



OFFICE OF THE GOVERNOR

207 STATE HOUSE
SPRINGFIELD, ILLINOIS 62706

BRUCE RAUNER
GOVERNOR

January 15, 2016

From: Governor Bruce Rauner
To: All State of Illinois Employees

Today I directed members of CMS's labor relations team to submit our labor negotiations with AFSCME to the state panel of the Illinois Labor Relations Board. I want to explain to you why I did so and what it means for our state workforce.

For the last year, labor negotiators from CMS and my office have been in negotiations with members of AFSCME's senior bargaining team. From the outset, we pledged to negotiate in good faith, find common ground where we could, and work to arrive at a fair deal for both AFSCME members and taxpayers. Those negotiations have been robust, totaling 67 days of meetings, 24 formal negotiating sessions, and over 300 different proposals.

At the same time AFSCME negotiations were ongoing, my team was also negotiating with other unions that represent state employees who work alongside AFSCME workers. We reached agreements with 17 different bargaining units represented by tough, but fair, negotiators from labor unions that have long histories as vigorous advocates for their members. The Teamsters, SEIU, the Laborer's International Union, and the International Union of Operating Engineers are among the unions with which we have reached agreements.

There were many common features between the AFSCME negotiations and the negotiations with these 17 bargaining units. We started all of them the same way. We conceded that these would be challenging labor negotiations – not because I intended to be unreasonable – but because no prior negotiations had ever taken place under the dark financial clouds that currently hang over our taxpayers. We have the nation's worst credit rating, a multi-billion dollar unpaid bill backlog, record unfunded pension liabilities, and an eroding tax base. Our negotiators were given no blank checks. While everyone would like to be paid more, our average state worker salaries have gone up twice as fast as inflation over the last 10 years. Nor could any employer, public or private, afford to continue our current practice of providing the platinum health plans at the price of silver plans. I reached the conclusion early on that leaner contracts for four-years were far better than the massive layoffs our state government faces on its current trajectory. Tightening our belts now is also the responsible approach if we want to ensure the financial stability of our pension system – something both current employees and retirees are counting on.



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In addition to the challenging financial circumstances, the other common feature of all of these negotiations was the core proposals we offered to each unit, including AFSCME. These proposals were ratified by the overwhelming majority of state employees who were allowed to vote to implement them, with often more than 80% of the bargaining unit voting in favor of the proposals. AFSCME, on the other hand, has simply misled its members, much less allowed them to vote on our proposals. We are not seeking to reduce any employee's salary. In fact, we have never proposed a reduction in any salary or wage. We are not seeking to freeze compensation. Rather we have proposed over \$200 million in additional compensation in the form of bonuses that every employee would be eligible to receive by meeting some simple, objective standards like not having unexcused absences and not violating pre-established work rules.

AFSCME also claims we are doubling health insurance premiums. That's misleading at best. First off, we haven't raised premiums at all this fiscal year. For next year, we'll offer additional, less-costly plans. For employees who choose a silver plan, like those offered by many private sector employers, we have proposed no increases in premiums. Only employees who choose the state's expensive, platinum health plan will see twofold increases to help cover a fraction of the cost of this plan. And regardless of which plan employees choose, the State will continue to pick up the majority of healthcare expenses and 100% of premiums for retirees.

The responses we received to these core proposals could not have been more different. From one bargaining unit after another, the response was uplifting. Our negotiators heard a powerful message across the table. We were told that given the scope of the state's financial problems, they wanted to be part of the solution, not the problem. Their requests would be reasonable, as long as their sacrifices were shared and we treated them fairly. Many of these negotiations took a matter of days, not months.

AFSCME's response and the tone of their negotiations, however, were very different from the start.

AFSCME leadership told us that they would never accept a system of bonuses awarded to employees for exceptional performance. Instead, they asked for automatic, four-year raises that would raise payroll 21% by 2019. They proposed a more expensive, luxury health insurance plan at the same current employer subsidy. When we refused these proposals, they did not return to the table but filed SB 1229, a legislative end run to strip our administration of its bargaining power – a step they had never taken with any prior governor and a power they sought to rescind once I was out of office. That move was



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wrong, certainly not in the spirit of compromise, and a terrible waste of critical bargaining time for us all.

