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**STATE OF MICHIGAN
DEPARTMENT OF CONSUMER & INDUSTRY SERVICE
EMPLOYMENT RELATIONS COMMISSION**

*In the Matter of the Fact Finding
between:*

**MT. PLEASANT BOARD OF
EDUCATION**

-and-

MERC Case No. L01 E-3007

**MT. PLEASANT EDUCATION
ASSOCIATION, Affiliated with the
Michigan Education Association**

APPEARANCES:

FOR MT. PLEASANT BOARD OF ED:

Joe D. Mosier, Attorney
Gary W. Allen, Superintendent
Tom Armstrong, Business Manager
Tammy Holder, Asst. Superintendent for
Curriculum
Christine Conley, Asst. Superintendent
For Personnel

FOR MT. PLEASANT EDUCATION ASSN:

Willie Mathews, Jr., Uniserv Director, MEA
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Linda Spycher, Bargaining Team Member
Ted McIntyre, Bargaining Team Member
Pamela Buys, Team Secretary

**FACT FINDER'S REPORT AS TO FINDINGS OF FACT
AND RECOMMENDATIONS**

Background

The Mt. Pleasant School District is located in Gratiot County, Michigan in the central part of Michigan's lower peninsula. The District operates a K-12 program with a high school, and middle and elementary schools. The District has approximately 4,180 students and 660 total employees, approximately 250 of whom are in the teacher bargaining unit represented by the Mt.

Pleasant Education Association. The Mt. Pleasant Education Association is affiliated with the Michigan Education Association. The District's 2001-02 annual budget is approximately \$37,200,000.

In addition to property millage, the District is financed by State aid foundation, based upon its student enrollment. During the 2001-02 school year, the District is receiving the minimum \$6,500 state aid foundation allowance per student after the vocational added cost of \$62 for every Mt. Pleasant general education student is deducted ($\$6,562 - \$62 = \$6,500$).

Against a background of at least three strikes, following ratification of the 1992-94 Master Agreement, the parties embarked on a collaborative bargaining process called target-specific bargaining (TSB). As part of the TSB process, the parties utilized the services of Don Powers in the role of a facilitator/trainer up until the fall of 1999. By 1998, the Association maintains that it recognized that the Board was beginning to experience financial difficulties caused by both a reluctance to close an elementary building and declining student enrollment. Thus, in 1998-99, the Association, on behalf of its members, agreed to a zero percent salary increase.

In 1999-2000, the Association accepted a 1.5% salary increase and a 4% salary increase for 2000-2001. A 2000-01 change in insurance to a higher deductible and a higher prescription co-pay was a contributing factor in determining the salary increase rate.

The parties commenced bargaining for a successor contract to the contract expiring June 30, 2001 with the initial meeting being held on March 8, 2001. The parties utilized the TSB process with both parties gathering problem statements, finding data and setting a time table for arriving at a tentative Agreement, namely, August 3, 2001, which passed without an agreement

being reached.

The parties continued to bargain and still were unable to reach agreement. The parties agreed to start school without a contract, but to call for mediation. School opened on August 27, 2001 with a teacher workday and students reported on August 28th. The parties met with a State Mediator on September 4, 18, October 2 and 24, 2001. On November 7, 2001, the Association filed for fact finding. The parties, nevertheless, continued to bargain on November 20, 2001, February 5 and 7, 2002. Two members from each team met on March 6, 2002 to review financial data. There were additional bargaining sessions held on April 23 and 30, 2002 with the assistance of labor counsel representing the District.

At the April 30, 2002 meeting, the parties tentatively agreed to a number of parts of the contract so as to reduce the issues for fact finding. The District subsequently responded by an answer to the fact finding petition.

The Initial Fact Finding Process

The Undersigned was appointed Fact Finder by the Michigan Employment Relations Commission. The first hearing was set on June 11, 2002. At the time the Fact Finder appeared, the following issues were in dispute between the parties:

Introduction	Effective data of Agreement
Article VI	Association Rights - President's Release Time Pay
Article XII	Leaves of Absence - Use of Professional Days
Article XIII	Teaching Conditions - Time Block for Specials
Article XIII	Teaching Conditions - Class Overload Aide Time
Article XVIII	Salary Schedule & Other Benefits - Health Insurance Cost
Appendix I-A	Salary Schedule - (2001-02 and 2002-03)
Appendix II-A	School Year Calendar - (2002-03)
Appendix II B.C.2.	School Calendar - Instruction Makeup Days
Article XXI	Duration of Agreement - Retroactive Pay, including Retirees.

