

STATE OF MICHIGAN
EMPLOYMENT RELATIONS COMMISSION

January 31, 1978

HARBOR BEACH COMMUNITY SCHOOLS

-and-

Case No. D77H2288

HARBOR BEACH EDUCATION ASSOCIATION

Ruth Kahn

LABOR AND INDUSTRIAL
RELATIONS LIBRARY
Michigan State University

REPORT OF FACT FINDER

The parties to this dispute are the Harbor Beach Community Schools, hereafter referred to as the School District or the Board, and the Harbor Beach Education Association, hereafter referred to as the Association. The Board and the Association were unable to agree on the terms for certain portions of the July 1, 1976 Agreement which were reopened for negotiation on July 1, 1977. Pursuant to the Association's application for fact finding, dated October 3, 1977, the undersigned was designated by the Employment Relations Commission to serve as the fact finder. A public hearing was held at the offices of the School District in Harbor Beach, on December 2, 1977. Briefs were filed on December 21, 1977.

Appearing on behalf of the School District were: Dr. John W. Arbaugh, School Board President; Dean Atkins, Elementary Principal; Robert A. Brobst, School Board Vice-President; Melvin A. Coulston, School Board Member; Vicki Jahn, Secretary to High School Principal; Blake Lennon, Superintendent; and Tom White, Labor Relations Consultant, Michigan Association of School Boards. Appearing on behalf of the Association were: Penny Arntz, Chief Negotiator and President; Janis Hagey, Michigan Education Association (MEA) Executive Director; Marilyn Kress, Sue Long, Toni O'Neil and Addie Woodworth, Association Bargaining Team, and Doug Schroeder, M. E. S. S. A. Insurance Representative.

Harbor Beach Community Schools

The differences between the parties involve the following issues: salary; extra-duty salary; substitutes' salary; calculation of hourly rate; and insurance.

SALARY

The bargaining unit includes classroom teachers, substitute teachers, guidance counselor and school librarians. It is composed of fifty-nine full-time employees.

The salary schedule has a four-lane structure to correspond with the teacher's degree and post-degree education: B.A., B.A. plus 15, B.A. plus 20, and Master's. Each lane has twelve steps. A teacher progresses up a step for each given period of time until he reaches the maximum. He also moves laterally when he acquires the requisite post-graduate hours and/or degree.

Schedule A in the Agreement contains the 1976-1977 salaries. Representative salary figures, base, mid-way, and maximum in each lane, are as follows:

	<u>Base</u>	<u>Step 6</u>	<u>Maximum</u>
B. A.	\$9009	\$11, 249	\$13, 877
B. A. plus 15	9286	11, 526	14, 212
B. A. plus 20	9385	11, 625	14, 310
M. A.	9563	11, 803	14, 487

The parties disagree on the size of the salary increase to be granted to teachers for the 1977-1978 academic year. The School District proposes a salary schedule which amounts to the equivalent of a 2 percent increase along with a higher contribution for health care and disability insurance benefits. The Association seeks an increase ranging from 11 percent in base salaries to 14-15 percent for Step 6, to 18-19 percent at the maximum. It wants to add a fifth lane for 15 hours beyond the M. A. It also urges the following: improved health care and insurance benefits; higher contributions by the Board toward the cost of insurance; higher substitute teacher pay; and a higher hourly rate. These form the major cost items.

The School District believes its proposal is reasonable in light of what it can afford to pay. It states, "While Harbor Beach teachers are not the highest paid staff in the area, neither are they the lowest paid." It claims funds are simply not available for a larger salary increase nor for the other improvements sought by the teachers. It emphasizes that although it showed excess revenues as of June 30, 1977 of \$96,803, only \$7,000 is cash available to be spent at its discretion. The rest, it urges, is "encumbered." It says that its 1977-1978 budget provides for no excess revenues at the end of the fiscal year. And it also adds that subsequent to preparation of the budget an assessment error was disclosed which cut revenues for 1977-1978 by \$30,000. It urges it has an obligation to manage the Schools in a fiscally responsible manner. It maintains it is committed to distributing available funds in a fashion which is in the best interest of the total District.

