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FACTFINDING REPORT AND RECOMMENDATIONS UNDER THE REGULATIONS
AND PROCEDURES OF THE MICHIGAN EMPLOYMENT RELATIONS COMMISSION
IN THE MATTER OF NEGOTIATIONS BETWEEN

CLARKSTON COMMUNITY SCHOOLS
CLARKSTON, MICHIGAN

- and -

CLARKSTON EDUCATION ASSOCIATION MEA NEA

Factfinder: William Haber, Ann Arbor, Michigan

MERC Case No.: D82 E-2779

Date of Report: March 10, 1983

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1. Background

The Clarkston Community Schools and the Clarkston Education Association have been involved in negotiations concerning the level of wages to be paid to the members of the Association by the school system. The Board seeks a freeze on wages and step increases. The Association wishes a 7.5% wage increase and the retention of the step increases. The parties were unable to resolve the matter in contention and appealed to the Michigan Employment Relations Commission for the designation of a Factfinder. William Haber, of Ann Arbor, Michigan, was designated by the Commission as its Factfinder and Agent to conduct a factfinding hearing and to issue a report with recommendations, with respect to the matters in disagreement.

2. Hearing and Appearances

A Hearing to begin the factfinding process took place on Friday, January 7, 1983, at the Clarkston Board of Education Offices in Clarkston, Michigan. Both parties were given a full

Clarkston Community Schools

opportunity to present evidence and exhibits, to question the testimony and the evidence presented by the opposite party and to present to the Factfinder all of the relevant facts and arguments.

Representing the Clarkston Community Schools at this Hearing was David E. Kempner, Attorney, with Keller, Thoma, Schwarze, Schwarze, DuBay & Katz of Detroit, who presented the case. Also present was Charles E. Keller, Attorney, with the same firm. Present and testifying were Conrad Bruce, Chief Negotiator for the School District; and Milford Mason, Superintendent of the School District.

The Clarkston Education Association was represented by Edward J. Meissner, Uniserv Director of the Michigan Education Association, NEA, who presented the case. Appearing with him and testifying was Tom Brown, Chief Negotiator for the Association. Also present but not testifying were H. Allen Bartlett, President of the CEA; Lynn M. Frad; Ivonne Hogan; Barbara Glover; and Neal Sage, members of the Negotiating Team; and Dennis Wagester, Teacher.

The Factfinder was provided with a substantial number of Exhibits by the Clarkston Community Schools as well as by the Clarkston Education Association. These provided a considerable quantity of factual, comparative, analytical and argumentative material for the Factfinder's consideration. Nearly 75 Exhibits were submitted by both parties. These included:

B 1, background information.

B 2, map of Oakland School District.

B 3, general fund equity.

B 4, sources of revenue.

B 5 is the millage history of the Clarkston Community Schools.

B 6, impact of the Headlee amendment.

B 7 is the comparative Headlee reductions in the area district and others "in formula."

B 8, enrollment history.

B 9, the 1982-83 State Aid Formula.

B 10, the effective increase in State equalized value.

B 11, projection of State and local revenue for 1983-84.

B 12, the efforts of Clarkston Schools to reduce costs in recent years, as measured in dollar terms in B 13.

B 14 provides the Factfinder with step increases and salaries as of September 1982.

B 15 is the teachers salary schedule with increments only.

B 16 is the teachers salary schedule without increments.

B 17, projections based on the Board's position.

B 18 is the summary of other expenses.

B 19, projections based on the Education Association's position, with other expenses using the CEA position in B 20.

B 21 refers to additional and contingent losses for 1982-83 and 1983-84.

B 22 is concerned with the organizational structure and the selection of comparable districts.

B 23 through 26 is comparative data for the communities in the area.

B 27 is unemployment insurance cost by area districts and others.

B 28 refers to teachers salaries in prior years.

B 29 refers to 1982-83 teacher salary settlements.

B 30 refers to Clarkston District versus comparable districts for 1982-83.

B 31 are historical teachers salary comparisons.

B 32 is total teachers salaries, including longevity, in Oakland County comparisons.

B 33 is longevity comparisons.

B 34 deals with longevity costs by degree and by steps, and the number of people involved in Clarkston and comparable districts.

B 35 is a fringe benefit survey.

B 36 is concerned with adult education pay.

B 37 provides enrollment data.

B 38 is lay off data.