After SB 1229, I renewed our pledge to negotiate in good faith, which we did. In fact, on the first day of negotiations after the SB 1229 vote, we offered each and every active AFSCME employee a \$1,000 signing bonus if the contract was ratified by January 1, 2016. This was intended to jumpstart the negotiations, and get the parties back to the table so a mutually agreeable settlement could be reached before the end of the year. And this would have been \$1,000 dollars in the pockets for all AFSCME employees in time for the holidays. It was quickly rejected by AFSCME.

Between the SB 1229 vote and today, we have engaged in 24 days of bargaining. We made a number of key concessions. AFSCME, on the other hand, continued to demand across-the-board wage and step increases that would cost the state nearly \$1 billion. Their health insurance demands never changed materially. They still seek more expensive platinum plans at great expense to taxpayers. They rejected our performance bonuses without any counter offer. Last Friday when negotiations broke down, the very last words from AFSCME's chief negotiator were, "I have nothing else to say and am not interested in hearing what you have to say at this point – carry that message back to your principals."

I hear that message loud and clear and take those words to heart. AFSCME has no intention of ever reaching a deal at the table. Our efforts at responding to AFSCME's concerns and producing thoughtful proposals were rejected. We are no closer today than we were 12 months ago. Taxpayers will not be served by further sessions.

Indeed, as I took the last week to consider whether returning to the table would be productive, AFSCME made a strong case it would not. A couple of days ago, AFSCME issued a public statement that they made "a big new offer of its own, to accept Rauner's wage terms for one year, and to pay more (though not as much as Rauner wants) for their health insurance." But here is what they actually proposed. They continued to demand automatic salary increases, belying any notion that they accepted my wage terms for one year. In the first year of the contract, they demanded a \$1000 pensionable stipend instead of the initial demand for 2% additional wage increases. The pensionable stipend would basically be the same thing as a 2% wage increase. In the second year of the contract, they revised their demand from an additional 3% wage increase to 2.25%. In years 3 and 4, they remained at the same 3% demand they've had the entire year. And on health insurance, they renewed their proposal to make health insurance even more generous, while offering to pay between \$5 and \$11 more a month for this more expensive plan. Either AFSCME are deliberately misrepresenting their moves as "a big new offer" or they



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are refusing to accept that their proposal would cost the State money that the State cannot afford. Either way, that's not a reasonable discussion.

This situation, however, was envisioned by the parties many months ago. When AFSCME's contract expired on June 30, 2015, I pledged that we would never lock-out employees. We codified that promise in a legal document known as the Tolling Agreement. We signed two successor agreements on July 29, 2015 and September 9, 2015. In that document, the parties agreed that if we ever reached this point, we would submit our dispute to the Labor Relations Board. It is the only agreement, in fact, we could reach in 12 months and we did so on three separate occasions. The Labor Board is fair. I have appointed three members, but two of those individuals were originally appointed by Governors Blagojevich and Quinn. The majority of members were, in fact, first appointed by Democrat governors. As we pledged, we will respect the decision of the Board about whether negotiations should continue and whether a best and final offer has been fairly made.

There is, of course, one other option. AFSCME could simply submit our proposed contract to its members for a vote. I am confident it would be ratified by wide margins. Many of the 17 other bargaining units ratified the materially same agreement by over 80%. These proposals are the same policies being implemented for merit comp employees. It is AFSCME's leadership, I fear, that is leading its members down a path not in the best interest of their members.

Work will continue as usual while these legal issues proceed through the process established by the Labor Board. We agreed to never lock out employees and AFSCME agreed to not strike during this period. Labor unrest in violation of the Tolling Agreement, or another attempt to circumvent the Board process that AFSCME voluntarily agreed to on three separate occasions, will not be tolerated. We will respect the decision of the Labor Board, and I ask our workforce and AFSCME to do the same.