At the June 11, 2002 hearing, the parties presented extensive oral arguments, exhibits and explanations of their respective points of view on the above issues. Following this presentation, the Fact Finder set a date for a second hearing which occurred on June 25, 2002. The Fact Finder also recommended that the parties return to the bargaining table to resolve as many of the remaining issues, as set forth above, as possible so as to limit the number of issues the Fact Finder would be required to address. At the June 25, 2002 meeting, the parties announced that they had resolved all the remaining issues except the issues of salary schedule and health insurance. Intermingled with these two issues was the issue of the duration of the agreement and retroactivity.

The Duration

The parties essentially agree that the contract is to cover a two year period for school years 2001-02 and 2002-03. This means the contract will become effective July 1, 2001 and expire June 30, 2003. The Fact Finder so recommends. Furthermore, the Fact Finder recommends that the salary recommendations be retroactive to July 1, 2001.

The Criteria

Fact Finders, in reviewing disputes, rely on certain criteria. In Act 312 Public Acts of 1969 (MCLA 423.232 *et seq.*), the Michigan Legislature, in establishing binding arbitration for police and fire labor disputes, codified the criteria that is frequently used by fact finders in arriving at recommendations. As set forth at MCLA 423.239, these criteria include the following:

- (a) The lawful authority of the employer.
- (b) Stipulations of the parties.

- (c) The interests and welfare of the public and the financial ability of the unit of government to meet those costs.
- (d) Comparison of the wages, hours and conditions of employment of the employees involved in the arbitration proceeding with the wages, hours and conditions of employment of other employees performing similar services and with other employees generally:
 - (i) In public employment in comparable communities.
 - (ii) In private employment in comparable communities.
- (e) The average consumer prices for goods and services, commonly known as the cost of living.
- (f) The overall compensation presently received by the employees, including direct wage compensation, vacations, holidays and other excused time, insurance and pensions, medical and hospitalization benefits, the continuity and stability of employment, and all other benefits received.
- (g) Changes in any of the foregoing circumstances during the pendency of the arbitration proceedings.
- (h) Such other factors, not confined to the foregoing, which are normally or traditionally taken into consideration in the determination of wages, hours and conditions of employment through voluntary collective bargaining, mediation, fact-finding, arbitration or otherwise between the parties, in the public service or in private employment.

This does not mean that each criteria is applicable in any given case. But, there are three basic criteria that are usually applicable in each case, and certainly applicable in the case involving the Mt. Pleasant Public Schools and Mt. Pleasant Education Association.

The first is the financial ability of the School District in addressing the question of salaries and the cost of medical/hospitalization insurance. The second criteria is the comparisons with other school districts. This follows because, in negotiations, employees do consider the

economic benefits received by similarly situated employees. In this case, this would mean similarly situated teachers employed by public school districts.

The third criteria is the collective bargaining history. The collective bargaining history has two components, namely, previous collective bargaining history and current history. This follows because the dispute arises as a result of collective bargaining. The past collective bargaining history indicate where the parties over the years have placed themselves in comparison with other school districts as to salaries and benefits. The current bargaining history indicates, through extensive bargaining sessions and mediations, as in this case, the parties' respective positions on the issues as they attempted to reach agreement.

There is the recognition of the cost of living as a factor in reaching financial agreements. Finally, there are two criteria intertwined, namely, the strike criteria and the art of the possible. Though recognizing that strikes are prohibited by statute, one cannot overlook what strikes, where strikes have occurred, have produced or if there had been the ability to strike, on what basis the fact Finder might be able to predict the parties would have settled to avoid a strike.

The art of the possible recognizes that in the give and take of negotiations in an attempt to reach agreements, certain settlements become possible. The Fact Finder attempts to discover or predict this possible settlement.

It is these criteria that this Fact Finder will apply in analyzing the issues now before him.

The District's Finances

To understand the financial situation at Mt. Pleasant Schools, one must note the respective positions of the parties on the issue of salaries and health insurance. During the fact finding process, the parties set forth their tabled positions on the issues, namely:

Name of Issue	Association Position	Employer Position
Salary Schedule and Other Benefits (Health Insurance)	No change from the 1999-2001 contractual agreement	Change to a fixed dollar amount paid by the Board for health insurance regardless if premium cost increase amounts. Board increase not to exceed 7% for 2002-03. Change the dollar amount paid for TSA from a % of Super Care I cost to flat dollar amount.
Salary Schedule A	For 2001-02 an increase of 3.5% across the board. For 2002-03 an increase of 3.5% across the board.	For 2001-02 an increase of 2.6%. For 2002-03 an increase of 2.1%.

