CSEA Counter Proposal #1
to
AEU Proposal #1 dated September, 23, 2019

Today, the California School Employees Association (CSEA) presents its first initial counter-proposal to the Association Employees Union (AEU). CSEA looks forward to a healthy discussion, a prompt exchange of proposals and good faith bargaining.

AEU has proposed that "CSEA shall increase the salary schedule by six and a half-percent (6.5%) and move the Labor Relations Representative classification from Range 16C to a newly created Range of 17B."

AEU has based the justification of their proposal on:

- CSEA overperforming its projected membership loss of 10,000 resulting in $2 million in ongoing savings;
- $14.6 million in one-time savings over four years;
- Staff turnover allegedly connected to low pay;
- CSEA allegedly becoming a training ground for other union staff;
- 38% overall turnover rate.

Janus

CSEA appreciates AEU's proposal and values the work of our staff and members and believes in fair pay and benefits. As we know, on June 27th, 2018, the Supreme Court ruled that it was illegal to continue collecting service fees from non-members. The timing of this decision was critical. CSEA had anticipated the decision would come down before the end of the fiscal year ending May 31, 2018, but since it did not that meant that we were able to complete the entire 2017/2018 fiscal year before any decision.

Unfortunately, the decision came down one month into the last fiscal year, which meant CSEA would bear the effects of the decision for 11-months of the entire fiscal year.

CSEA had estimated the impacts of the Janus decision could cost CSEA as much as $7.2 million a year in revenue, effective the day of the decision, based on the loss of 21,245 service fee payers.

In addition to the immediate loss of our service fee payers, we also projected an additional loss of 10,000 members for the past fiscal year and each of the next two years. The good news is that we did not experience a 10,000 membership loss this past fiscal year and instead lost only 4,163 (1,879 withdrawals; 2,284 attrition drops) total members in addition to the 21,245 service fee payers who instantly became potential members on the date the Court rendered its decision.

While CSEA mitigated its losses by 5,837 which equates to approximately $2.0 million, it is irresponsible for CSEA to treat these funds as monies available for salaries as an absence of losses in one year, does not mean these losses will not materialize in the next or future years.

CSEA remains cautiously optimistic that the actual membership loss for this current fiscal year will be less than what we have projected. We cannot, however, significantly reduce our membership loss projections based on one year's performance. Based on our previous year's performance, we are reducing our total membership loss projections, which includes Janus withdrawals and natural attrition, for this current fiscal year and next fiscal year from 10,000 to 7,500 per year.

We believe that until we are better able to determine whether last year's membership performance is the beginning of a trend or a one-year anomaly, our estimates should reflect a conservative approach and funds derived from mitigation of losses should remain available for other budget priorities, such as fighting the Right to Work organizations who are continuing to weaponize the Janus decision.

CSEA Budget and One-time Savings

CSEA's budget is balanced, sound and contains a sufficient reserve that will allow us to absorb membership losses even higher than planned, which is due to several past and current decisions.

First, the CSEA members decision to pass Resolution 1, the dues cap increase. As a result of the Janus decision, CSEA lost $5.6 million as service fee payers immediately became potential members. As previously mentioned, CSEA lost an additional 4,163 members last year, which equates to a further loss of $1.4 million. The previous fiscal year's total combined losses were $7.0 million. Resolution 1 generated $6.9 million over the last fiscal year, and provided the revenue needed to absorb membership losses, and maintain services and staff. CSEA cannot repeatedly seek dues increases from CSEA members to balance the budget, and instead must responsibly manage the budget which includes managing funds derived from the mitigation of membership loss.

Second, the decision to use one-time surpluses to pay down unfunded liabilities in the pension and retiree health care accounts. This decision stabilized expenses reduced payroll costs and freed up ongoing general fund revenue and is a practice that CSEA will continue as we intend to never again be in a position where we are paying regular retirement costs, which can exceed $10 million per year, in addition to catch-up costs because of an extreme underfunding of the pension and VEBA. The pensions ongoing funding will be adversely impacted by declining interest rates due the negative interests rates around the world, and the possibility of a recession.

