRICES FROM A 10 PERCENT MINIMUM-WAGE INCREASE, CONSISTENT WITH FULL PASS-THROUGH OF LABOR COSTS

Sources: Bjørnstad and Kalstad (2010); Caporale (2014); Renkin, Montialoux and Siegenthaler (2022) (notes 40, 41, 43). The paper notes the cross-national studies may not apply to Vermont, which lacks a central bank and long-term deficit financing.

Public Sector Accountability

While less quantifiable and thus not as frequently the subject of empirical study, another cost of expanding public sector collective bargaining has to do with the ways it undermines accountability among public officials. Union agreements in the public sector often include measures to protect public employees from the consequences of their misconduct or poor performance.

41 Tony Caporale, "Explaining Peak Inflation Rates Prior to Disinflationary Policy Adjustments or What Got Us Into This Mess?," *Applied Economics* 46:4 (2014): 394–399.

42 Christopher Bowdler and Luca Nunziata, "Trade Union Density and Inflation Performance: Evidence from OECD Panel Data," *Economica* 74:293 (2007): 135–159.

43 Tobias Renkin, Claire Montialoux, and Michael Siegenthaler, "The Pass-Through of Minimum Wages into U.S. Retail Prices: Evidence from Supermarket Scanner Data," *Review of Economics and Statistics* 104:5 (2022): 890–908.

Proposal 3 cannot override the Supreme Court’s decision in *Janus v. AFSCME*, which essentially made public sector right-to-work the law of the land. But Proposal 3’s language explicitly protects negotiation over “terms and conditions of employment and workplace safety,” so presumably it would prevent the legislature from overruling contracts that shield public sector misconduct or incompetence from discipline.

Public school teachers are the most important segment of the public sector represented under collective bargaining. In 2025, local public education employees averaged 21,800 in Vermont.⁴⁴ The total number of state and local employees was 49,200.⁴⁵ So public education employment is about 44 percent of all state and local employment and has a significant impact on state and local finances and tax burdens.

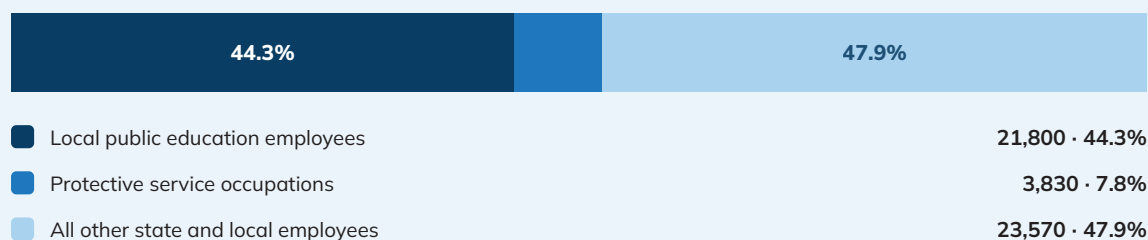
Police are much fewer in Vermont, with the Bureau of Labor Statistics estimating 1,420 detectives, patrol officers, and police supervisors in 2024.⁴⁶ There are about 3,830 “protective service occupations” workers in the public sector (excluding security guards and private detectives). Regardless of how you slice it, teachers and public safety workers comprise a large share of the Vermont workforce, and the terms and conditions of their employment have a major impact on the Vermont taxpayer.

FIGURE 5

Vermont's state and local workforce, 2025

STATE AND LOCAL EMPLOYEES

49,200 TOTAL



Shares calculated from the paper's figures. "All other" is the remainder.

1,420

DETECTIVES, PATROL OFFICERS AND POLICE SUPERVISORS IN VERMONT (BUREAU OF LABOR STATISTICS, 2024)

Sources: Federal Reserve Bank of St. Louis (FRED) state and local government employment series; Bureau of Labor Statistics Occupational Employment and Wage Statistics (notes 44–46).

44 <https://fred.stlouisfed.org/series/SMU50000009093161101A>.

45 <https://fred.stlouisfed.org/series/SMS50000009092000001#>;
<https://fred.stlouisfed.org/series/SMU50000009093000001A>.

46 <https://data.bls.gov/oes/#/home>.

In K–12 education, strong teachers’ unions generally predict poor outcomes. Collective bargaining in schools increases school inputs (spending and staffing) but decreases productivity to the point that total student impacts as measured by the dropout rate are negative, according to a study of schools before and after unions gained bargaining rights.⁴⁷ An empirical study finds that state duty-to-bargain laws advancing public school unionization had long-term harmful effects on the labor-market success of men who were students at the time these policies were enacted, with total negative effects on earnings of \$213.8 billion annually nationwide.⁴⁸

A quantitative study of California showed that restrictive collective bargaining contracts in larger districts had “very negative” effects on students, especially minority students.⁴⁹ Stronger teachers’ unions at the state level predict fewer early literacy policies.⁵⁰

Collective bargaining has helped teachers secure generous leave policies.⁵¹ On average, teachers are absent on five to six percent of all school days, with teacher absenteeism concentrated on Mondays and Fridays. Teacher absenteeism has a negative impact on student learning.⁵²

Teachers’ unions have successfully secured tenure policies for teachers, making them difficult to fire even in cases of incompetence. Generally, when a district must lay off teachers, they do so through seniority, protecting the oldest-tenured teachers regardless of merit. “The unions regularly pressure for – and get – work rules that are *not* good for kids,” says Moe (emphasis original).