In support of its position, the District in Attachment 3 set forth an amended 2001-2002 budget prepared as of June 6, 2002, which was as follows:

	2001-02 Amended Budget
Revenues	
Local Property Tax	\$ 5,505,945
Intermediate Sources	\$577,295
State	\$25,958,784
Federal	\$2,908,647
Transfers/Other	\$1,766,800
Total Revenue	\$36,717,471
Expenditures	
Salaries	
Teacher	\$13,815,051
All Others	\$7,130,403
Total Salaries	\$20,945,454
Benefits	\$7,615,245
Contracted Services	\$2,426,893
Repairs	\$1,037,482
Supplies	\$2,468,459
Capital Outlay	\$1,760,796
Miscellaneous	\$392,497
Transfers/Other	\$544,849
Total Expenditures	\$37,191,675
Net Income(Loss)	(\$474,204)

Based upon its wage proposal and 7% insurance cap, the District, as to its discretionary budget, projected that for the school year 2002-03 it would have, after revenues and expenses are considered, a net income of \$44,361. For the school year 2003-04, \$1,607,277 loss. For the school year 2004-05, \$2,058,337 loss. For the school year 2005-06, a \$2,226,772 loss. For the school year 2006-07, a loss of \$2,188,589. Correspondingly, the ending unreserved fund balance would be decreasing so that by 2005-06, the District would have a negative fund balance. The District also presented figures with an insurance increase at 15% per year without a cap, suggesting that the loss, beginning with the 2003-04 school year, would be \$1,819,523, so that by the school year 2006-07, the ending unreserved fund balance would be negative \$8,321,886. The Fact Finder realized these were projections and that both expenses and income may fluctuate for a variety of reasons, but these projections do make a point.

The District also points out that in a Standard & Poor's evaluation service summary, the administration expenditures at Mt. Pleasant were stated to be "well below average" in Michigan per student and that there is in Mt. Pleasant above-average student teacher ratio for basic K-12 instruction. There was also a statement in that evaluation that "the District's spending per student is comparable to the state average, but higher than the average of group of peer districts with similar demographic characteristics."

Based upon these figures as presented by the District, the District's advocate summarized the District's position as to its salary proposals as compared to the Association's salary proposals, as follows:

The per pupil state aid foundation allowance for Mt. Pleasant is only \$6,762 for 2002-03 which is barely over the state minimum of \$6,700. The amount of \$62 for every Mt. Pleasant general education student is allocated to the vocational center so the

District really is at the \$6,700 minimum.

Each 1% increase on the salary schedule costs the District approximately \$136,000.

The Mt. Pleasant salary schedule compares favorably with other districts in the Gratiot-Isabella Regional Education Service District comprised of 9 local school districts, as well as other comparably sized districts (see Attachment 12).

Mt. Pleasant teachers are paid well by any comparison and typically work fewer days per year (183) (see Attachment 13). Mt. Pleasant teachers also work fewer hours per day (6.75) than teachers in most other districts (see Attachment 14).

For the 2001-02 school year, all districts in the Gratiot-Isabella RESD, except Mt. Pleasant, received an equity payment increase in the per pupil state aid allowance of \$200 in addition to a \$300 increase (for a total of \$500). In contrast, Mt. Pleasant, on the other hand, only received the \$300 increase.

The District received a 4.79% increase in funding for the 2001-02 school year and is scheduled to receive a 3.05% increase in funding for the 2002-03 school year. The funding received must, of course, cover all other District expenditures besides just teacher salaries.

The cost to the District of just the step and/or longevity increases on the salary schedule alone is \$203,000, which is a 1.6% increase in salary costs before any increase in the salary schedule itself. Those teachers receiving step and/or longevity increases, approximately 134, will automatically receive annual pay raises of between 2.9% and 5.5%, or approximately \$1,580 in addition to whatever increases in the salary schedule itself are ultimately determined.

The District's fund equity on June 30, 1998 was only 1% of budget which was woefully inadequate and necessitated major cuts in programs. The District has gradually increased its fund equity. The District cannot afford to deplete its fund equity again.

The District's fund equity balance as of June 30, 2002 is projected to be \$2,095,136 on an annual 2001-02 budget of \$37,200,000. This represents a fund equity of only 5.6%.

The most recent Standard & Poor's School Evaluation Services report for the 1999-2000 school year indicates that the average fund equity percent for all school districts in Michigan was 15.5% (see Attachment 4). Mt. Pleasant's fund equity is obviously still substantially below the average.

Since the beginning of the 1997-98 school year, the District has undertaken a number of cost savings measures and implemented program cuts totaling approximately \$9,770,000 including:

- 26 teaching positions eliminated
- Special Programs Director and secretary positions eliminated
- Communications Director position eliminated
- Technology Director position eliminated
- Special Education Director position replaced with a supervisor position
- one elementary building closed
- Elementary Principal and secretary positions eliminated
- \$95,000 in annual rental costs cut
- all building supply budgets cut 10%
- Insurance Benefits Coordinator position eliminated
- Food service was privatized
- District curriculum/textbook budget reductions
- not implementing replacement of student computers as scheduled.