Third, the decision to use onetime surpluses to cover expenses during the summer months, instead of borrowing on a high line of credit and paying interest.

And, fourth, our ongoing and consistent decision to control costs and not spend one-time surpluses on ongoing expenses, which has been a budget philosophy shared with AEU in previous negotiations. CSEA's salary proposals cannot be based on one-time savings unless the savings are, in fact, permanent savings.

<u>Staff Turnover as Justification for Increased Salary</u>

AEU has suggested that the staff turnover in the LRR position and SLRR positions are primarily or significantly related to the insufficient salaries paid to these positions. CSEA does not dispute that salary is one of many reasons an employee might elect to seek employment outside of CSEA. We are aware of staff leaving due to family considerations, childcare issues, moving to different locations, choosing to spend time traveling, or to seek employment in an entirely different line of work.

While CSEA has insured through its budgeting process that salaries continue to remain competitive and attractive, we must also use the budget process including the reallocation of existing funds to address areas that contribute to staff turnover which is why CSEA has taken action to increase the staffing levels in the LRR position by as many as 18 new positions this year, and will use future opportunities if appropriate to continue expanding the staffing levels in the LRR position.

Addressing workload issues when combined with other retention strategies, which include appropriate compensation, contemporary technology, work-life balance, etc., contribute significantly to mitigating staff turnover.

<u>ARTICLE 13, Salary Schedule and Related Matters, Section 13.2.1</u>

AEU has proposed an alteration to the existing contract language in Section 13.2.1. Specifically, AEU has proposed that CSEA agree to strike out the phrase, "the parties agree to re-open this section(13.2.1.) only, and replace it with "CSEA shall increase the salary schedule by six and a half-percent (6.5%) and move the Labor Relations Representative classification from Range 16C to a newly created Range of 17B."

It is CSEA's position that AEU cannot modify Section 13.2.1 to read differently than it currently does. This section was explicitly bargained to allow the parties to negotiate mid-term salary adjustments to the salary schedule, not for the reallocation of classifications from one range to another. I addressed this issue to AEU on July 2, 2019, by stating that "This re-opener negotiation is to reach agreement on a cost of living adjustment to the salary schedule."

AEU's proposal would grant many LRR's a 17.5% salary increase, which would significantly impact what CSEA could offer to all other staff who are deserving of an adjustment in their salary.

Concerning the range adjustment for the LRR position, CSEA's position remains unchanged from what it stated on July 2, 2019. Specifically, that:

> "CSEA is not proposing a modification of the LRR job description during the duration of the agreement because effectuating it necessitates reopening the contract. CSEA is prepared to bargain over any AEU proposal related to the recommendation at a time when all other proposed changes to the agreement are on the table, including but not limited to the salary range placement of other bargaining unit position. CSEA is prepared to bargain during the 2020 negotiations unless AEU has a genuine interest in reopening the entire agreement earlier."

CSEA notes that AEU has proposed no change in the job description and is instead seeking to only change the salary range from 16c to 17b, which modifies the recommendation of the reclassification committee. As CSEA has stated previously, we are prepared to bargain over AEU's proposal related to the reclassification committee recommendation, and the salary range placement of other bargaining unit positions at this time if AEU is willing to reopen the entire agreement.

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In response to AEU's proposal, CSEA counter proposes the following:

1. Upon ratification by AEU, the bargaining unit salary schedule shall be increased by two percent (2%). This salary increase shall apply to all bargaining unit employees who are on active status on the date of AEU's ratification.
2. CSEA and AEU agree to reopen the entire CBA, including but not limited to Article 13, at this time.

This agreement settles all reopener issues between the parties for the 2019 contract year. All members of the parties bargaining teams will support the ratification or approval of this tentative agreement.