

Lunch and Learn: Impacts of Federal Changes and Recent Settlements

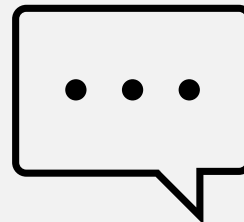
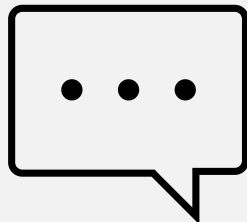
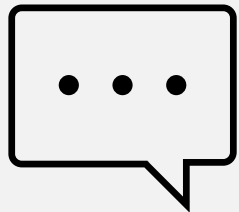
Protecting AFSCME
Members

Objectives

- Understand impending **federal budget cuts** and how it will cascade down to AFSCME employers
- Understand what bargaining **macroeconomic climate** will be like in the short term and next year
- Learn about how the cuts are already impacting employers and how **recent settlements** have protected AFSCME members
- Learn about **services and resources** the IU can provide

What have you all been hearing from employers during bargaining regarding their finances?

Put your answer in the chat or go off mute to share!



Federal Funding Loss - OBBBA

Medicaid

- ❑ \$1 trillion in Medicaid cuts over the next 10 years
- ❑ Steep cuts to state budgets
- ❑ Onerous work/reporting requirements impacting state and county eligibility workers

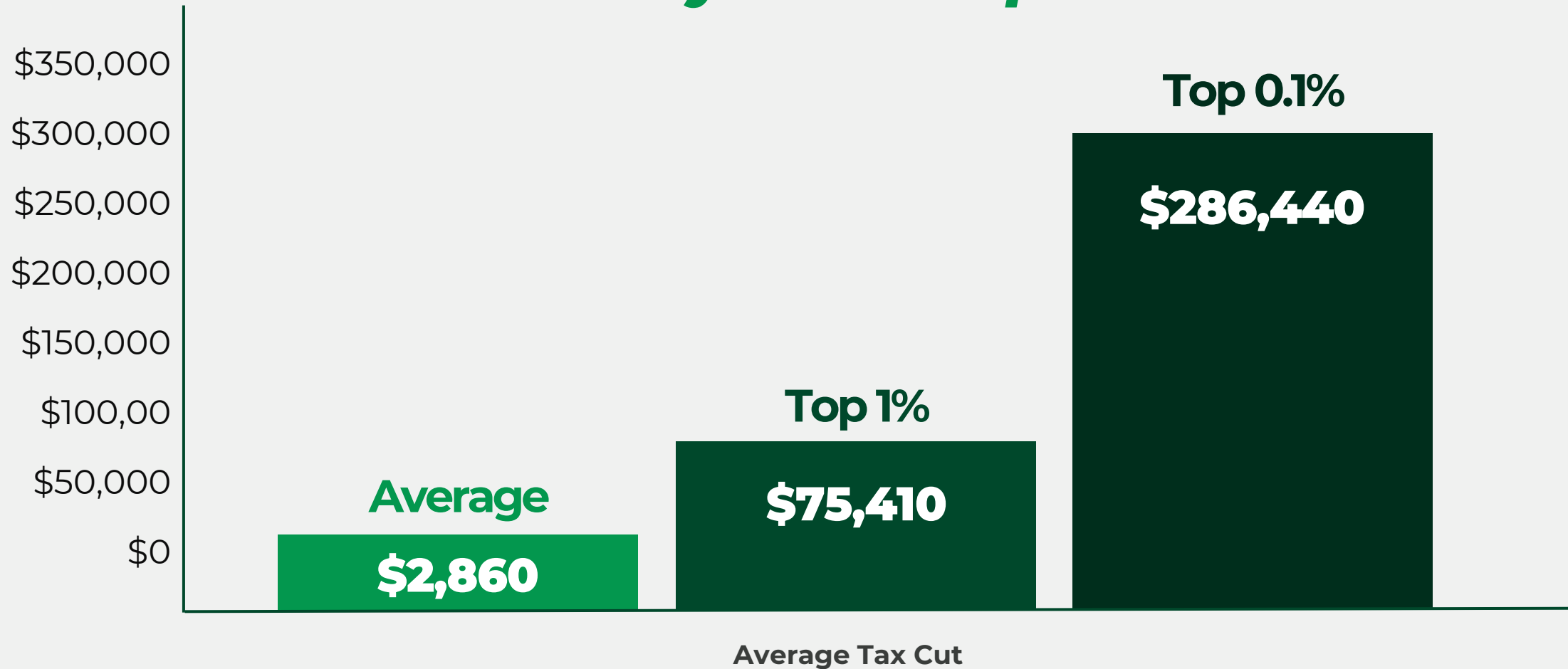
Federal Funding Loss - OBBBA

Supplemental Nutrition Assistance Program (SNAP)