The Association, on the other hand, argues that its proposal for salary increases ranging from 11 to 19 percent is justified. It also asks for addition of a "MA/30+15" lane on the grounds that it will encourage further professionalism. It believes its proposal is necessary "to begin to recover lost buying power due to inflation over the past few years." It notes that the percent of total expenditures in this School District devoted to teacher salaries has averaged 66 percent for each of the five years preceding the current Agreement. Only 54.7% of its general fund outlays went for instructional salaries in 1976-1977.* It maintains that the School District can easily afford the improvement. It claims that its teachers' salaries rank low when compared with three different sets of comparable districts.

After thorough consideration of these arguments and supporting data, I recommend that the salary schedule for this School District be increased by seven percent. There are several reasons for my recommendation.

First and foremost, I am convinced the School District has the present ability to pay the recommended 7 percent increase. Total teacher salary costs for 1976-1977 were \$710,600 (Association Exhibit 10b). A seven percent increase would mean a net increase of \$49,740. The

* According to the Audit, for 1976-1977, it appears that Association members' salaries were about 48 percent of actual General Fund Expenditures.

Board's offer would increase costs by \$14,200. Hence, my recommendation calls for an expenditure of approximately \$35,300 over that which the Board has planned for 1977-1978 salaries. The Board states its budgeted 1977-1978 expenditures equal its anticipated revenues. It maintains there is no excess to be allocated to salary increases larger than those it has proposed. Its claim is not convincing. Examination of the projected budget and comparing it to the previous year, I find the following noteworthy changes. The budget for 1977-1978 shows an increase of 17 percent allocated for "Instruction", a category which in 1976-1977 includes not only teacher salaries but also salaries for administrators, clerks and secretaries; books, student and teaching supplies; travel; and other like aids to teaching. Last year teacher salaries accounted for 80 percent of the entire Instruction category. The Board appears to be allocating a disproportionate part of the increase to non-teacher salary expenditures.

Next, "Administration" costs are up 13 percent; Maintenance of Plant is up by almost \$17,000, or 68 percent; Transportation is increased by 12 percent; Fixed Charges, up 13 percent; Capital Outlay is up 110 percent. The Board fails to provide any persuasive data or argument to substantiate these increases.* For example, I am not told why Plant Maintenance must be allocated 68 percent more funds than last year. Or why Capital Outlay is up 110 percent. Nothing is explained. Assuming a 6-7 percent inflation rate, the projections of its expenditures far exceed ordinary cost increases. I reach one or two conclusions. One, the Board may have been overly conservative in estimating the effects of inflation on its budget. As a result, it finds itself without enough "cash on the books" to meet further salary improvements. Or, two, the Board has lumped too many projects into the current year. If that is the case, it may well be able to defer or spread out over a longer time period more of its plans. This would enable it to finance the additional costs imposed by my Report. Another possible source for money may be the General Fund Equity. The Association argues that the Board has excess revenues from 1976-1977 of \$96,000, which can help to finance its wage demands. The Board responds that it only "may appear" to have such an excess in its Fund Equity. It urges the figure is deceptive because all but \$7,000 is "encumbered." It

* The 1977-1978 "budget" does not provide any details beyond the broad categories referred to in this Report.

refers me to the Audit, page 20, note 2. Note 2 shows that \$43,000 is encumbered. However, it does not contain proof that the other \$53,000 is similarly "encumbered." The evidence is inconclusive as to whether the excess is \$53,000 or \$7,000.

