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I M P A R T I A L A R B I T R A T O R

In the Matter of Arbitration between )  
Big Rapids Public Schools )  
Big Rapids, Michigan )  
and )  
Big Rapids Education Association )  
MEA - NEA )

Fact-Finding Dispute Involving:  
Salaries, Notice of Termination,  
Health Insurance, and Recognition  
Provisions

LABOR AND INDUSTRIAL  
RELATIONS LIBRARY  
Michigan State University

Big Rapids Public Schools

O P I N I O N O F T H E F A C T - F I N D E R

July 12, 1978

Fact-Finder Opinion

In the Matter of:

Big Rapids Public Schools  
Big Rapids, Michigan

and

Big Rapids Education Association  
MEA-NEA

For the Board:

Russell D. Grange  
Labor Relations Consultant

For the Association:

Larry Fischer  
UniServ Director

Fact-Finder:

Dr. A. Dale Allen, Jr.  
Department of Management and  
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Hankamer School of Business  
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Waco, Texas 76703

Pursuant to the provisions of Section 25 of Act 176 of Public Acts of 1939, the Big Rapids Public Schools, Big Rapids, Michigan, hereinafter called the "Board" and the Big Rapids Education Association, MEA-NEA, hereinafter called the "Association" requested and received by way of appointment Dr. A. Dale Allen, Jr., Baylor University, Waco, Texas, to serve as fact-finder. A hearing was held in Big Rapids, Michigan, on June 8, 1978. Full opportunity was afforded the parties for the introduction of evidence, examination and cross-examination of witnesses, and oral arguments. No post-hearing briefs were filed. These proceedings were declared closed on June 8, 1978.

### Interest Issues

The parties, in their contract negotiations, were unable to agree upon four issues which remain for fact-finding. These issues are:

1. Salary
2. Health Insurance Carrier
3. Notice of Termination
4. Inclusion of "Substitutes" in the Recognition provision

### Position of the Association

A. Salary -- Association maintains that the school district represented by the Board is fully capable of meeting Association salary requests without placing the district under unusual financial strain. Several facts support this opinion in the Association's view:

1. State Equalized Valuation of the district has risen 167.5%, an increase of \$43,346,386, since 1968.
2. General Fund Revenues per pupil have climbed from \$538 in 1967-68 to \$1,191 in 1976-77. Total dollar increases during the same period was \$1,519,239, a 104.7% rise.
3. General Fund Equity has climbed \$231,126 since 1968, reflecting a 138.8% inflation in this fund.
4. The district earned a net profit of \$32,722 in 1976-77 from interest income and investments minus expenditures for short term notes.
5. Since 1968-69, the district has continued to have a "healthy" cash reserve held in banks. In 1976-77, this cash in banks amounted to \$745,867.
6. In 1976-77, district reports indicate there was a balance of \$48,816 excess revenues over expenditures.

7. State Membership Aid Formula Per Pupil reached \$1,144 in 1977-78, an 8.31% increase over the previous year. Association expects this aid to climb another 9.26% in 1978-79 based on the governor's recommendation.
8. The district's salaries as a percentage of operating expenditures has steadily decreased from 60% in 1967-68 down to 50.2% in 1976-77.
9. Salaries for Central Administration ballooned 101.33% between 1968-69 and 1976-77. However, during that same period, teachers' salaries only increased between 55-63% depending on the category.

Given the favorable financial picture painted by the above figures, the Association is requesting what it considers to be a fair and reasonable salary increase for the two years of the new contract. For the first year, Association is requesting a 5% increase for the BA and MA minimum steps. This brings these base salaries to \$10,396 and \$11,363 respectively. Association then applies a 1.55 index to the bases to be spread evenly throughout the range to step 10. This represents a \$572 increment at each step of the BA range and a \$625 increment for each step of the MA scale, including the 15 year and 20 year levels. Such a distribution will create varying percentage increases at different steps from 5% at the base to a maximum of 8.4% at step 5. The bulk of teachers (43 of 104.5) are currently at step 10 on both the BA and MA tracks. Association's proposal would increase step 10 salaries by 7.1%. The total salary schedule for 1977-78 would increase from \$1,499,070 to \$1,611,982 under the Association's proposal, a rise of about 7.5% overall.