B 39 provides data on annual fringe benefit costs per teacher.

B 40 is on the history of salary increases.

B 41 is a comparison of salary advances and increases in the cost of living over a ten year period.

B 42 deals with the cost of living increases, utilizing the CPI.

B 43, the final Exhibit of the School District, is said to be a partial list of the Michigan districts in which teachers have agreed to a pay freeze.

The Education Association also provided the Factfinder with an abundant series of tables, concerned in part with the same issues, but with a different thrust.

A 1, for example, is a comparison of "General Fund Equity" for the school years 1978 through 1982.

A 2 is a general fund balance for the Clarkston School District for the fiscal year ending June 1982.

A 3 indicates the revenue for the School District and from its several sources for 1981 through 1983.

A 4 provides tax rates of school districts for 1981-82.

A 5 is a letter dated October 29, 1982 from Attorney Thomas V. LoCicero, addressed "To Whom It May Concern," stating that while acting as a Factfinder in October 1970, in the matter of Algonac Community Schools, in calculating percentage increases he did not believe that "it was realistic to include step increases."

A 6 is a citation from Factfinder LoCicero, apparently in the Algonac report of 1970, indicating that "increment is not a raise." He quotes Factfinder Kelman in the 1972 Royal Oak report; Factfinder Greenstein in the 1973 Ferndale report; Factfinder Ruth Kahn in the 1976 Centerline report; and Factfinder George Roumel in the 1976 Holly findings.

A 7 is an estimate of the cost in the proposed "package" of the Education Association.

A 8 is a clipping from the Clarkston News calling attention to the possibility of collecting summer taxes for school districts, thus making money available much earlier and reducing the need for borrowing and avoiding the heavy interest outlay.

A 9 is the ranking of Clarkston in the county in the BA category for 1982-83 and earlier years.

A 10 is a proposed schedule by steps and rank for 1982-83 in the MA category.

A 11 is a proposed teacher salary schedule by steps for BA, MA and others, for 1982-83.

A 12 through 15 is data on settlements already made in Oakland County by various school districts for various rankings.

A 16 through 25 is a salary profile for various years in Oakland County.

A 26 is a custodial salary schedule, excerpted as Article XV from the current Agreement.

A 27 through 29 lists the current operating expenditures per pupil for 1980 through 1981.

A 30 and 31 are settlements ranked by percent of increase.

In addition the Factfinder was provided with Post-Hearing Briefs. These were received by him on February 22, 1983 and exchanged by his office on that date. In sum, the Factfinder has been presented with a full, indeed a copious, record. This record he has studied carefully, examining each piece of evidence and the claim of each party with meticulous detail. The Report and Recommendations that follow are the product of these extended deliberations.

3. Position of the Parties

The issues submitted to the Factfinder are concerned with teachers salaries and increments for the current 1982-83 school year and the remuneration for adult education, summer school, and teacher workshop pay. Apparently both parties have historically tied the compensation for adult education, summer school and teacher workshop pay to teacher salaries. In view of that, the only substantive issue for the Factfinder's consideration is the teacher salary level for the current year.

It is the School District's proposal that these salaries should be frozen at 1981-82 levels and that such a freeze should apply also to increments. The CEA, representing the teachers, on the other hand, is seeking a 7.5% increase and in addition the usual increments which, according to the School District's calculation, amount to 10.17%. It is the Board's position that while the School District at this particular moment has a favorable fund balance, it should not be penalized for careful and conservative administration, which is responsible for not being in a deficit condition. At the same time, the Factfinder

is urged to take note of the State's economy, declining enrollment and the adverse consequences of the unusually deep and continuing Michigan recession. A Board Exhibit, B 27, estimates the unemployment rate in the district in September 1982 as 22.6%. Total district enrollment declined from slightly over 7,000 in 1976-77 to 6,200 in 1982-83. Such a decline has a substantial adverse effect upon the amount of State aid.

The School District Management has been involved in cost reduction and, in spite of such efforts, the general fund balance which was more than 2.3 million dollars three years ago, will be "all but be eliminated by the end of the 1983-84 school year." These factors alone should lead the Factfinder to support the School District's proposal for a salary freeze in the present school year. Any other course, to quote strong language of the Advocate for the Community Schools, would be "reckless and irresponsible," since the Association demands "would bankrupt the District."