I cannot give much weight to the Board's assertion that Harbor Beach is located in a generally depressed part of the state of Michigan. It presents no facts about Harbor Beach per capita income or employment. Its data pertains to Huron County as a whole. The fact is that property has greatly increased in value in Harbor Beach. Its State Equalized Valuation has risen by 68 percent in the past five years. A comparison with sixteen districts in Huron County in the Schools' athletic conference shows that the SEV/pupil ratio in Harbor Beach was fifth highest. Its operating millage levy was sixth lowest.^{*} I note that the voters have rejected millage increases in six election attempts since 1974. That is certainly unfortunate. Nonetheless, if additional revenues are necessary to pay teachers an equitable salary, the electorate must be persuaded to vote responsibly.

Next, the other major reason for my recommendation is that the teachers are entitled to have their earnings protected from the erosive impact of inflation. The increase which I recommend would merely enable the teacher to maintain the purchasing power of their 1976-1977 salaries. The School Board has two responses. First, it objects that the Consumers Price Index is based on the cost-of-living for urban wage-earners. It believes the Consumers Price Index is not an appropriate measure of the cost-of-living for a rural area such as Harbor Beach, or for salaried professional workers. I do not agree. As a measure of change, the Consumers Price Index is useful and highly relevant. Second, the District has introduced an Exhibit (No. 19) which it claims shows that its salary proposals out-pace the cost of living. Its figures show that its 1977-1978 proposal would raise B.A. salaries by 26.7 percent over 1974-1975 salaries, whereas the cost-of-living for that period rose by 21.3 percent. It claims its proposal would raise 1976-1977 B.A. salaries by 7 percent while the cost-of-living in that year has risen only 6.6 percent.

There is a serious flaw in the Board's argument and supporting data. The Board includes the increments as part of the annual "increase."

^{*} If the Community House portion is subtracted, its millage stands even lower.

It believes the step increments together with the two percent increase offset the effects of inflation. I cannot agree. Step and lane increments are an integral part of the salary structure. As a teacher acquires greater experience and/or formal training, the quality of his classroom performance is presumed to improve. The increments compensate him for his enhanced value. The increments are not intended to compensate for escalating living costs. Increments are an important element of salary progression and are equally entitled to protection from erosion by inflation. I have stated this in other fact finding reports. It is a principle on which many fact finders agree.

I cannot support the Association's demand for a 14-19 percent increase. It urges that the District can well afford to pay what it seeks. It maintains the increase would merely restore salaries to their 1970-1971 purchasing power levels. It complains that the District failed to collect approximately \$96,000 in tax revenue which is now lost. It implies that the District is not so "impoverished" if it did not need to collect \$96,000 in taxes. Its indignation is understandable. But unfortunately the \$96,000 is "lost" and may not now be recovered. I think there are some genuine monetary constraints and hence I do not recommend a higher increase than seven percent.

As to the merits of establishing a lane increment for study beyond the M.A., the Association has presented no persuasive arguments. It believes only one or two teachers would presently be eligible. It does not show that this lane is common in comparable districts. I do not recommend its adoption.

SUBSTITUTE TEACHERS PAY

Under the present Agreement, a substitute teacher with a degree receives \$27 per day. This is approximately 56 percent of the daily rate for the B.A. minimum. Applying the same percentage to a daily B.A. minimum rate increased by my recommended seven percent, the resulting rate is \$28.70 per day. I recommend an increase to \$28.70 per day.

CALCULATION OF HOURLY RATE

I recommend no change in the method for calculating an hourly rate by using one-seventh of the regular daily rate.

I do not recommend adoption of the Association's proposal for compensating a teacher at one-seventh of his daily rate when he agrees to substitute for another teacher on his planning time.

EXTRA-DUTY SALARIES

The Association seeks sizeable increases in salary payments for extra-duty assignments. It would increase thirteen positions by 20-29 percent. Others would rise by 60-115 percent. It proposes the largest increases for coaches of women's sports. It believes the Board has a legal duty to compensate them on an "equal pay for equal work" basis. It suggests a means for arriving at the compensation, based upon a formula comparing numbers of students, numbers of games, length of season and time spent. It also submits a U. S. District Court Decision from Delaware which it argues establishes the legal duty to apply equal pay standards.* The School District opposes any increase in these salaries. And it believes the coaches of women's sports are adequately compensated.