For the second year, 1978-79, Association requests a 7% increase in both bases, and application of a 1.56 index spread evenly over the entire range. Again, this would result in varying percentage increases at different steps on the scale from a minimum of around 7% at the base to 7.7% at step 10 where

the largest single group of teachers are located. Association made no attempt to calculate a total cost for this second year package since the number and distribution of teachers could change significantly.

Under the above proposal, for 1977-78, the BA minimum would be \$10,396, step 10 would become \$16,116, and, at 20 years seniority, a salary of \$17,260. For the MA track, those same respective figures would be \$11,363; \$17,613; and \$18,863. For school year 1978-79, the BA minimum would climb to \$11,124 step 10 becomes \$17,354 and, after 20 years, the figure is \$18,600. Respective amounts for the MA scale are \$12,158; \$18,968; and \$20,330. Comparing these salary figures with 25 other school districts in adjoining counties, even under the Association's proposal, there will be a decline in ranking for this district. When one considers further the rate of inflation for this and recent years, the Association's salary proposal is easily justified.

B. Health Insurance Carrier -- Association is proposing that MESSA Super Med II program be adopted as the only carrier of health insurance. At the moment, the Board may elect to use the cheaper family rate between MESSA or Blue Cross/Blue Shield. A teacher may select either program but must pay the difference if the more expensive carrier is chosen. Many other school districts use MESSA. For the year 1977-78, the difference in costs between the Association's proposal and that of the Board's comes to \$9,745, a small differential cost per employee per month.

C. Notice of Termination -- In the Layoff and Recall provision, Association proposes adding, "Teachers subject to layoff for the subsequent school year shall be notified of such layoff in writing at least sixty (60) days prior to the last teaching day of the current school year." At present, there is no layoff notice of any kind. This means that the Board can let go a teacher at any time without warning, a very inconsiderate policy. The

teacher's job market is most active from mid-spring to mid-summer. Hence, they are asking that the Board be required to provide the foregoing notice of layoff so that other job opportunities can be explored within a reasonable period of market activity.

D. Inclusion of "Substitutes" in the Recognition provision -- This is a Board proposal. Association is opposed to contractually exempting substitutes from the bargaining unit, although such personnel are not, at present, included in the Association unit. Association is apprehensive that acceptance of the Board's proposal might give the Board "carte blanche" to create an entire class of employees who are performing bargaining unit work, but are excluded from the unit.

#### Position of the Board

A. Salary -- In contrast to Association claims, the Board asserts that the district's financial situation is far from "robust". Following are some of the reasons why more modest salary increases are a "must":

1. For fiscal year ending June 30, 1977, Total Liquid Assets totalled \$746,067, and Total Current Liabilities came to \$736,040, leaving a net cash balance of only \$10,027.
2. The projected General Fund balance for June 30, 1978, shows a deficit of \$16,836.
3. To provide money to pay for increased teacher salaries and operating costs, during the 1977-78 school year, program reductions totalling \$94,489 were implemented. Cutbacks came in diverse areas such as workshops and conferences, furniture and equipment, repair parts, and bus costs.
4. Beginning with school year 1975-76, there has been a succession of declining enrollments which translates into significant monetary reductions in state revenue allotments. This has been of great concern to the Board in recent times. For 1977-78, it was predicted

there would be a net loss of around 50 students. After the "fourth Friday" count it was determined the district was down a total of 94 students, creating a total loss in district revenue of \$99,315. Student enrollment is expected to decline by another 50 students for the 1978-79 school year, an additional significant loss in funds.

5. Over the years, the district has become increasingly dependent on local revenues as compared to state funds. Taxpayer "revolts" such as Proposition 13 in California make it evident that continuing increases in local taxes to support school salaries and programs may prove to be exceedingly difficult to procure.

6. In contrast to Association comparisons, the Board demonstrates that teachers' salaries in this district are at or near the top in every category.