The State of Michigan and consequently the District will continue to be affected by the prevalent downturn in economic conditions for some time. Experts are predicting dire financial conditions for the state and, consequently, school funding (see Attachment 15). Improvement in the economy will not translate into improvement in state aid funding in the near future.

The District needs to increase its fund equity to reduce borrowing costs. For the 2001-02 school year, necessary borrowing expenses cost the District \$190,000.

A greater fund equity is also needed because it is anticipated that state funding will be minimal in the years immediately following 2002-03 and that certain costs, such as insurance and retirement contributions to the Michigan Public School Employees Retirement System will increase.

The retirement contribution to the MPSERS for all employees for the 2001-02 year alone was 12.17%, which amounts to \$2,549,062. For the 2002-03 school year, the retirement contribution is

increasing to 12.99%, which is a 6.7% increase and will cost the District \$2,853.944. This amount is expected to increase even more in the future.

The explanation as to the \$62 for general education students being deducted from the Mt. Pleasant Public School Foundation is based upon the following factors:

Gratiot/Isabelle RESD does not levy a vocational education millage.

Districts are charged .4 for each student attending the vocational education center.

65% of Mt. Pleasant High School students attend the vocational education center each year.

\$62 per general education student from Mt. Pleasant Public Schools foundation allowance is allocated to the vocational center for vocational added cost.

Gratiot/Isabelle RESD does not fully fund local district's special education cost.

To understand the financial situation, the Fact Finder turns to figures prepared by the Association concerning the District's revenue trends, which figures are:

Year	Total Revenue	Local Revenue	State Revenue	Federal Revenue	Other Sources
1994-95	\$28,672,171	\$4,720,956 16.47%	\$21,457,270 75.84%	\$1,119,830 3.91%	\$1,374,115 4.79%
1995-96	\$29,767,310	\$4,905,045 16.48%	\$22,480,491 75.52%	\$1,248,938 4.20%	\$1,132,836 3.81%
1996-97	\$29,844,688	\$4,943,648 16.56%	\$22,432,601 75.16%	\$1,552,921 5.20%	\$ 915,518 3.07%
1997-98	\$30,605,056	\$5,038,569 16.46%	\$22,639,698 73.97%	\$1,687,149 5.51%	\$1,239,640 4.05%
1998-99	\$30,491,930	\$4,399,931 14.43%	\$22,792,512 74.75%	\$1,849,894 6.07%	\$1,449,593 4.75%
1999-00	\$32,196,156	\$4,626,248 14.37%	\$23,494,403 72.97%	\$2,227,895 6.92%	\$1,847,610 5.74%
2000-01	\$34,095,769	\$6,338,453 18.59%	\$25,076,888 73.55%	\$1,662,820 4.88%	\$1,017,608 2.98%

As to expenditure trends, the Association prepared the following:

Year	Total Expenditures	Pupil/Staff Instruction	Support Admin.	Operations & Maintenance	Transp.	Capital Outlay	Other
1994-95	\$27,668,620	\$17,171,791	\$2,834,329	\$2,017,491	\$2,157,677	\$992,087	\$624,775
1995-96	\$30,122,012	\$18,314,497	\$3,007,707	\$2,204,894	\$2,651,389	\$1,014,521	\$620,303
1996-97	\$31,498,760	\$18,992,694	\$3,127,884	\$2,456,993	\$2,734,626	\$1,074,552	\$746,145
1997-98	\$31,512,920	\$19,153,728	\$3,193,484	\$2,327,702	\$2,685,139	\$1,060,242	\$668,147
1998-99	\$29,938,543	\$17,342,922	\$3,768,440	\$2,498,790	\$2,643,276	\$1,090,592	\$621,098
1999-00	\$31,640,102	\$18,394,994	\$3,992,071	\$2,377,977	\$2,937,574	\$1,187,255	\$831,574
2000-01	\$33,308,330	\$18,812,933	\$4,110,260	\$2,503,222	\$3,709,988	\$1,129,416	\$1,153,261

As a percentage of total, the Association prepared the following:

Year	Total Expenditures	Instruction	Pupil/Staff Support	Admin.	Operations & Maintenance	Transp.	Capital Outlay	Other
1994-95	\$27,668,620	62%	10%	7%	8%	4%	2%	7%
1995-96	\$30,122,012	61%	10%	7%	9%	3%	2%	8%
1996-97	\$31,498,760	60%	10%	8%	9%	3%	2%	8%
1997-98	\$31,512,920	61%	10%	7%	9%	3%	2%	8%
1998-99	\$29,938,543	58%	13%	8%	9%	4%	2%	7%
1999-00	\$31,640,102	58%	13%	8%	9%	4%	3%	6%
2000-01	\$33,308,330	56%	12%	8%	11%	3%	3%	6%