The District submitted more than twenty exhibits showing comparative data on extra-curricular pay schedules. In more than half of these, the District's payment is second or third from lowest. I believe the same factors cited in my discussion of the general salary increase apply here as well. I recommend an overall seven percent increase in the extra-duty salaries. Further, I find correct the principle that the women's athletics coaches should be given equal pay for equal work. The Association's formula for achieving this result appears reasonable. I can recommend no actual salary figures because I am not provided with necessary data. I recommend that the parties apply this formula and arrive at a new schedule for the women's athletic coaches.

INSURANCE PROTECTION

There are three major categories of insurance currently provided: hospital-medical and surgical care; a long-term disability (LTD)

* As a matter of law, the ruling from a District Court in Delaware has no binding effect on the parties to this case.

policy; and \$10,000 Term Life Insurance. The District pays the following contributions: \$50 per month toward the health insurance; \$3.50 per month toward the LTD insurance; the full cost of life insurance. The District offers no improvement in benefits. It offers to increase its health insurance contribution to \$54 per month and its LTD contribution to \$3.71.

HEALTH CARE

The Union seeks improvements in the level of health care protection and wants the Board to pay the full costs. It wants the Super Med II Insurance Plan. That Plan provides more coverage both in and out of the hospital, with fewer or lower deductible and co-insurance factors than the present Super Med program. The Association's objective of obtaining more comprehensive care is a reasonable one. The Association's Exhibit 16 shows that this group's average monthly premium for Super Med is \$64.28, while the average monthly premium for the Super Med II would be \$77.05. The Board's comparative study of its proposed health insurance contribution with thirteen nearby districts reveals it is paying substantially less. I recommend a monthly contribution of \$70.

I do not favor adopting the Association's demand for alternative insurance benefits to members who do not sign up for health care insurance. The aim of group health plans is to ensure that a uniform comprehensive level of protection is available for employees and dependents. When the premium is paid by the employer, the real benefit is still greater, for no taxes are withheld from this indirect "income". However, emphasis is on benefit levels. It is not contemplated that each employee will benefit in identical monetary terms. Consider, for example, the matter of premiums: a portion of the teachers is single; a second group is married and lists a spouse as a dependent; a third category lists both spouse and children. The insurance rates are structured in such a way that the cost for a family is approximately one and a half times again the cost for an individual. It does not follow that the employer should provide something "extra" to make up the difference to the individual. I can find no rational justification to allot an optional kind of benefit for persons not covered by the program. The protection is available for them when they need it.

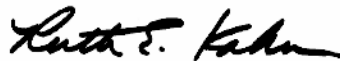
LONG-TERM DISABILITY INSURANCE

I recommend adoption of the Board's proposal to increase its monthly contribution to \$3.71 per employee. I recommend no other changes.

ACCIDENT DEATH AND DISMEMBERMENT INSURANCE

This protection is not presently provided to the employees. The District objects that the demand is beyond the scope of the re-opener clause in the Agreement. It argues that the Agreement limits the Association to seeking changes only in present coverages. I am not persuaded by that claim. Accident Death and Dismemberment is commonly sold as a rider to life insurance. Its addition would merely improve life insurance protection by extending and improving coverage for certain stated contingencies. Viewed in this way, it is no different from adding a new benefit to health care protection, e. g. routine newborn examination in the hospital nursery. I recommend addition of the Accident Death and Dismemberment benefit.

A final note concerning the findings. My overall recommendations attempt to achieve a balance between competing economic pressures. The Board faces inflationary pressures upon its budget. It fears that the voters may refuse to provide adequate financial support. On the other side, the Association's members also face inflationary pressures. They seek greater economic security and well-being. I have tried to recommend terms which strike a healthy balance between these competing interests. I urge their adoption.



Ruth E. Kahn
Fact Finder