In support of this position it is argued that salaries and benefits in Clarkston are competitive. Teachers salaries, the Board's advocate states, have increased faster over the past five years in Clarkston than in comparable areas. Taking into account the relative wealth and financial situation, the unemployment rates and general economic conditions, the Board found the Clarkston area disadvantaged and its teachers not worse off than in comparable areas. In Board Exhibits 28 to 38 the salary increases are compared for Clarkston and its comparable districts. Clarkston teacher salaries are still higher

than those in every district but one. Based upon comparability, states the Board's advocate, there is no justification for an increase.

Moreover, the idea of a wage freeze and "concessions" is not novel in management labor relations. The Factfinder is told in one of the Board's Exhibits that more than 45 school districts have agreed to a wage freeze and such settlements have been made in four comparable districts in Oakland County and are sought in the fifth.

The Board's Exhibits - 43 in number - provide factual data to assist the Factfinder in making his recommendations. B 3, for example, indicates that the general fund equity reached a high point in 1979-80 and began to decline and, in spite of cost reduction efforts, will reach a mere \$200,000 at the end of the 1983-84 school year, even with a two year wage freeze.

Quite apart from the problem within the District, State funding has been in a crisis situation and Clarkston, which was able to rely upon the State for about half of its budgeted revenues, has had to accommodate to substantial reductions of state funds; nor does the millage history of the District provide encouragement. Proposed millage increases have been defeated in the past. School property taxes have increased substantially over the past six years and the Board is concerned about the voter response in June 1983, when a five mill operational levy will be reviewed. Note should also be taken that the District has had to roll back its millage rate during each of the past four years because of the Headlee Amendment and other legislation.

The Board, both at the Hearing and in its Exhibits, urged strongly that the freeze should be applied, not only to salaries but also to step increments. To grant increments in 1982-83 will affect not only the current year, but the "roll up" for 1983-84 and this will, of course, influence fringe benefits which are based upon salary levels, as well as stipends for adult education, summer school and other groups. If increments are granted this year, the new base would represent a starting point for the 1983-84 salary talks combining increments (which the Board's tables state would exceed \$350,000) with the 7.5% increase in salaries for 1982-83 (which are estimated in the Board's tables as over \$685,000) and would lead to a total increase, as indicated above, of 10.17%.

In the Board's view, to grant the Association's request, expenditures will exceed revenues by more than \$1.3 million and the District would be in a deficit position by the end of the current school year. Such a recommendation the Board characterizes as irresponsible and "illegal as well." Nor does such a deficit estimate take into account contingent losses which might materialize, such as reduction in the property tax assessment, failure of the five mill renewal in 1983, possible unemployment compensation claims, cumulative workers compensation, executive order reductions and similar possibilities.

Nor need Clarkston apologize for its fringe benefits. Longevity pay, for example, has not been neglected. In the BA scale, the Employer's advocate writes, only Troy, a wealthy "out of formula" district ranked higher; and in the MA scale

Clarkston ranked fifth, slightly behind Ferndale. More than 30% of the Clarkston teachers receive longevity pay.

Finally, the Factfinder is cautioned about the possible relationship between salaries and teacher layoffs. Any increase in salaries, the Board's advocate states, would undoubtedly lead to teacher layoffs and push class sizes to their limit or beyond it. Clarkston, the Brief argues, has been able to keep teacher layoffs to a minimum and the percentage of teachers now on layoff is among the lowest among the comparable districts.

In conclusion, states the Board's advocate, if ability to pay is to be given any consideration, and it must, there is no basis for granting teachers a salary increase. To give teachers a salary increase this year would seriously compromise the Board's ability to provide a viable educational program to the community now and in the years to come. Consequently, the Board's wage and step freeze is not out of line and the Factfinder is urged to make such a recommendation for the 1982-83 school year.

The Education Association appears not to be overwhelmed by what it refers to the doom and gloom appraisal made on behalf of the Board of Education. It seeks increments for all members entitled to them, including changes in salary tracks. Increments, it states, are not considered salary raises, and it cites the conclusions of other factfinders on this specific narrow issue. Consequently, in the Association's view, increments should be a part of the Factfinder's recommendation, since they are clearly within the ability of the Board to pay.