As to the General Fund Balance, the Association prepared the following chart:

Year	Total Revenue	Expenditures	General Fund Balance	General Fund Balance as % of Total Expenditures
1994-95	\$27,668,620	\$17,171,791	\$3,493,648	12.63%
1995-96	\$30,122,012	\$18,314,497	\$3,138,946	10.42%
1996-97	\$31,498,760	\$18,992,694	\$1,484,874	4.71%
1997-98	\$31,512,920	\$19,153,728	\$ 577,010	1.83%
1998-99	\$29,938,543	\$17,342,922	\$1,351,920	4.52%
1999-00	\$31,640,102	\$18,394,994	\$1,907,974	6.03%
2000-01	\$33,308,330	\$18,812,933	\$2,695,413	8.09%

Several observations can be made. The percentage cost of instruction expenditures is reducing so that it is now around 56%. The administration cost has varied between 7-8%. As compared to instruction and administration, operations and maintenance went from 9% in 1999 to 11% in 2000-01. The capital outlay has increased from 2% to 3%, but this increase in capital outlay is not necessarily troublesome for it would seem to recognize the needs of the District. It also should be noted that the Mt. Pleasant Public School Foundation allowance history is as follows:

Year	MPPS Amount	% Increase	Base (Minimum) Amount	%
1994-95	\$5,261		\$5,000	
1995-96	\$5,414	2.91	\$5,153	3.06
1996-97	\$5,569	2.86	\$5,308	3.01
1997-98	\$5,723	2.77	\$5,462	2.90

1998-99	\$5,723	0	\$5,462	0
1999-2000	\$5,961	4.16	\$5,700	4.36
2000-01	\$6,262	5.05	\$6,000	5.26
2001-02	\$6,562	4.79	\$6,500	8.33
2002-03	\$6,762	3.05	\$6,700	3.08
Total%		25.58		30.00

What the revenue trends establish is that the District relies on state revenues for about 73% of its income. These state revenues are dictated by two factors – the change in and the funding of the revenue formula and the number of students enrolled in the District. As to State aid membership counts, the Association in an exhibit makes the following comments:

State Aid Membership is not an actual head count of students. It is a blended count of students full time equated, on two cont days: one in September of the current year and one in February of the preceding school year. For 2001-02 and 2002-03, the blend is an 80/20 ratio: 80% of the September count is combined with 20% of the preceding year February count.

The district's count had been fairly stable until 2000-01 when they lost 176 students. MEA projects a loss of 5 students for 2002-03. The district projects a loss of 106.39.

In reference to the student enrollment stability between 1996 and 2001 at Mt. Pleasant, the student enrollment was in the range from 4,362 in 1998-99 to 4,342 in 2000-01. However, in 2001-02, this enrollment figure dropped to 4,165 students. The Association, in an exhibit marked "Mt. Pleasant Foundation Allowance Revenue," describes its analysis of the District's state aid with the following introductory paragraph:

Foundation Revenue is a combination of State Aid and Local Revenue from property tax. The guarantee is established by the State School Aid Act. Foundation revenue makes up the vast majority of revenue to a K-12 district. The Total Foundation Revenue is obtained by multiplying the State aid membership times the foundation guarantee. MEA uses its projection of 4160 members for 2002-03.

For accounting purposes, the portion of foundation revenue received from the state is reported as State aid, the remainder is reported as local revenue.

In doing so, the Association notes that in 1996-97 the per pupil foundation allowance was \$5,569.12 and by 2001-02 it was \$6,562, from which the District has deducted the vocational education costs, coming up with a figure of \$6,500. The Association predicts an increase in the foundation allowance for 2002-03 to \$6,762 per child which presumably in Mt. Pleasant would be less the vocational education deduction. The Association thus suggests that the District received \$27,336,570 from foundation revenue in 2001-02 and will receive \$28,129,920 in 2002-03. Whether this prediction will come about depends on two factors, namely, the State of Michigan budget, which is under pressure because of the economic climate, and whether or not the District's or the Association's projection of the loss of students is correct. The difference in enrollment seems to be 101 students representing approximately \$670,000 in revenue.

Even the Association recognizes that there might be some loss of students, although the Association suggests this loss will be minimal, i.e., five students. The District maintained that the loss of students has been and will continue to be because of charter school enrollment plus the addition of grades to a Native American school in the District.

Projections are not an exact science. They are just projections. Likewise, preparing budgets are not an exact science. A budget is based on projections. Revenues may go down, may increase. Expenditures may go down, or they may go up.

But what does become clear is that the District's finances are such that it must proceed with caution. But the financial picture may not be as bleak as the District might suggest because, in the end, the situation will depend on cost containment and the actual as compared to projected

revenues and expenses.