Collective bargaining contracts in the public safety sector can also have negative consequences. Collective bargaining contracts are one source of “delay privileges” that require investigators to wait a certain period before interviewing a police officer who engaged in the use of force. These delay privileges obstruct investigations, reduce the odds that officers face internal discipline, and incentivize the excessive use of force.⁵³ A survey of 178 police union contracts found that 88 percent of them contain at least one provision that could thwart legitimate disciplinary action, such as mandatory destruction of disciplinary records, bans

47 Caroline Minter Hoxby, “How Teachers’ Unions Affect Education Production,” *Quarterly Journal of Economics* 111:3 (August 1996): 671–718.

48 Michael F. Lovenheim and Alexander Willén, “The Long-Run Effects of Teacher Collective Bargaining,” *American Economic Journal: Economic Policy* 11:3 (2019): 292–324.

49 Terry M. Moe, “Collective Bargaining and the Performance of the Public Schools,” *American Journal of Political Science* 53:1 (2009): 156–174.

50 Rachel Canter, “Mississippi Fixed Its Schools. Here’s How Other States Can Too,” *Wall Street Journal*, September 9, 2026, <https://www.wsj.com/us-news/education/mississippi-schools-education-blue-red-states-a677a5d5>.

51 Terry M. Moe, *Special Interest: Teachers Unions and America’s Public Schools*. Washington, DC: Brookings Institution Press, 2011: 182.

52 Ibid., 183.

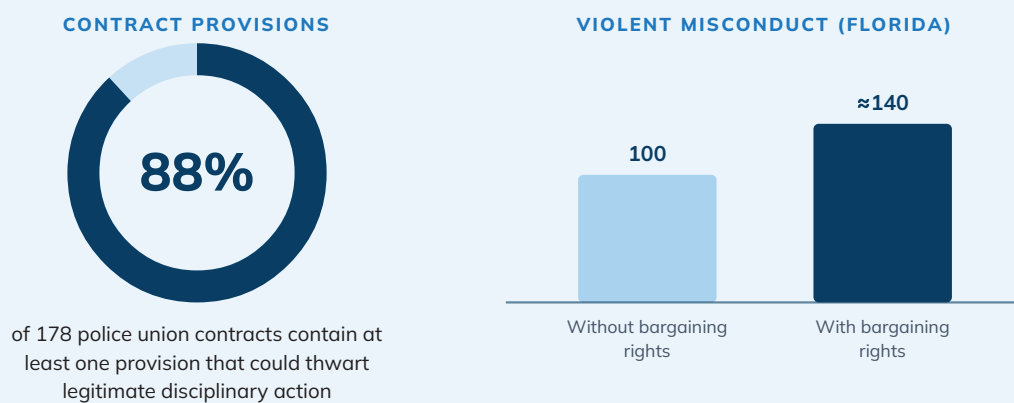
53 Aziz Z. Huq and Richard H. McAdams, “Litigating the Blue Wall of Silence: How to Challenge the Police Privilege to Delay Investigation,” *University of Chicago Legal Forum* 2016 (2016): 213–254.

on civilian oversight, prohibitions on anonymous civilian complaints, and temporal limitations on internal investigations.⁵⁴

Quantitative research has found that collective bargaining rights increase police misconduct. A strongly identified difference-in-difference study of Florida found that bargaining rights produced a roughly 40 percent increase in violent incidents of misconduct.⁵⁵

FIGURE 6

Police union contracts and misconduct



Sources: Rushin (2017); Dharmapala, McAdams and Rappaport (2022) (notes 54 and 55). Right panel indexes incidents without bargaining rights at 100; the study reports a roughly 40 percent increase.

Whether we look at teachers, police officers, or firefighters, the evidence strongly suggests that collective bargaining increases wages and costs to the taxpayer.⁵⁶ For example, a Heritage Foundation study of public sector collective bargaining using a combination of synthetic control analysis and Bayesian analysis of U.S. panel data found that collective bargaining significantly increased cost of government in New York and New Jersey and had little impact in Ohio and South Dakota, while increasing cost of government on average across the U.S. by more than \$600 to \$750 per person per year.⁵⁷ This kind of effect means that Vermonters would likely pay higher property taxes ahead should Proposal 3 be adopted and expand union density and bargaining power.

54 Stephen Rushin, "Police Union Contracts," *Duke Law Journal* 66 (2017): 1191–1266.

55 Dhammika Dharmapala, Richard H. McAdams, and John Rappaport, "Collective Bargaining Rights and Police Misconduct: Evidence from Florida," *Journal of Law, Economics, and Organization* 38:1 (March 2022): 1–41.

56 Brigham R. Frandsen, "The Effects of Collective Bargaining Rights on Public Employee Compensation: Evidence from Teachers, Firefighters, and Police," *ILR Review* 69:1 (2016): 84–112.