Board's salary proposal for 1977-78 offers a 4% increase for all steps except step 10. At step 10, where the largest category of teachers are lumped, a 5% increase is proposed. However, when one considers that as a teacher moves from a given step to the next higher one, that teacher is the beneficiary of a step incremental increase plus the percentage increase offered above. Hence, the effective percentage gain, for example, of going from step 2 to step 3 on either the MA or BA track amounts to an 8.7% increase. Looking at increases in this manner, one can see a range of percentage increases of from 8.3% to 9.3% for all teachers advancing up to step 10. This, of course represents real dollar increases, as well, for the Board to come up with. A 5% increase in the step 10 rate is proposed in recognition that these people get no further step increase until they obtain 15 years seniority.

While the 1977-78 offer is generous in light of the district's financial situation, the Board is merely asking for consideration for only one year.

Board's salary proposal for 1978-79 will again establish this as a "top dollar" district. For the second year, the Board is offering a 6.5% increase for all except step 10 which gets a 7.5% raise. Again, when one considers the automatic incremental step increases as one moves up the salary ladder, effectively these boosts translate into very generous increases of from 9.6% to 13% -- new dollars the Board must generate!

B. Health Insurance Carrier -- The Board does not feel it reasonable to be bound to a single health insurance carrier, especially the Association's organization. Actually, the Board would prefer to be able to open this for bidding, but has agreed to limit the choice to MESSA or Blue Cross/Blue Shield, whichever is cheaper. The district pays the full premium for the lesser costing program, and the employee can elect the other plan and pay the difference. Board maintains that it would be very unfair to remove this competitive option and, in effect, force them to accept MESSA's program whatever the cost.

C. Notice of Termination -- At the moment, there is no contractual notification requirement. Nevertheless, the Board attempts to be considerate when it comes to giving layoff notice so the teacher has time to consider other options. As stated earlier, it is becoming increasingly difficult to pinpoint teaching needs several months prior to a new school term because of millage elections, unpredictable declining enrollments, etc. Yet, if a teacher is laid off in late spring and then hired back for the fall term, he/she can draw unemployment compensation which does not have to be repaid. Hence, the Board is thoroughly opposed to any requirement for lengthy notification of layoff.

D. Inclusion of "Substitutes" in the Recognition provision -- At present, the status of substitutes viz-a-viz the collective bargaining unit is one of confusion. Questions arise concerning whether or not a substitute must pay



Association dues, are they in the bargaining unit, can they be required to pay a representation fee, etc. Substitutes are not in the bargaining unit currently. Moreover, they do not possess a "community of interests" with full-time teaching staff. Hence, the Board reasons that the substitutes' status would be clarified once and for all merely by declaring them exempt from the Association unit in the Recognition clause.

#### Opinion of the Fact-Finder

A. Salary -- No lengthy and detailed restatement of the district's ability to pay is necessary by the undersigned -- the parties have done an excellent job of presenting this information as summarized in each's position herein. In general, it appears that the district has been financially sound over the years. However, events in the past year or two have caused the Board to want to exercise a degree of caution in assessing future ability to pay. Some of these factors include a slim \$10,000 net difference between Total Current Liabilities and Total Liquid Assets for the fiscal year ending June 30, 1977. A deficit of nearly \$17,000 in the general fund is projected for fiscal year 1977-78. The Board has already found it necessary to incorporate many program reductions, totalling \$94,500 during school year 1977-78, in such areas as workshops and conferences, purchase of new furniture and replacement equipment, high school aides, and bus costs. Probably of greatest concern to both the Board and the Association is a continuing decline in enrollment beginning with school year 1975-76. Last year, a total net loss of 94 students was recorded, resulting in a \$99,315 reduction in state revenues. For next school year, 1978-79, the Board is anticipating another loss of 97 students or more.

Thus, while the school district evidently has paid nearly "top dollar" to its teaching staff in the past, there is sufficient evidence to favor the Board's position, basically, in developing salary scales for school years

1977-78 and 1978-79. The concept of a "breathing period" for the first year, followed by a better second year salary merits serious consideration. Thus, a salary package more closely aligned to the Board's position is in order.

