

ACBO Institute I
Overview of the State Budget and the Impact on Collective Bargaining
March 19, 2015

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The Proposed 2015-16 State Budget

- For 2015-16, Proposition 98 growth allows the Governor to propose:
 - 1.58% cost-of-living adjustment for apportionments
 - 2% in growth/restoration funding
 - Elimination of the rest of the cash deferrals
 - \$125 million in base allocation for operational costs like the California Public Employees' Retirement System (CalPERS) and the California State Teachers' Retirement System (CalSTRS) contributions
 - \$200 million augmentation for Student Success and Support Program
 - \$351.3 million to pay down past state mandate claims
- And there will be more at the May Revision
 - But as funding is rising, so are costs

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CalSTRS and CalPERS

- CalSTRS and CalPERS employer contribution increases alone will take significant resources
- Assembly Bill (AB) 1469 (Chapter 47, 2014) put CalSTRS on a path to solid financial footing, but with a heavy burden on districts
 - The employer contribution costs for both CalSTRS and CalPERS are projected to double over the next several years
 - ◆ CalSTRS – From 8.25% in 2013-14 to 19.1% in 2020-21
 - ◆ CalPERS – From 11.442% in 2013-14 to 20.4% in 2020-21

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CalSTRS Rate Increases

- Employer rates are increasing to 10.73% in 2015-16, up from 8.88% in 2014-15
- Once the statutory rates are achieved, CalSTRS will have the authority to marginally increase or decrease the employer and state contribution rates

Year	Employer	Pre-PEPRA*	Post-PEPRA*
2014-15	8.88%	8.15%	8.15%
2015-16	10.73%	9.20%	8.56%
2016-17	12.58%	10.25%	9.205%
2017-18	14.43%	10.25%	9.205%
2018-19	16.28%	10.25%	9.205%
2019-20	18.13%	10.25%	9.205%
2020-21	19.10%	10.25%	9.205%

*Public Employees' Pension Reform Act

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CalPERS Rate Increases

- The employer contribution to CalPERS is projected to increase from 11.771% in 2014-15 to 12.6% in 2015-16 (final rate awaiting CalPERS Board approval)
 - "Classic" members continue to pay 7.00%
 - New members pay 6.00%, which may fluctuate from year to year based on the PEPRRA requirement to pay half the normal cost rate
- Estimates of the resulting future contribution rate increases for education employers are as follows:

Actual	Projected					
2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
11.771%	12.6%	15.0%	16.6%	18.2%	19.9%	20.4%

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Financial Management and Collective Bargaining

- Right or wrong – no single step in budget decision making:
 - Can impact as much as collective bargaining
 - Can recast priorities
 - Can make or break a long-range plan
 - Can lead to deficits, bankruptcy, early retirements, and recalls
- Superintendents must be able to lead in an area probably foreign to their training and sometimes foreign to their natural instincts

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Characteristics That Influence Fiscal Negotiations

1. Changing bargaining methods does not change your role.
2. Know your interests.
3. Employee organizations represent employees and not "education."
4. Train and lead your Governing Board.
5. Don't hesitate to communicate to the public.
6. Educate others – school funding is finite. If "this," then not "that."