57 Geoffrey Lawrence, James Sherk, Kevin Dayaratna, and Cameron Belt, "How Government Unions Affect State and Local Finances: An Empirical 50-State Review," Heritage Foundation (April 11, 2016); <https://www.heritage.org/jobs-and-labor/report/how-government-unions-affect-state-and-local-finances-empirical-50-state>.

Analysis

What does the empirical literature teach us about the likely effects of Proposal 3 on Vermont?

Proposal 3 binds the legislature's hands. It prevents the adoption of a future private sector right-to-work law, but it also extends collective bargaining rights to groups formerly exempt under state law, namely farmworkers and supervisors. It may also be interpreted to limit the legislature's ability to cabin the scope of collective bargaining or to set thresholds for successful union elections.

Proposal 3 binds the legislature's hands. It prevents the adoption of a future private sector right-to-work law, but it also extends collective bargaining rights to groups formerly exempt under state law, namely farmworkers and supervisors.

Vermont has 314,000 nonfarm jobs and over 8,000 farmworkers. About 46,500 Vermont workers are currently covered by a collective bargaining contract. Thus, the extension of collective bargaining rights to farmworkers alone could significantly increase union density in Vermont.

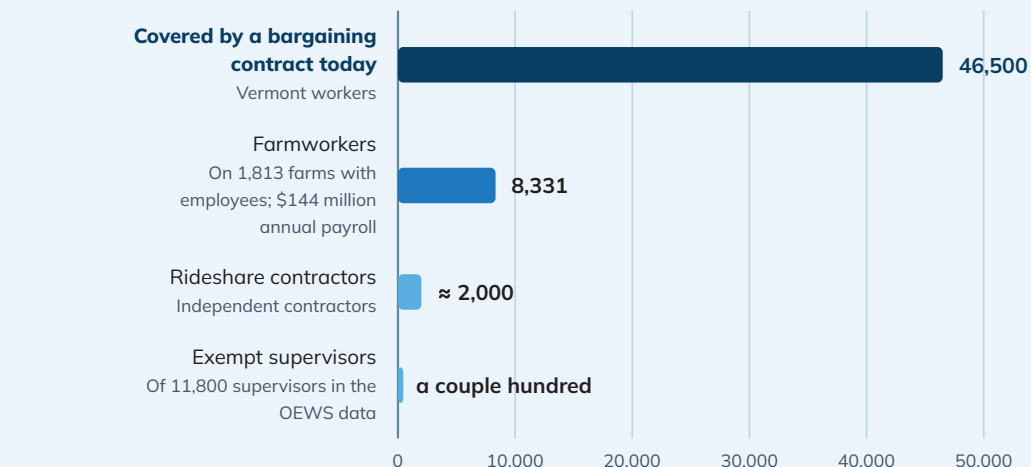
The extension of collective bargaining rights to farmworkers should raise their wages, reduce their employment, and reduce the profitability of Vermont farms. At \$144 million of annual payroll, a 10 to 15 percent union premium would represent \$14 to \$22 million in added costs.

The literature suggests that Vermont farms are more likely to go out of business as a result. A rough estimate from these studies suggests that if all Vermont farms are unionized, about 70 of them would be expected to go out of business within three to five years.⁵⁸ Of course, it is unlikely that all Vermont farms will be unionized, but this estimate gives a sense of the scale of the effect.

⁵⁸ See footnote 37.

FIGURE 7

Workers Proposal 3 could bring into collective bargaining



Number of Vermont workers

314,000

VERMONT NONFARM JOBS

8,331

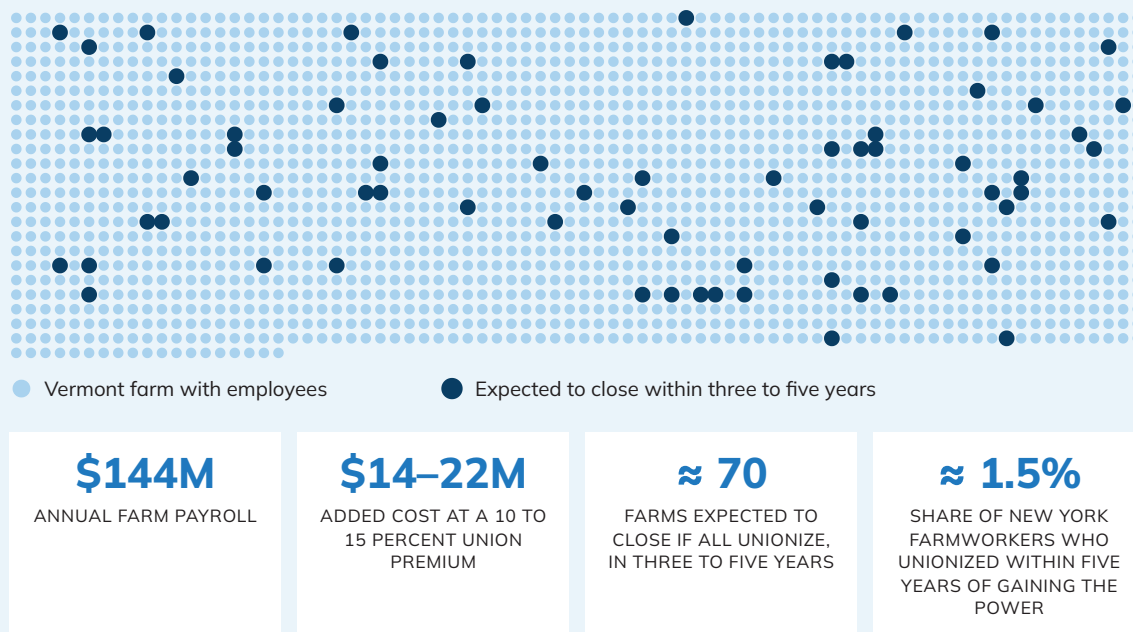
FARMWORKERS WHO COULD GAIN
BARGAINING RIGHTS

