In the heated debates over government collective bargaining, a simple fact is often lost: Benefits for teachers and municipal workers are often more expensive than they are for state employees, let alone for workers in private business. The disparity between runaway local costs and more restrained state benefits is the key rationale—often misunderstood—for the efforts of Wisconsin, Massachusetts, Ohio and other states to limit local collective bargaining over benefits.

In local bargaining, the employer is outgunned by unions with state and national affiliates behind them, and numerous provisions in state law tilt the table in the unions’ favor. At the state level, benefits are often tempered by legislation, group-health commission powers over plan design, and bargaining that is more evenly matched.

State employee unions do wield influence, but it pales compared to that of the teachers unions. If local benefit costs were brought down to the level for state employees, this would provide relief for struggling school districts and municipalities. But that requires limiting collective bargaining.

Consider Wisconsin. Prior to this year’s broader battle, both political parties agreed on the need to move local employees into state health plans—as did the Wisconsin School Board Association. This required changes in local collective bargaining, and in the 2010 gubernatorial campaign Democratic candidate Tom Barrett, the mayor of Milwaukee, proposed requiring the shift for local government workers as a first step toward moving school employees into state health plans as well.

This year, when Republican Gov. Scott Walker enacted his collective-bargaining reforms, Mr. Barrett supported a hike in municipal employee contributions to their health-care plans, and he made full use of the new law to save his city millions of dollars, earning him the enmity of union leaders.

Then there is deep-blue Massachusetts. After a seven-year effort dating to the Romney administration, the Democratic-controlled legislature finally passed a law aimed at bringing local costs in line with state costs—and it was signed by Gov. Deval Patrick. Previously, localities could not change the copayment, deductible or any details of any bargaining unit’s health plan without the approval of every local union. As a result localities were paying, on average, 37% more for health insurance than state and private employers.

Faced with rising cost-driven layoffs, the Democratic government removed the design of health plans from
collective bargaining, provided that the localities matched the state plan’s benchmarks for cost-sharing. While Massachusetts’s action was significantly less sweeping than Wisconsin’s, it shared the goal of matching local benefits to the level of state employees.

In Ohio, too, Gov. John Kasich’s reforms included measures specifically targeted at the state-local disparity. The overturning of his plan in this month’s referendum leaves local governments and school districts with daunting budget difficulties.

In Cleveland, for example, the collectively bargained contribution by teachers is $75 per month for family health coverage, a fraction of a state employee’s $205 monthly contribution. Ohio state employees face an out-of-pocket maximum of $3,000 per family for in-network coverage, including a deductible of $400 and a co-insurance rate of 20%. For Cleveland teachers, the out-of-pocket maximum is zero—there’s no deductible and no co-insurance. These provisions are written into Cleveland’s union contract. They will be very difficult to remove.

Yet something has to give. Without limitations on local collective bargaining—and with continued inaction on pension reforms—significant layoffs for districts like Cleveland are very likely. Indeed, municipal and district bankruptcies—or their functional equivalent—are no longer unthinkable, as unsustainable local benefits drive some localities to the brink.

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