The Board's gloomy data is accurate only if one were to assume that the worst possible were to come true. Even so, the Association claims, the Board could still afford the increase sought. The Association's analysis of the Board's Exhibits, particularly 14, 15 and 16, leads it to the conclusion that the payment of the 7.5% salary increase, in addition to increments, would still leave the Board with a nominal fund balance on June 30, 1983. In addition, the Factfinder's attention is called to the possibility and perhaps probability that the Governor's 38% income tax increase would hardly adversely affect the State aid payments and might even lead to a restoration of reductions already made.

Other favorable developments referred to in the Association's Post-Hearing Brief were the summer tax collection, which would reduce the interest costs for the District, and the projected cost reduction efforts which would reduce the actual number of employees from 1980-81 to 1982-83, that is, there would be fewer teachers, administrators and noninstructional employees. The Association questions the wisdom of reducing the number of teachers when the District has a fund equity balance in excess of \$1,750,000.

Concerning the Board's claim that Clarkston teachers have fared much better during the past five years than other districts in Oakland County, the Association examines a substantial number of Board Exhibits and concludes that gains were made at certain steps, 10 and 11, for example, and at most other steps the claim of overall improvement cannot be made. To make such a claim,

it would have to be at least a modest improvement in the step by step ranking of the Clarkston salary schedule when compared to the other 27 districts in Oakland County. It would be inadequate and unfair, the Association argues, not to provide for such an improvement, in view of the District's fund balance in June 1983. That balance, the Association points out, is double the average of the other districts and it cannot be said that the Clarkston District is "terminally ill financially." The Factfinder is urged to recommend a salary increase of 7.5%, the payment of the usual salary increments, and a 50 cent per hour increase for those included in the secondary issue submitted to the Factfinder, namely, adult education, summer school and teacher workshop pay.

4. Discussion and Recommendations of the Factfinder

The factfinder is asked to make recommendations concerning salary increases for 1982-83, increments for those who have traditionally received such payments, and hourly pay adjustments for a relatively small number of employees involved in summer school, adult education and teacher workshops. The Factfinder is aware that his role is not one of mediation and certainly not one of arbitration. He is to give his best judgment as to what is reasonable and equitable in light of the facts presented to him by both parties. While considerable data has been referred to by the Association with respect to 1983-84 and 1984-85, it is the Factfinder's clear understanding that he is to confine his recommendations to the 1982-83 school year.

The Factfinder has been presented with a total of 74 Exhibits, 31 by the Education Association and 43 by the Clarkston Community Schools. The Exhibits consist primarily of tables or charts, designed to familiarize him with the School District, how it is funded, its enrollment, the number of teachers and other employees, the financial picture and, particularly, its outlook.

The School District, at the Hearing, in its Exhibits and in its Post-Hearing Brief, tells the Factfinder that it is conservatively managed and fiscally responsible. As a result, it has a nominal general fund equity of about \$1,750,000 and, at the same time, has been able to accommodate to a decrease in enrollment, increased costs, and a substantial reduction of State aid. This responsible management has led it to a cost containment and cost reduction program which has made it possible to reduce the number of teachers by 40 positions, a smaller noninstructional staff by 27 persons, and five fewer administrative employees.

The Board is deeply concerned with the financial outlook, with possible further executive orders cutting State aid, with possible reduction in tax assessments, with further declines in enrollment. As a result, it considers its fund equity minimal for prudent management. The very existence of such a small sum should not be the basis for a substantial increase in pay which, if granted, would together with the annual increments, all but wipe out the general fund equity.

Moreover, in the Board's view, we are living through a difficult economic period. The School District has a high degree of unemployment. There is concern as to whether the current five mill renewal will be approved when it is voted upon in a few months. These considerations, the School District's advocate states, should lead the Factfinder to recommend a teacher salary freeze, including increments, for 1982-83 and avoid a recommendation which would all but eliminate the School District's general fund equity by the end of the 1983-84 school year.

Inability to pay is not the only reason, the Board emphasizes, for denying the Association's request. Clarkston teachers are competitively not disadvantaged. Many school districts have accommodated to a salary freeze and the concept of "concessions" is rather widespread in this period of deep recession and high levels of unemployment. Without such concessions many firms might not have been able to survive.

The Factfinder has reflected most painstakingly concerning the conflicting emphases made by the School Board and the Education Association.

I.