For school year 1977-78, the fact-finder would recommend a  $4\frac{1}{2}\%$  increase for steps zero through nine of both the Bachelors and Masters degree salary tracks. Of course, in effect, persons moving into steps one through nine will realize percentage increases of from 8.8% to 9.8% because of the automatic incremental step increase as they move from a lower step into a higher step. For example, a BA teacher at step nine in 1976-77 earned \$14,466. Under the fact-finder's proposal, this person would move into step 10 at a rate of \$15,878, a 9.8% increase in salary. For this first year, the fact-finder is further recommending a 5.5% raise for all step 10 personnel, 5.3% for the 15 years level and a 5.1% hike in salary for both BA and MA staff with 20 years service or more. Higher percentage boosts are proposed for these latter three stages of the scale since most of these people will not realize any incremental step increase. The entire 1977-78 salary schedule being proposed is as follows:

## 1977-78 Salary Schedule Costs

## Fact-Finder's Opinion

<u>Step</u>	<u>BA</u>	<u>No. Teachers</u>	<u>Total</u>	<u>MA</u>	<u>No. Teachers</u>	<u>Total</u>
0	\$10,347	6	\$62,082	\$11,309		
1	10,802	4	43,208	11,806		
2	11,258	6	67,548	12,305		
3	11,765	6	70,590	12,859		
4	12,271	3	36,813	13,414		
5	12,779	2	25,558	13,967	4	\$55,868
6	13,337	1	13,337	14,579		
7	13,895	6	83,370	15,189	4	60,756
8	14,506	1	14,506	15,856	1.5	23,784
9	15,117	3	45,351	16,524	1	16,524
10	15,878	13	206,414	17,355	30	520,650
15	16,463	3	49,389	17,995		
20	17,045	<u>1</u>	<u>17,045</u>	<u>18,631</u>	<u>9</u>	<u>167,679</u>
		55	735,211		49.5	845,261

Total Teachers 104.5Total Cost \$1,580,472

For the second year of the labor agreement, 1978-79, the undersigned accepts the Board's 6½% increase for BA and MA steps zero through nine as reasonable and fair. Again, personnel moving through these lower stages will actually receive much higher percentage boosts when one includes the automatic incremental step increase--percentage raises of from 11-13%. Again, however, the fact-finder would recommend a bit more than the Board's proposal for all employees above step nine. For step 10 teachers, an increase of 7.7% is offered, for 15 years 7.5% is recommended, and 7.3% is proposed for those with 20 or more years on staff.

Because of insufficient personnel data, the fact-finder was unable to calculate a salary table for school year 1978-79. However the total cost of the salary package for 1977-78 would be \$1,580,472 for 104.5 teachers as indicated in the table above. This represents a 5.4% hike in total cost of all salaries if one uses the Association's 1976-77 figure of \$1,499,070 as the base.

B. Health Insurance Carrier -- The Board's position on this issue is upheld. It appears economically fair and reasonable to permit the Board to employ a modicum of competition by being able to select the cheaper of two major health plans used in the state. For a very modest differential, an individual teacher can elect to be covered by the more expensive plan if he/she wishes.

C. Notice of Termination -- Both parties present strong arguments for their respective positions on this issue. Even with all the sophisticated statistical forecasting techniques available today, apparently the Board continues to have difficulty predicting school enrollments. Nevertheless, the fact-finder is persuaded that a teacher should have adequate time to search for a new position if, indeed, he is to be laid off by the district. Hence, the fact-finder recommends that the Layoff and Recall sentence in

question be included to read, "Teachers subject to layoff for the subsequent school year shall be notified of such layoff in writing at least by the last teaching day of the current school year."

D. Inclusion of "Substitutes" in the Recognition provision -- On this issue the fact-finder agrees with the Association's position. The undersigned can find no compelling arguments to include "substitutes" as contractually exempt from this bargaining unit, although that is their current status. Even though substitutes do not share a complete "community of interests" with full-time teachers, they do perform bargaining unit work when they are on duty, in contrast to other exempt categories of employees such as administrators, clerical personnel, maintenance employees, and bus drivers. Thus, there exists potential circumstances for manipulation that make the current status of "substitutes" more acceptable to a neutral observer than completely severing them from any connection with the teachers' bargaining unit.



Dr. A. Dale Allen, Jr.  
Fact-Finder

July 12, 1978