

THE CHANGING ENVIRONMENT IN FINANCING GOVERNMENT AND ITS IMPACT ON COLLECTIVE BARGAINING

Presented by:

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PK to 12 Public Education – CPS Recent Historical Context

- **2010 to 2017 Financial Crisis- Structural Deficits Create Chronic Fiscal Crises**
 - Limited Revenue Growth
 - Property Tax - sole avenue for independent revenue raising
 - PTELL limitations
 - State Funding – Insufficient, regressive and inequitable
 - Per Pupil Foundation Level Funding (Static since 2010; Not based on Student Needs)
 - General Assembly appropriation (has not covered foundation level since 2009)
 - Proration – had regressive impact on poor, high needs districts
 - Grants for Special Education, English Language Learners (only 60% funding through 2017)
 - Federal Pass-through – shrinking due in part to declining enrollment and poverty levels
 - Unlimited Expenditure Growth
 - Unfunded Actuarial Accrued Liability (Pension Legacy Payments)
 - Healthcare Increases
 - Wage growth

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CPS Recent Historical Context (cont.)

- **Effects of Pre-2017 Financing Environment School Districts' Collective Bargaining**
 - Financial Impact of On-going Financial Crisis
 - By June 2017 CPS's Expenditures Exceeded Its Revenue by nearly \$1 Billion (\$750M attribute to UAAL)
 - Forced CPS increase borrowing at higher costs
 - Cash flow issues
 - Unilateral actions taken to address financial crisis
 - 2011-17 Teacher Layoffs/reduction of Teaching force (AARA Funding in FY2011 stemmed some of that)
 - 2012 – 4% COLA take back
 - 2013 - School closings
 - 2014 – Change in Revenue Recognition Period
 - Bargaining on Three Parallel Tracks
 - Springfield – Pension holidays; pension eligibility changes; dedicated Pension levy; funding increases; benefit changes (tried and reverse for MEABF); funding allocation changes
 - Local Government – TIF Surpluses and Demands for Supplemental Funding
 - School Board – Economic Concessions for Working condition concessions

PK to 12 Public Education Union Economic Bargaining Concessions 2013-19

Fiscal Year	Schedule Increases	Lanes	Steps	Pension Pick-Up	Pension Enhancements	Sick Leave	Health care
2013	3%	No Change	Increment not subject to increase	No change	Eliminated	Banking limited and payout eliminated prospectively	Contrib increase
2014	2%	No Change	No change	No change	No change	No change	No change
2015	2%	No Change	No change	No change	No change	No change	No change
2016	0%	Freeze	Freeze	No change	No change	No change	No change
2017	0%	Re-start	Re-start	Eliminated for new hires	No change	No change	Contrib, deductible and co-pay increase
2018	2.5%	No Change	No change	No change	No change	No change	No change
2019	2.5%	No Change	No change	No change	No change	No change	Contrib increase

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CPS Policy Concessions 2010-19

CBA	Working Conditions/Policy
2013 –2015	<p><i>Teacher Evaluation</i> – created no stakes year; reduced student growth component of evaluation; permitted on-going need improvement provided some improvements were made; reduced unsatisfactory rating score</p> <p><i>School Day and School Year</i> – reduced planned school day/year</p> <p><i>Discipline</i> - eliminated unpaid time off as discipline</p> <p><i>Benefit Time Usage</i> – eliminated some restrictions on benefit time usage</p> <p><i>Preparation Periods</i> – Made 3 of 10 HS preparation periods, teacher directed</p>
2016-2019	<p><i>Assessments</i> – Gave teachers a say in what assessments are administered</p> <p><i>Charter Schools</i> - Limited Charter School Growth</p> <p><i>Professional Development</i> – Made 3 of 10 professional development days teacher-directed</p> <p><i>Preparation Time</i> – Gave Elementary School Teachers additional preparation time</p> <p><i>Community Schools Initiative</i> – Made Union a Partner in creating and overseeing new community schools</p>

PK to 12 Public Education Financing

What Changed?

- Evidence-based Funding (PA 100-465) converts state funding to a progressive needs-based funding system
 - Districts get prior years allocation plus a % of new funding based upon their “Adequacy Level” (i.e., the % of “Adequacy Target” is met with local resources)
 - Adequacy Level = Resources/Adequacy Target
 - Adequacy Target (i.e., Needs) = Staffing Levels Based on Student Characteristics + Overhead calculated on per student basis (e.g., facility maintenance, central administration, employee benefits, professional development etc.)
 - Local Resources (Ability to Pay) = Local taxes + Personal Property Replacement Taxes + Prior Years Distributions
- State contribution to CPS Pension “normal cost” (i.e., the contribution to fund active employee pensions)
- CPS dedicated pension levy increased
- Charter Schools to Receive Per Capita Tuition Contribution (PCTC) = \$32 Million from CPS allocation to Charters

PK to 12 Public Education Financing

What Effectively Changed for CPS?

- CPS funding increased by nearly \$900M more in state funds
- CPS was able to balance its budget and lower its debt service in FY19 but CPS still has a structural deficit approaching \$300 million.
- Charter Schools received additional funding from CPS

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Anticipated Impact on Collective Bargaining

- **Charter Schools**

- CTU/ChiActs is in bargaining with 19 or more CPS Charter Schools now
- Both parties are acting as if these negotiation are subject to the NLRA
- CTU is demanding that Charter Schools increase salaries and benefits for Charter School teachers and staff to attain parity for CPS teachers and staff, which would mean salary increases in large double digits as a percentage increase
- Charters are responding that the CPS teacher salary schedule has been unsustainable for CPS for years and is unsustainable for Charters now
- CTU is taking strike votes now and threatening to strike Charter Schools in the near future, no dates set

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Anticipated Impact on Collective Bargaining

(cont.)

- **Chicago Public Schools**

- CPS will be entering bargaining with CTU in early 2019. Likely to see high salary increase demands to make up for concession years and continued demands for policy/legislative changes.
- But reality is that funding changes only got CPS to a smaller structural deficit. Absent state commitment to fully fund the “Adequacy Target” under EBF or the creation of other revenue streams for CPS, contractual cost increases may be unsustainable.
- CPS does not have interest arbitration; only advisory fact-finding under the IELRA. While “ability to pay” is a consideration, advisory fact-finding has proved to be an ineffective means for moving the CTU/CPS to agreement.
- Unless the parties can reach an acceptable compromise, we expect to see aggressive bargaining schedule, early effort at fact-finding and an early strike vote to set up a strike threat at some point early into the 2019-20 school year.
- We also expect to see ongoing parallel bargaining with City and State government representatives.

PK to 12 Public Education Conclusion

“In collective bargaining, the only thing worse than having no money, is having money OR the perception of having money.”

James C. Franczek

Noted Local Philosopher and Occasional Labor Negotiator