Examining as objectively as he can the relevant Exhibits, the Factfinder has reached the conclusion that the case presented on behalf of the School Board does, in fact, take account of every conceivable financial adversity that may develop. The actual circumstances are more likely to be less serious than depicted. Quite apart from that, however, the Factfinder has

no reluctance whatsoever in recommending that the step increase, which is based on longevity, should not be frozen. It is invariably received, even when there is no change made in the salary schedule. There may be exceptions to this rule, but they are relatively few. "Step progressions" are expected. They are meant to reflect the additional experience of the teacher and the "value added" aspect of his or her performance. It should not be considered an increase. It is, in fact, an entitlement due to longevity. Since 1970 factfinders have almost consistently held the views expressed in the preceding sentences. To deny increments, that is, step increases, would in effect remove an entitlement. There is no such entitlement about regular salary increases. It is clear, however, that there is an expectation that the step increase is protected.

Consequently, it is this Factfinder's Recommendation #1 that the step increment should clearly be provided for the 1982-83 school year.

II.

The issue is not so clear when it comes to the Association's request for a 7.5% salary increase. The Factfinder is not unimpressed by the appraisal of the financial and economic condition and outlook, outlined by the Board's advocate. The Factfinder's long experience as an economist in dealing with economic change simply cannot accept all of the dire forecasts which the advocate portrays. The Factfinder does not have to accept the more optimistic forecasts made by the Association. He is certain, however, that with the present general fund equity of more than

\$1,750,000, with the very real prospect of a whopping income tax boost, and a slowly but hopefully improving economy, there is justification for some improvement in the salary schedule for the Clarkston teachers.

Any improvement contributes almost immediately to teacher morale, "productivity" and general performance. The financial situation is simply too tight to justify recommending a 7.5% increase as the Association requests. Examining average increases already granted in 25 Oakland County units, whose Agreements were settled at the time of this Hearing, they exceeded 5%. Taking into consideration the special difficulties which face Clarkston, the Factfinder concludes that a nominal increase would be both reasonable and equitable.

It is the Factfinder's Recommendation #2 that the proposal of the School District that teachers' salaries be frozen should be rejected and that a 3.5% increase be provided in the 1982-83 school year.

III.

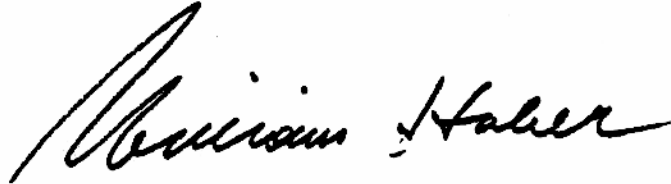
With respect to the hourly rates for adult education, summer school and workshops, in the Factfinder's opinion a 50 cent increase per hour, sought by the Association, is not unreasonable and he strongly recommends its acceptance as Recommendation #3.

5. Concluding Remarks

The Factfinder expresses his appreciation for the care taken by both parties in providing him with a great body of detailed information, thus enabling him to do his task with

equal care and attention. The Factfinder also expresses his respect and admiration for the intelligence and civility with which both parties and their spokesmen conducted all matters during this factfinding process. It was a model of civilized discourse from which many could learn a great deal.

Respectfully submitted,

A handwritten signature in cursive script, reading "William Haber". The signature is written in dark ink and is positioned above the printed name.

William Haber

THE UNIVERSITY OF MICHIGAN
ANN ARBOR

WILLIAM HABER

Advisor to the Executive Officers
Professor of Economics

March 15, 1983

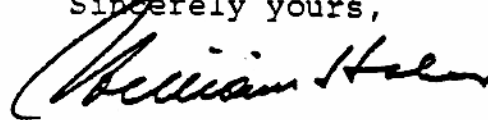
Gentlemen:

Re: Clarkston Community Schools
MERC Case No. D82 E-2779

My attention has been called to the fact that I overstated the general fund equity in the Factfinder's Report sent to you on March 10. I reread the Report this morning and find that there is, in fact, an error which appears on page 16 (also on page 11 and 13). I used a figure of \$1,750,000 for the general fund equity while the actual figure, as stated in the Clarkston Schools Exhibit 3, is \$1,177,750. The error is my own. Apparently the "750" was highlighted in my mind and I dictated it as \$1,750,000 instead of as \$1,177,750.

I have reread my Report and looked at the data again and I write to assure you that the statistical error would definitely not have affected my recommendations. I very much regret the error, but you may be assured that it had no influence upon my conclusion.

Sincerely yours,



William Haber

WH/eb

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cc: Barry T. Hawthorne, Acting Director, MERC ✓