18%

FARMWORKERS AS A SHARE OF
THE 46,500 NOW COVERED
(CALCULATED)

Sources: paper's estimates; U.S. Census of Agriculture, Table 7; Bureau of Labor Statistics (notes 10 and 60). Rideshare contractor figure is the authors' estimate, adjusted downward for Vermont's rural population. The supervisor bar is drawn at 200 to represent "a couple hundred."

FIGURE 8

Vermont farms: about 70 of 1,813 could close if every farm unionized

Sources: U.S. Census of Agriculture; the paper's estimate from the establishment-survival literature (note 58); New York evidence (note 59). Each circle is one farm; the paper cautions it is unlikely that all farms would unionize and the estimate shows scale. Positions of the highlighted farms are illustrative.

A rough estimate from these studies suggests that if all Vermont farms are unionized, about 70 of them would be expected to go out of business within three to five years.

The literature could underestimate the farm impact of Proposal 3. Dairy farmers sell under Federal Milk Marketing Orders, and most other agricultural products are sold in a highly competitive market. That means Vermont farmers are “price-takers” in the language of economics: they cannot pass higher prices on to consumers following unionization. Instead, they will suffer the cost in terms of lower profitability and business failure.

That means Vermont farmers are “price-takers” in the language of economics: they cannot pass higher prices on to consumers following unionization. Instead, they will suffer the cost in terms of lower profitability and business failure.

Proposal 3’s expansion of collective bargaining rights to farm workers is likely to have a

small, but non-zero, negative impact on Vermont's GDP. Agriculture accounts for about one percent of Vermont's GDP. If all farms were unionized, three to five percent would be expected to fail within five years. However, evidence from New York suggests that only about 1.5% of farm workers unionize within five years of gaining the power to do so.⁵⁹ Therefore, we would expect only a handful of farms to fail within that time period. Proposal 3's total impact of this extension due to farm failure alone is thus likely to be under 0.01% of Vermont GDP.

Proposal 3's expansion of collective bargaining rights to currently exempt supervisors and rideshare independent contractors is likely to have an additional impact on Vermont GDP. This would be due to a reduction in overall demand at theoretically increased prices due to higher wages and costs. NLRA exempt supervisors would probably be only about a couple hundred of the 11,800 supervisors in the OEWS data. Rideshare contractors number approximately 2000, and the Massachusetts precedent suggests that a large percentage of them could end up being covered by collective bargaining.⁶⁰

To understand the impact on GDP, we need to work through the deadweight loss. Step one is to figure out the elasticity of demand for rideshare services. In Vermont, it is likely to be between -.8 and -1.2, largely owing to the near universal ownership of vehicles in the state.⁶¹ If driver wages actually increase between 5 and 15 percent as a result of collective bargaining, that represents a 3.5 to 10.5 percent increase in consumer prices since wages are about 70 percent of rideshare prices, implying a 4.2 to 12.6 percent drop in sales at the high end of our elasticity range (multiplying the former values by -1.2). Importantly, labor supply response could dissipate all the wage gains from collective bargaining. More drivers may log on and wait for customers, a different form of deadweight loss.⁶² The Seattle study showed that drivers overall lost income as a result of their minimum-pay law.

The traditional Harberger-triangle analysis of the increase in rideshare and delivery costs multiplies the demand elasticity by the square of the change in price as a proportion of total price and by market revenue. If the Vermont rideshare market is \$25 million (according to a

59 Steve Greenhouse, "Union Wins at New York Farms Raise Hopes for Once-Powerful UFW," *The Guardian*, July 6, 2023, <https://www.theguardian.com/us-news/2023/jul/06/new-york-farm-workers-ufw-unions>; Julia Rock, "New York Farms Refuse to Follow New Union Contracts," *New York Focus*, July 2, 2025, <https://nysfocus.com/2025/07/02/farm-worker-union-contract-guest-visa>; Amir Khafagy, "NYC's First Farm Union Is Fighting for a Fair Contract," *Documented*, October 30, 2025, <https://documentedny.com/2025/10/30/urban-farm-workers-fight-brooklyn-grange/>.

60 This estimate is based on rideshare driver numbers we know from Massachusetts and the United States as a whole, adjusted downward for Vermont's rural population.