The Comparables

The parties were in dispute as to the comparable districts used in evaluating their respective positions.

The District, maintaining that "Mt. Pleasant Public Schools is located at the northern end of Gratiot-Isabella Regional Education Service District, which is comprised of nine local public school districts", suggested that said nine districts were the appropriate comparables, namely:

Gratiot/Isabella RESD Constituent Districts

	<u>2001-02 Enrollment</u>
Alma	2,502
Ashley	354
Beal City	639
Breckenridge	1,096
Fulton	1,006
Ithaca	1,512
Mt. Pleasant	4,178
Shepherd	1,755
St. Louis	1,300
RESD	207
	14,549

The Association, relying on what it claims were traditional comparables utilized in previous bargaining between the parties, stated the comparables should be:

Adrian
Cadillac
Greenville
Hartland
Jenison
Mt. Pleasant
Niles
Owosso
Pinckney
Reeths-Puffer
Saline
Swartz Creek

The District also presented an exhibit referred to as similar sized district comparisons, making comparisons with Adrian, Cadillac, Greenville, Kearsley, Marquette, Mona Shores, Niles and Okemos. In this comparison, the District used some of the comparisons, but not all, proposed by the Association and added Kearsley, Marquette, Mona Shores and Okemos.

Salary

In making a comparison to the Gratiot/Isabella Regional Education Service Districts, two things are of interest. By far, Mt. Pleasant has the highest student enrollment. In regard to the BA Minimum, there are at least three of the districts, and possibly a fourth, that have a higher salary, namely, Alma, Breckinridge, Ithaca and St. Louis. At the MA top, Mt. Pleasant appears to be the highest, as it is at the MA Plus top.

The comparables proposed by the Association reveal the following, based upon exhibits prepared by the Association, supported by accompanying contracts:

BA Minimum

District	1999-00 % chg.	rank	2000-01 % chg.	rank	2001-02 % chg.	rank	2002-03 % chg.	rank
Adrian	\$28,540 1.6%	10	\$29,400 3.0%	10	\$30,285 3.0%	10	\$31,195 3.0%	7
Cadillac	\$28,639 3.0%	9	\$29,441 2.8%	9	\$30,324 3.0%	9	\$31,113 2.6%	9
Greenville	\$29,516 3.4%	8	\$30,667 3.9%	8	\$31,863 3.9%	8	\$33,106 3.9%	6
Hartland ¹	\$31,987 2.4%	3	\$33,106 3.5%	3	\$34,290 3.6%	3	\$34,965 2.0%	3
Jenison	\$31,895 2.9%	4	\$32,804 2.8%	5	\$33,739 2.9%	5	\$34,700 2.8%	4
Mt. Pleasant	\$27,314 1.5%	12	\$28,407 4.0%	12	\$29,401 3.5%	12	\$30,430 3.5%	10
Niles	\$28,476 2.3%	11	\$29,330 3.0%	11	\$30,210 3.0%	11	\$31,117 3.0%	8
Owosso ²	\$31,343 2.3%	6	\$31,892 1.8%	7	\$33,051 3.6%	7		
Pinkney ³	\$33,224 2.2%	2	\$33,900 2.0%	2	\$35,313 4.2%	1	\$36,372 3.0%	1
Reeths Puffer ⁴	\$31,234 3.3%	7	\$32,899 5.3%	4	\$33,889 3.0%	4		
Saline ⁵	\$35,250 2.5%	1	\$36,307 3.0%	1	\$34,528 -4.9%	2	\$35,460 2.7%	2
Swartz Creek	\$31,557 2.3%	5	\$32,287 2.2%	6	\$33,498 3.8%	6	\$34,252 2.3%	5

BA Maximum

District	1999-00 % chg.	rank	2000-01 % chg.	rank	2001-02 % chg.	rank	2002-03 % chg.	rank
Adrian	\$51,120 1.6%	6	\$52,655 3.0%	6	\$54,235 3.0%	7	\$55,865 3.0%	5
Cadillac	\$48,764 3.0%	8	\$50,687 3.9%	8	\$52,208 3.0%	8	\$53,565 2.6%	6
Greenville	\$46,045 3.4%	9	\$48,331 5.0%	9	\$50,216 3.9%	9	\$52,175 3.9%	7
Hartland ¹	\$51,276 2.4%	5	\$53,071 3.5%	5	\$54,968 3.6%	5	\$56,051 2.0%	4