- States now pay 75% of admin costs (up from 50%)
- States may have to pay part of benefits costs
- Added administrative burden

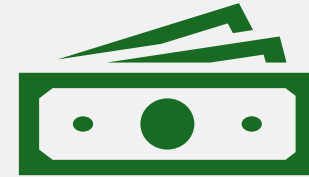
Average Tax Cut in 2026

by homeGroup



Federal Funding Loss - OBBBA

- Cities, counties, school districts, all receive funding from both state and federal sources
 - States will have to do more with less
- Hits to finances of health care employers
 - The burden of uncompensated care rises as fewer people are insured
 - Providers may also face cuts in Medicaid rates



Federal Government Shutdown – Day 28

Some programs immediately impacted -- State Disability Determination Services, State OSHA plans, Head Start Agencies

Without federal funding, some employers may consider furloughing employees, especially those whose jobs are directly paid for at least in part by federal dollars

November 1 – SNAP benefits will not go out



Economic Challenges - Inflation

12-month percentage change, Consumer Price Index, selected categories, not seasonally adjusted



Source: U.S. Bureau of Labor Statistics.



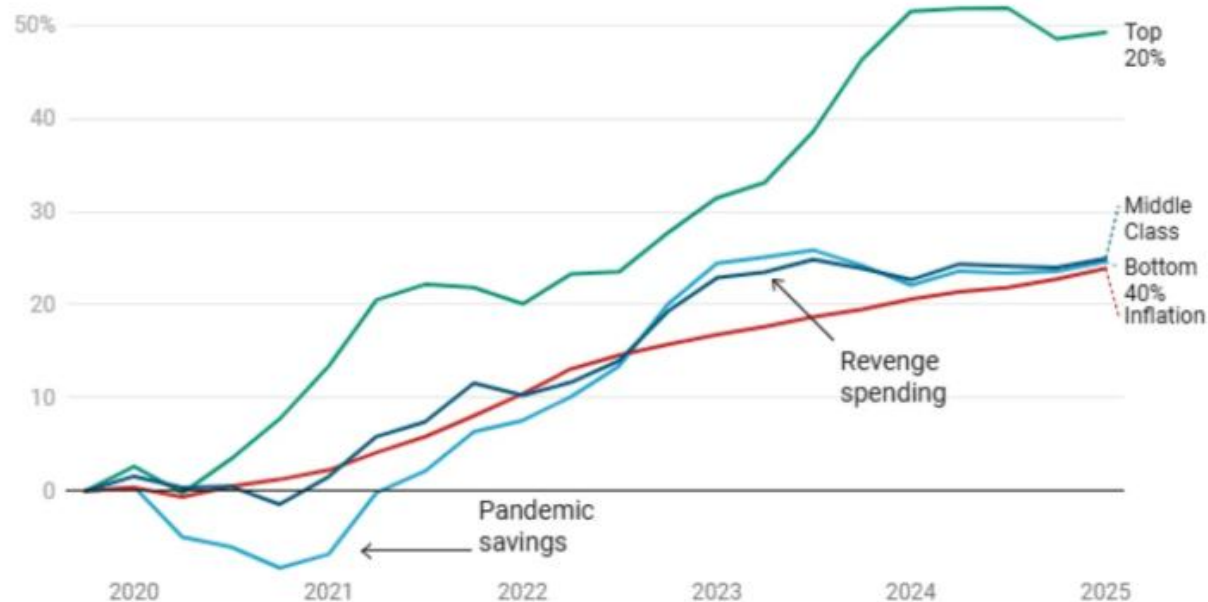
Now at 3%



Economic Challenges - Consumer Spending

The U.S. economy depends on consumption by the rich

Wealthy Americans in the top 20 percent continue to grow their spending. Meanwhile, the "revenge spending" era for middle-class and lower-income Americans is over. Their spending is roughly in line with inflation. (Chart shows growth in personal outlays vs. inflation.)