61 The standard estimate in the literature from the large cities of Chicago, Los Angeles, New York, and San Francisco is between -0.4 and -0.6. Peter Cohen, Robert Hahn, Jonathan Hall, Steven D. Levitt, and Robert Metcalfe, "Using Big Data to Estimate Consumer Surplus: The Case of Uber," NBER Working Paper 22627 (September 2016), DOI 10.3386/w22627. But elasticity should be higher when passengers can substitute away from driving. Industry estimates suggest elasticities as high as -2.1. Doordash, "New Study: Evaluating the Harmful Impacts of Seattle's Delivery Pay Law," <https://about.doordash.com/en-us/news/new-study-harmful-impacts-seattle-delivery-law>. The -0.8 to -1.2 range seems like a reasonable, conservative estimate for Vermont.

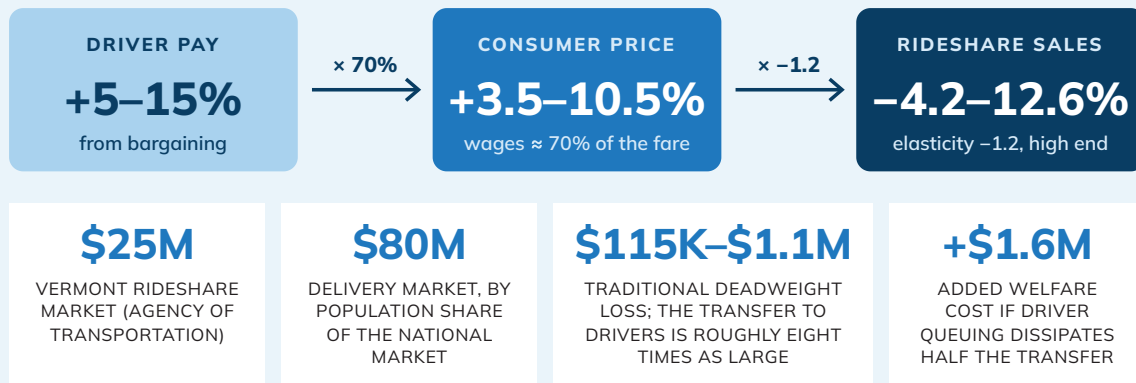
62 Jonathan V. Hall, John J. Horton, and Daniel T. Knoepfle, "Pricing in Designed Markets: The Case of Ride-Sharing," working paper, Massachusetts Institute of Technology, 2021.

Vermont Agency of Transportation report⁶³) and its delivery market is \$80 million (roughly corresponding to its population share of the national market), then traditional deadweight loss in both sectors from complete unionization could range from \$115,000 to \$1.1 million, less than 0.01 percent of GDP. The transfer from consumers to drivers is roughly eight times as large.

As already mentioned, driver queuing for customers also has a welfare cost. If it dissipates half the transfer to drivers, that's an additional \$1.6 million of welfare cost, bringing the total welfare cost to about 0.006 percent of GDP.

FIGURE 9

From a wage increase to a welfare loss: the rideshare estimate



Sources: Vermont Agency of Transportation; Cohen et al. (2016); Hall, Horton and Knoepfle (2021) (notes 61-63). Elasticity in Vermont is estimated at -0.8 to -1.2; sales drops shown use -1.2. Wage gains of 5 to 15 percent, price effects and sales effects are the paper's calculations.

In total, then, Proposal 3's extension of collective bargaining rights to farmworkers, independent contractors, and supervisors could reduce the welfare of Vermonters by about \$5-7 million a year after a few years, around 0.02 percent of GDP.

Public contracting and state as purchaser of services are two additional channels by which Proposal 3 could stimulate private-sector collective bargaining. Depending on how courts interpret the new article, they could mandate that the state retain its prevailing-wage law, implement project labor agreements, and maintain labor-peace conditions in licensing. They could also require the state to encourage collective bargaining among independent contractors who sell their services to the state, such as personal care attendants, adult day services, and paratransit providers. The state already maintains a prevailing-wage law and other pro-union policies, but Article 23 could put a thumb on the scale in favor of aggressively pro-union procurement policies. These policies could end

63 Vermont Agency of Transportation, "Report to the Legislature Pursuant to Act 148 of 2024, Section 35," https://legislature.vermont.gov/assets/Legislative-Reports/AOT-Legislative-Report_Draft-Transportation-Funding-Study_20241215-1.pdf, page 5-13.

up unionizing several hundred more private sector workers and raise costs to the taxpayer.

The most important aspect of Proposal 3 is that it could take off the table the legislature's ability to set limits to what collective bargaining gives away to unions. Clara Morrison of the Right for Vermont Foundation argues:

The most important aspect of Proposal 3 is that it could take off the table the legislature's ability to set limits to what collective bargaining gives away to unions.

"What Prop 3 would take away before legislators could debate it through ordinary lawmaking, is the state's flexibility to govern its relationship with unions as circumstances demand (whether that means considering right-to-work, setting reasonable guardrails on union contracts, or controlling pension and healthcare costs) no matter how the economic or fiscal picture changes in the decades ahead. That's a permanent policy restriction for a temporary political moment, driven by the unions' response to post-Janus revenue anxieties rather than by any demonstrated failure of Vermont's current labor law."⁶⁴

That's a permanent policy restriction for a temporary political moment, driven by the unions' response to post-Janus revenue anxieties rather than by any demonstrated failure of Vermont's current labor law.