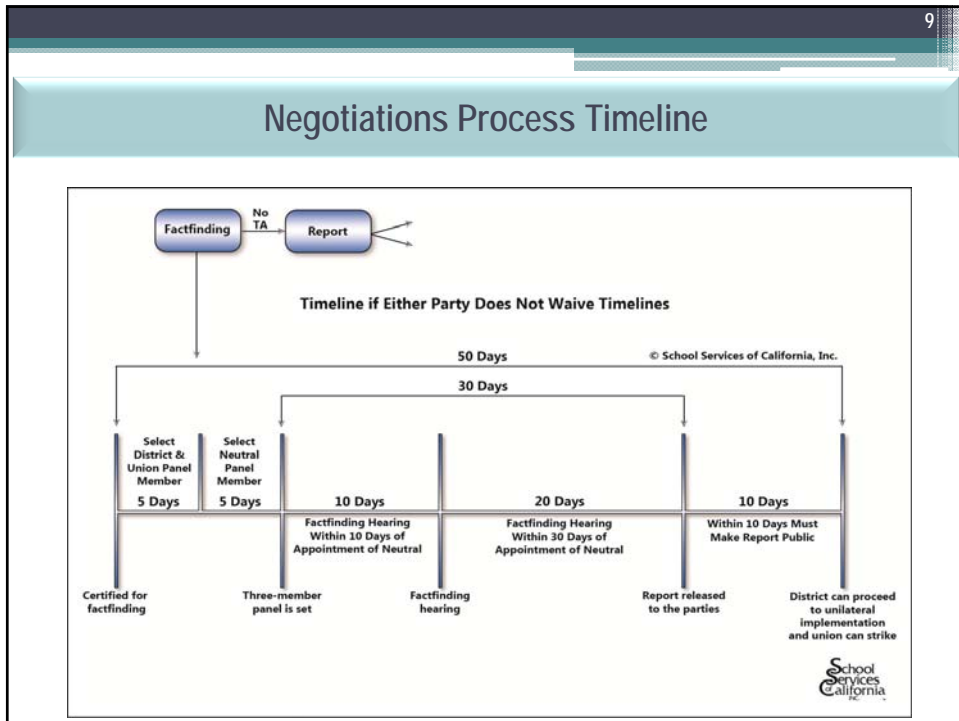
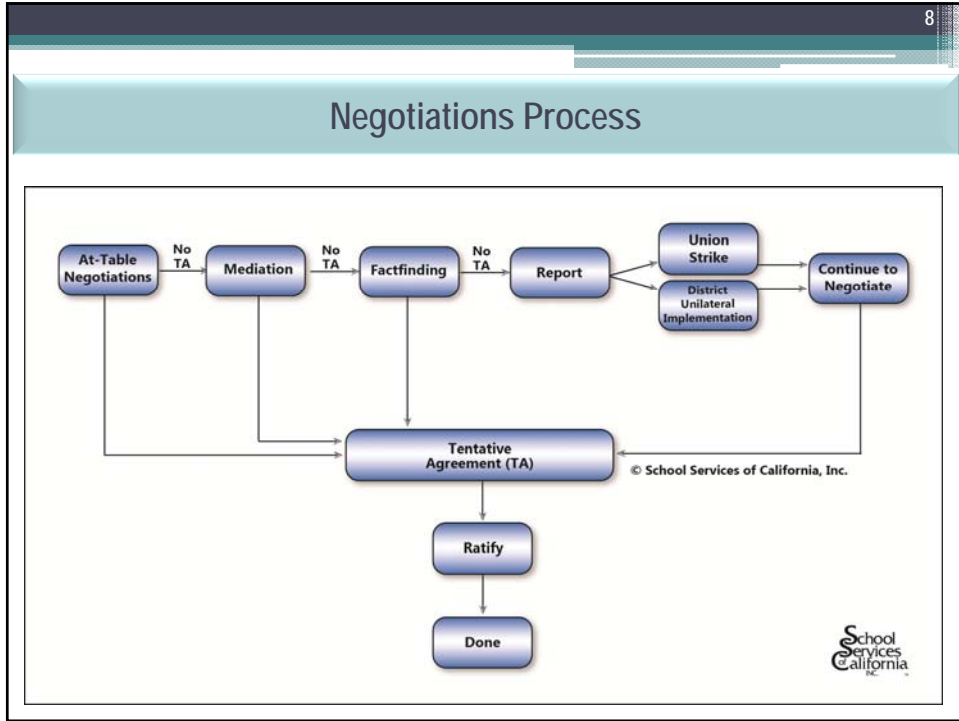
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Characteristics That Influence Fiscal Negotiations

7. Employee organizations want to shift the debate from "priorities" to "budget errors."
8. If you are going to say "yes," say it early.
9. Prepare for negotiations as if you are preparing for factfinding.
10. Don't be afraid of impasse.
11. "Factfinding" is an extension of negotiations, not a factual award process.

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Preparing for Negotiations

Factfinders shall consider:

1. State and federal laws applicable to the employer.
2. Stipulations of the parties.
3. Interest and welfare of the public and the financial ability of the public school employer.
4. Comparison of the wages, hours, and conditions of employment with other employees generally in public school employment in comparable communities.
5. The Consumer Price Index for goods and services, commonly known as cost of living.

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Preparing for Negotiations

6. Overall compensation, including wages, vacations, holidays, insurance, pension, medical, and hospitalization benefits received.
7. Any other facts not included in 1 to 6 above that normally are taken into consideration in making findings and recommendations.
8. There is a time to say NO.
9. AB 2756 says that the Chief Business Official and the Superintendent signoffs change the dynamic at the table.
10. Multiyear forecasting is key to protecting your district and your job!
11. Bargaining should be "Good Faith" not "Faith Based."
12. Avoid letting your mediator push you over a cliff!