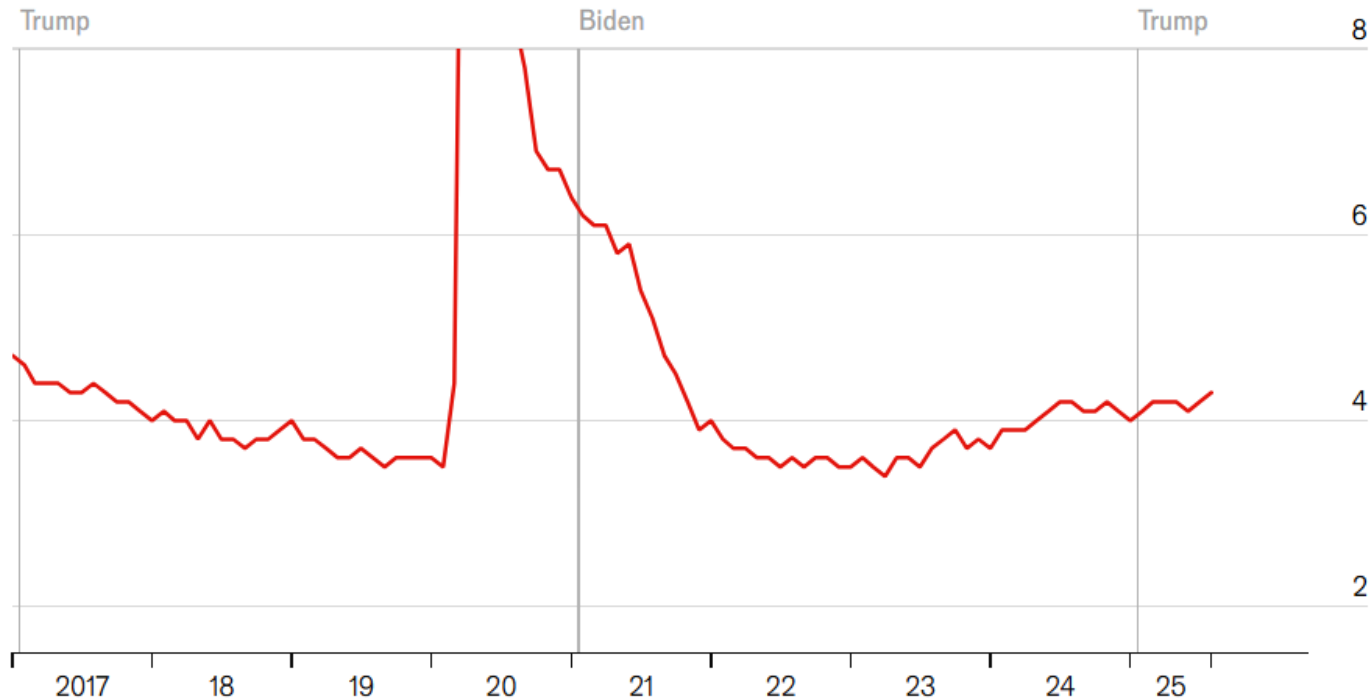
Source: Moody's Analytics • [Get the data](#) • Created with [Datawrapper](#)

- Top 10% of earners make up nearly half of consumer spending
- Meanwhile, spending from middle- and lower-income consumers has flatlined
- Tariffs could further pressure lower-income spending and, potentially, the labor market

Economic Challenges – Labor Market

Labour market

Unemployment rate, %



- The county's job market is weakening
- Unemployment rate remains low at 4.3%
- Taking longer for Americans to find work

Foreboding economic signs from DC area

Have lost 300,000 federal jobs

Since Jan., the region's unemployment rate has risen by more than eight times as much as the national rate

After a strong year of venture capital activity, venture capital flows into the region have slowed dramatically since January 2025, while continuing to grow nationally

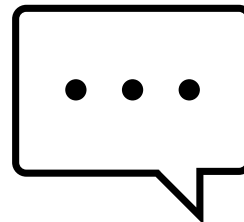
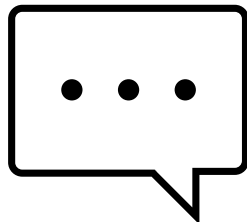
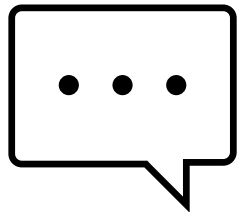
The number of homes for sale in the region is up by 64% since last June, far surpassing the rate of change nationally and in other major metro areas

More households are showing signs of financial distress



How do you anticipate these changes will impact bargaining in 2026 and beyond?

Put your answer in the chat or go off mute to share!



Quiz time!

→ Question 1: How will the OBBBA change the nation's deficit over the next 10 years?

- A. It will reduce the deficit by \$1.3 trillion
- B. It will add to the deficit by \$2.1 trillion
- C. It will add to the deficit by \$3.4 trillion

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→ Question 2: True or False: All the budget cuts and changes from the OBBBA go into effect starting in FY 2026.