CLARA MORRISON, RIGHT FOR VERMONT FOUNDATION

The literature strongly suggests that public sector collective bargaining worsens accountability and increases costs in education and public safety. The legislature would be unable to change the pension system or healthcare contributions if doing so would contradict existing union contracts. The long-run effect will be higher public sector labor costs and higher taxes, especially the property taxes that pay for schools and local public safety.

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In fact, Vermont's Act 11 of 2018 may well be unconstitutional if Proposal 3 passes. Codified in 16 V.S.A. §§ 2101–2108, this law sets up a Commission on Public School Employee Health Benefits that determines the share of health insurance premiums that school employees must pay. These determinations currently override the content of any

⁶⁴ <https://rightforvermontfoundation.org/prop-3/>.

local collective bargaining agreement (CBA). The plain language of Proposal 3 appears to make local CBAs override state law. The Educational Health Benefits Commission established by the legislature found that state-mandated employee contributions would have saved the state \$11.8 million relative to local negotiations.⁶⁵ The repeal of Act 11 would presumably cost the state quite a bit more given the increase in healthcare costs since then.

In fact, Vermont's Act 11 of 2018 may well be unconstitutional if Proposal 3 passes.

The state is currently undergoing a comprehensive reorganization of school districts to try to make spending more efficient. As part of this process, pursuant to Act 73 of 2025, the State Board of Education has established minimum class sizes.⁶⁶ The state's National Education Association union does not like this measure. If Proposal 3 passes, it could nullify these rules and return the issue of class sizes to local CBAs, costing the state money to hire new teachers. The precise fiscal impact of this change is unclear.

Under Proposal 3, it would presumably be impossible for the legislature to nullify contracts that shield officials who commit misconduct from oversight and investigation. Maryland repealed its Law Enforcement Officers' Bill of Rights in 2021 and constrained bargaining over police discipline: this is something that Article 23's protection of bargaining over "other terms and conditions of employment" would render constitutionally suspect in Vermont, since disciplinary process is undoubtedly a term or condition of employment. Attempts to reform teacher tenure and dismissal or even instruction methods would meet a similar fate.

Proposal 3 will boost union leverage in public sector collective bargaining. It could prevent the application of the state's impasse frameworks in 16 V.S.A. § 2021 and 21 V.S.A. § 1722, which allow municipal and school district employers to seek binding arbitration when union negotiations reach an impasse, and place limits on public sector unions' ability to strike. If courts interpret Article 23 to prevent binding arbitration and strike limitations, then public sector unions will be able to demand more from taxpayers in negotiations.

We next estimate the impact of Proposal 3 on the Vermont taxpayer. Assume that Proposal 3 directly raises health care costs by \$12 million a year by invalidating Act 11 and likely

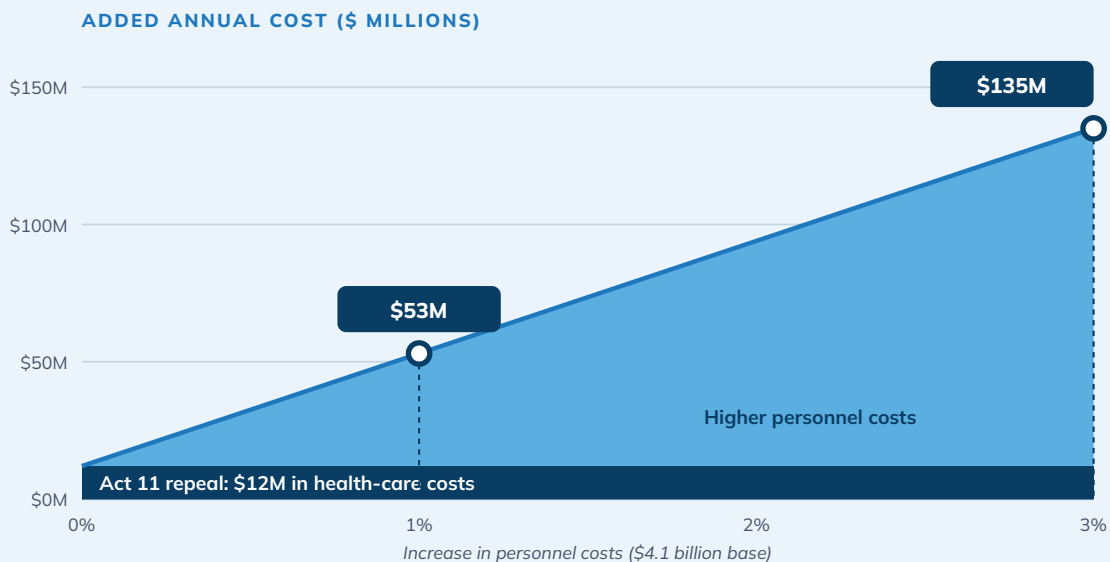
65 State of Vermont, "Findings and Recommendations of the Vermont Educational Health Benefits Commission Pursuant to Act 85," December 18, 2017, <https://legislature.vermont.gov/Documents/2018/WorkGroups/House%20Education/Reports%20and%20Resources/W~Vermont%20Educational%20Health%20Benefits%20Commission~Findings%20and%20Recommendations%20of%20the%20Vermont%20Educational%20Health%20Benefits%20Commission%20pursuant%20to%20Act%2085~1-8-2018.pdf>.