Jenison	\$45,835 2.8%	10	\$47,141 2.8%	10	\$48,485 2.9%	10	\$49,867 2.9%	8
Mt. Pleasant	\$40,971 1.5%	12	\$42,611 4.0%	12	\$44,102 3.5%	12	\$45,645 3.5%	10
Niles	\$41,419 2.3%	11	\$43,996 6.2%	11	\$45,316 3.0%	11	\$46,675 3.0%	9
Owosso ²	\$51,604 2.3%	4	\$52,508 1.8%	7	\$54,416 3.6%	6		
Pinkney ³	\$54,985 2.2%	1	\$56,105 2.0%	1	\$58,443 4.2%	1	\$60,196 3.0%	1
Reeths Puffer ⁴	\$50,974 3.3%	7	\$53,691 5.3%	4	\$55,302 3.0%	4		
Saline ⁵	\$53,634 2.5%	2	\$55,243 3.0%	2	\$56,735 2.7%	2	\$58,266 2.7%	2
Swartz Creek	\$56,621 2.3%	3	\$53,805 2.3%	3	\$55,823 3.8%	3	\$57,079 2.2%	3

MA Minimum

District	1999-00 % chg.	rank	2000-01 % chg.	rank	2001-02 % chg.	rank	2002-03 % chg.	rank
Adrian	\$31,580 1.6%	10	\$32,530 3.0%	10	\$33,510 3.0%	10	\$34,520 3.0%	8
Cadillac	\$30,491 3.0%	11	\$31,345 2.8%	12	\$32,285 3.0%	12	\$33,124 2.6%	10
Greenville	\$31,877 3.4%	9	\$33,120 3.9%	9	\$34,412 3.9%	8	\$35,754 3.9%	6
Hartland ¹	\$35,293 2.4%	4	\$36,529 3.5%	4	\$37,835 3.6%	4	\$38,580 2.0%	4
Jenison	\$34,637 2.9%	5	\$35,624 2.8%	5	\$36,639 2.8%	5	\$37,683 2.8%	5
Mt. Pleasant	\$30,349 1.5%	12	\$31,563 4.0%	11	\$32,668 3.5%	11	\$33,811 3.5%	9
Niles	\$32,359 2.3%	8	\$33,330 3.0%	8	\$34,330 3.0%	9	\$35,360 3.0%	7
Owosso ²	\$33,457 2.3%	6	\$34,043 1.8%	7	\$35,281 3.6%	7		
Pinkney ³	\$35,870 2.2%	3	\$36,660 2.0%	3	\$38,125 4.2%	3	\$39,269 3.0%	3
Reeths Puffer ⁴	\$33,420 3.3%	7	\$35,202 5.3%	6	\$36,258 3.0%	6		
Saline ⁵	\$40,493 2.5%	1	\$41,708 3.0%	1	\$39,664 -4.9%	1	\$40,735 2.7%	1
Swartz Creek	\$36,805 2.3%	2	\$37,633 2.2%	2	\$39,044 3.7%	2	\$39,922 2.2%	2

MA Maximum

District	1999-00 % chg.	rank	2000-01 % chg.	rank	2001-02 % chg.	rank	2002-03 % chg.	rank
Adrian	\$53,725 1.6%	7	\$55,340 3.0%	8	\$57,005 3.0%	8	\$58,720 3.0%	6
Cadillac ⁶	\$52,146 3.0%	9	\$53,606 2.8%	9	\$55,214 3.0%	10	\$56,650 2.6%	8
Greenville	\$50,915 3.4%	10	\$53,422 4.9%	10	\$55,505 3.9%	9	\$57,671 3.9%	7
Hartland ¹	\$57,849 3.0%	3	\$59,501 2.9%	3	\$61,628 3.6%	3	\$62,842 2.0%	3
Jenison	\$56,039 2.9%	5	\$57,636 2.8%	5	\$59,279 2.9%	5	\$60,968 2.8%	4
Mt. Pleasant	\$47,040 1.5%	11	\$48,923 4.0%	12	\$50,635 3.5%	12	\$52,407 3.5%	9
Niles	\$46,597 2.3%	12	\$49,328 5.9%	11	\$50,808 3.0%	11	\$52,333 3.0%	10
Owosso ²	\$57,364 2.3%	4	\$58,370 1.8%	4	\$60,491 3.6%	4		
Pinkney ³	\$58,574 2.2%	2	\$59,768 2.0%	2	\$62,258 4.2%	2	\$64,126 3.0%	2
Reeths Puffer ⁴	\$53,472 3.3%	8	\$56,323 5.3%	7	\$58,013 3.0%	7		
Saline ⁵	\$61,933 2.5%	1	\$63,791 3.0%	1	\$65,513 2.7%	1	\$67,282 2.7%	1
Swartz Creek	\$55,381 2.3%	6	\$56,627 2.2%	6	\$58,751 3.8%	6	\$60,073 2.3%	5