A. True

B. False

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→ Question 3: Which of the following accurately characterizes the current state of the labor market?

- A. Relatively low unemployment rate
- B. Monthly job gains are less than forecasted
- C. Those who are unemployed are having a hard time getting back into the workforce compared to this time last year
- D. All of the above



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How are states responding so far?

NEWS > POLITICS

Gov. JB Pritzker asks state agencies to reserve 4% of funds while blasting Trump economic policies



POLITICS > POLITICS



Polis announces spending cuts to balance state budget, with healthcare and higher ed the biggest targets

It includes about \$103 million in cuts to state departments and another \$149 million in redirected cash.

U.S. NEWS

New Mexico governor calls on state lawmakers to shore up safety net programs from Trump's cuts



Recent Settlements – City of Los Angeles

- Faced a \$1B deficit – proposed 1,600 layoffs
- Union worked with the city to reduce that number to 600, then got it down to *zero layoffs* in 2025-2026 city budget
 - Eliminated vacancies; transferred workers to proprietary departments; unpaid holidays if needed



LA City avoids laying off 1,600 workers

Los Angeles City announced it will not be laying off 1,600 workers.

Recent Settlements – State of Minnesota

- State is facing estimated **\$23.5B** in Medicaid cuts over 10 years



Union achieved **significant wins** for their members, fighting back the state's proposed health insurance changes and securing across-the-board **wage increases** of 1.5% in 2025 and 1.75% in 2026); incremental win in telework

Recent Settlements – State of California

- State faces steep federal funding cuts

Personal Leave Program 2025

Effective the first day of the July 2025 pay period through the June 2027 pay period, American Federation of State, County and Municipal Employees (AFSCME) represented employees shall participate in the Personal Leave Program 2025 (PLP 2025) for five (5) hours per month in the manner outlined below.

A. Each full-time employee shall continue to work their assigned work schedule and shall have a reduction in pay equal to 3%.

B. Each full-time employee shall be credited with five (5) hours of PLP 2025 on the first day of each pay period for the duration of the PLP 2025 program.

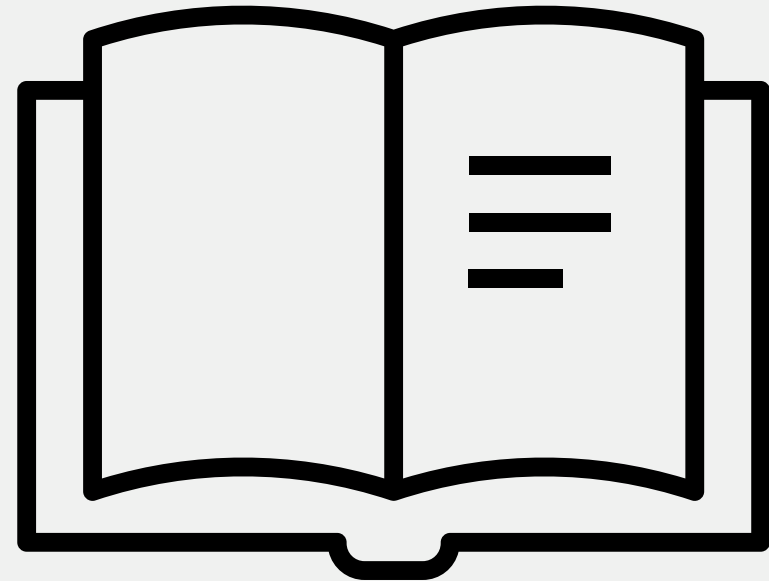
C. Salary rates and salary ranges shall remain unchanged.

- L2620 negotiated a complex mix of wage deferrals but maintains wage increases and benefits
- The State agreed to impose no furloughs for the duration of the MOU



AFSCME Resources

- Sample language on Hiring Freeze Guardrails
- Healthcare info request
 - State comparables (premiums, co-pays etc.) and other research assistance upon request
- Telework sample language
- Consider other non-wage wins such as AI guardrails and Health and Safety Language
- Looking to get creative with wage packages?
 - CA wage settlement
 - Inflation is still top of mind for workers- Variations of linking CPI with wage increases
 - Secure increases when revenues improve-- Gainsharing and If/Come language



It Pays to be in a Union, Especially During Financial Downturns

Economic Downturns	Union Wage Premium
Great Inflation of 1973-81	17.2%
90s Recession	19%
Great Recession 2008/2009	15.1%
COVID	12.6%
Inflation over 8% - 2022	10.5%



Questions?