66 Vermont NEA, "Detailed Summary of Act 73," <https://acrobat.adobe.com/id/urn:aaid:sc:va6c2:26e64dd8-ce7f-4cad-aae6-2273477327bc>.

increases personnel costs for public sector employees by somewhere between one and three percent by increasing union leverage throughout state and local government and nullifying the minimum class size regulation.⁶⁷ State and local compensation in Vermont was \$4.1 billion in 2025.⁶⁸ Thus, we estimate a \$41 to \$123 million cost to taxpayers from these elements of the law alone, or \$53 to \$135 million from all the ways it affects public sector collective bargaining. The statewide equalized education property value in 2025 was \$153 billion; therefore, if this sum were to be paid out of property taxes, it would increase the average property tax rate statewide per \$100 of equalized value by between \$0.035 and \$0.088.⁶⁹ For a house valued at \$400,000, about the median sales price in Vermont, that implies an annual tax increase of \$140 to \$352.⁷⁰

FIGURE 10

Annual taxpayer cost by size of the public-sector personnel-cost increase



Source: authors' estimate (notes 67 and 68). The paper assumes personnel costs rise 1 to 3 percent; the \$41 million per percentage point is 1 percent of \$4.1 billion. Values between 1 and 3 percent are interpolated.

67 We surmise this number is less than five percent, because establishing collective bargaining in the public sector has a wage impact of at least five to eight percent (Brunner and Ju), though a larger effect on total compensation, but we are looking here just at increasing union leverage within a context of existing collective bargaining. One to three percent is a conservative range of the marginal effect of strengthening union leverage.

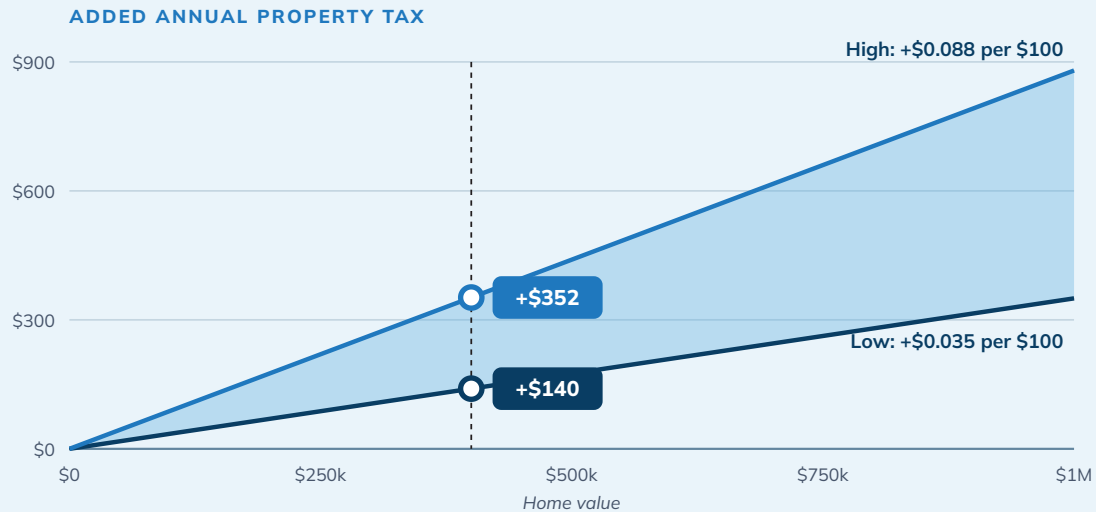
68 BEA Table SAINC6.

69 Vermont Department of Taxes, "PVR Annual Report 2025 Data – Education and Municipal Listed Values and Equalized Values by Category Town," <https://tax.vermont.gov/document/pvr-annual-report-2025-data-education-and-municipal-listed-values-and-equalized-values>.

70 The median sales price will overstate the taxable value of homestead property and understate the taxable value of non-homestead property.

FIGURE 11

What the estimate means for a Vermont homeowner

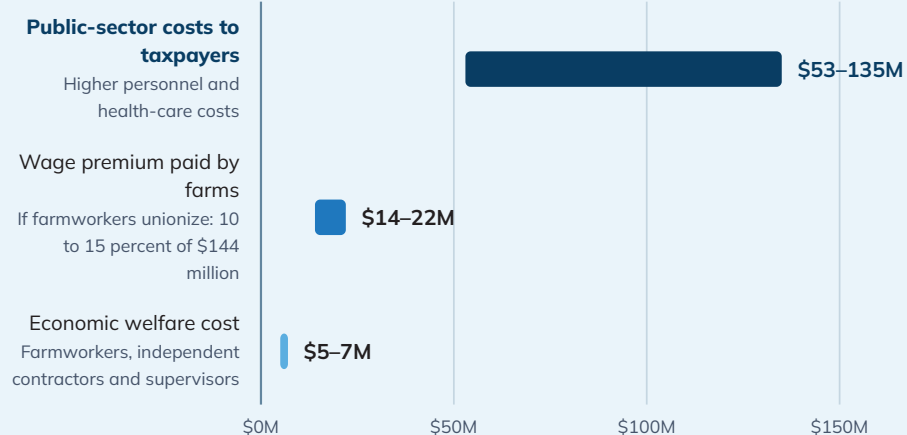


\$400,000 home: +\$140 to +\$352 in property tax per year

Sources: Vermont Department of Taxes, PVR Annual Report 2025; authors' estimate (notes 69 and 70). The paper uses \$400,000, about the median sales price in Vermont, which overstates the taxable value of homestead property and understates non-homestead value. Other home values are calculated from the paper's rates.

FIGURE 12

The paper's annual estimates side by side

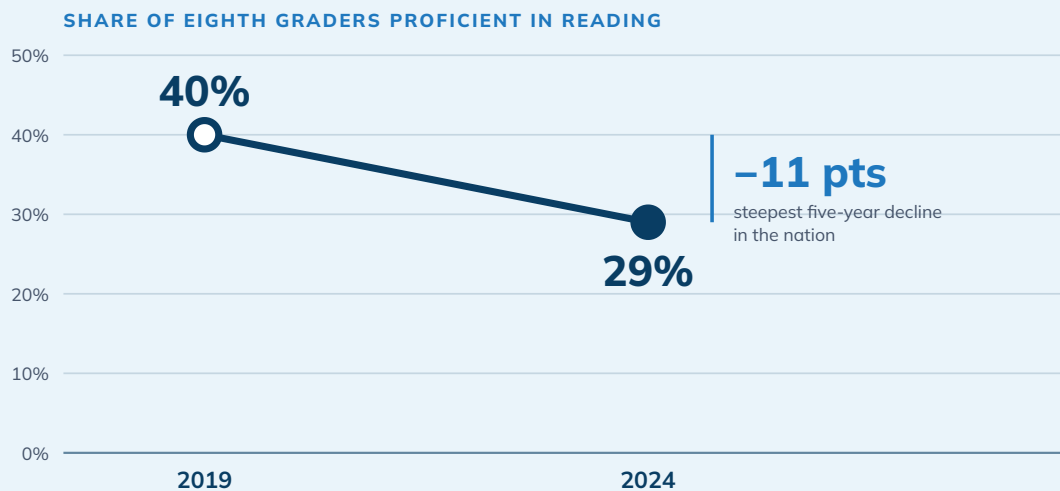


Estimated annual cost, millions of dollars

Source: authors' estimates. These estimates depend on how courts interpret Proposal 3 and how broadly collective bargaining expands. The welfare cost is about 0.02 percent of Vermont GDP.

Strengthening public sector unions doesn't seem to be helping Vermont's educational quality. In the early 2000s, Vermont was a regional leader in student test scores, but it has since fallen behind neighboring states. FutureEd reports that in 2024, Vermont had the steepest five-year decline in eighth-grade reading proficiency in the nation, falling from 40 to 29 percent.⁷¹ Vermont was one of only five states to see fourth-grade math scores drop on state tests between 2019 and 2022. It has now fallen far behind Massachusetts and New Hampshire in reading and math, and when adjusting for demographics, Vermont looks even worse.⁷² In light of these dire statistics, is now the time to freeze the legislature's ability to address teacher terms of employment?

FIGURE 13

Vermont eighth-grade reading proficiency

Source: FutureEd, Georgetown University, from NAEP results (note 71). Starting year of the five-year decline is inferred from the paper's 2024 date.

FutureEd reports that in 2024, Vermont had the steepest five-year decline in eighth-grade reading proficiency in the nation, falling from 40 to 29 percent.

Conclusion

At a time when Vermont voters are concerned about affordability, it may not be consistent with their preferences for the state to create a system that could lead to higher

71 Thomas Toch and Bella DiMarco, "The New NAEP Scores Highlight a Standards Gap in Many States," FutureEd, Georgetown University McCourt School of Public Policy, January 29, 2025 (updated February 10, 2025), <https://www.future-ed.org/the-new-naep-scores-highlight-a-standards-gap-in-many-states/>.

72 <https://nces.ed.gov/nationsreportcard/subject/publications/stt2024/>.

unemployment, higher prices, higher property taxes, and less government accountability. Moreover, even if the policy approaches in Proposal 3 are desirable to the majority of Vermonters today, we can't predict the future, so constitutionalizing them could create headaches down the road. As others have noted, amending the Constitution would make potentially needed change by the legislature impossible, constraining its ability to deal with any complexities or circumstances that present themselves ahead. Vermont could avoid this problem by avoiding constitutionalization while remaining a very pro-union state given existing law.⁷³

Vermont could avoid this problem by avoiding constitutionalization while remaining a very pro-union state given existing law.

ABOUT THE AUTHORS

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The Fiscal Alliance Foundation promotes individual liberty and greater fiscal responsibility and transparency in government for a better New England, through education and legal assistance.

www.fiscalalliancefoundation.org

⁷³ <https://fyivt.com/prop-3-what-vermont-voters-could-no-longer-change-with-a-new-legislature>.