Highest Salary below Ph.D

District	1999-00 % chg.	rank	2000-01 % chg.	rank	2001-02 % chg.	rank	2002-03 % chg.	rank
Adrian	\$59,145 1.6%	5	\$60,920 3.0%	5	\$62,750 3.0%	5	\$64,635 3.0%	5
Cadillac ⁶	\$52,146 3.0%	11	\$53,606 2.8%	12	\$55,214 3.0%	12	\$56,650 2.6%	10
Greenville	\$51,948 3.4%	12	\$54,526 5.0%	11	\$56,652 3.9%	9	\$58,862 3.9%	9
Hartland ¹	\$66,551 2.4%	1	\$68,880 3.5%	1	\$71,342 3.6%	1	\$72,748 2.0%	1
Jenison	\$58,370 2.8%	7	\$60,034 2.9%	6	\$61,745 2.9%	7	\$63,505 2.9%	6
Mt. Pleasant	\$53,109 1.5%	9	\$55,235 4.0%	10	\$57,168 3.5%	10	\$59,169 3.5%	8

Niles	\$53,068	2.3%	10	\$55,994	5.5%	9	\$57,674	3.0%	9	\$59,405	3.0%	7
Owosso ²	\$58,685	2.3%	6	\$59,713	1.8%	7	\$61,883	3.6%	6			
Pinkney ³	\$63,262	2.2%	3	\$64,550	2.0%	3	\$67,270	4.2%	3	\$69,257	3.0%	3
Reeths Puffer ⁴	\$55,472	3.4%	8	\$58,429	5.3%	8	\$60,181	3.0%	8			
Saline ⁵	\$65,546	2.5%	2	\$67,513	3.0%	2	\$69,336	2.7%	2	\$71,208	2.7%	2
Swartz Creek	\$61,336	2.3%	4	\$62,716	2.2%	4	\$65,068	3.8%	4	\$66,532	2.2%	4

The referenced footnotes explaining the wage increases in the five districts involved reveal:

- ¹ Hartland Formula based on 65% of increase in total revenue plus 0.00562 for each additional student = 3.5748% increase for 2001-02; minimum for 2002-03 is a 1.97% increase; maximum is 4.252% increase (based on cap of 11.5% over 3 year).
- ² Owosso Formula based on increase in total revenue, from schedule as computed by district.
- ³ Pinkney: 201-02 = 2000-01 Base + 4%; 2002-03 formula based on enrollment, foundation & EA share of expenditures - 3% likely.
- ⁴ Reeths Puffer Formula based on increase in total revenue, from schedule as computed by district.
- ⁵ Saline revised schedule & Index in 2001-02.
- ⁶ Cadillac schedule had no lane hirer than MA degree.

The comparables presented by the Association, including some of the comparable sized districts recognized by the District in its exhibits, suggests that the percentage increases for 2001-02 seem to be varying at the various levels anywhere, with the exception of Saline, from 2.8% and as high as 4.2%, but the latter depends on a formula.

As the footnotes indicate, at Hartland, Owosso, Pinkney and Reeths Puffer, the percentage increases reported are tied in to a formula based upon the given district's increase in total revenue. Saline's percentage increase seems to be a factor of a revised salary schedule and index. Nevertheless, the range with certain exceptions of increases for the 2001-02 school year in the districts compared hovers (if an average is taken) above 3%.

There is a markedly change in 2002-03. What begins to appear is wage increases at the various levels as low as 2%. Though there are some 3%'s and one 3.9% in Greenville, of the ten settled districts five are below 3% in their wage increases, whereas in 2001-2002 only two of 11 districts compared were below 3%. This observation varies somewhat as between degrees, but basically this is the pattern.

There is one other observation. Even with the Association's proposed 3.5%, the District, for instance at the BA Minimum, remains its comparable 12th place. However, with the 3.5% for 2002-03, at the BA Minimum there is an attempt to increase the standing at the 10th rank. At the MA Maximum rank, the District has always been between 11 and 12, as compared with the compared districts used by the Association. With the Association's proposed 3.5% increase in 2002-03, there is an attempt to increase the standing to nine at the Maximum rank.

The Fact Finder does not have precise figures as to Kearsley, Marquette, Mona Shores and Okemos except to note that Marquette is in the upper peninsula -- certainly a different economic market than Mt. Pleasant in the middle of the lower peninsula. It is also noted that Kearsley is a higher paid school district than Mt. Pleasant.

The point the Fact Finder makes by the above references is twofold. A 2.6% increase for 2001-02 seems to be lower than other compared school districts. A 3.5% increase for 2002-03 seems to be higher than other compared school districts. The rankings over the years indicates where the parties had placed themselves through bargaining. The significance of this point is that the art of the possible would suggest that a percentage of pay increase should not be such that it breaks the bargaining pattern, absent unusual financial conditions. As indicated, the pattern suggests a higher percentage increase than the District is offering, but a less percentage increase than the Association's table position. That is the comparables.

The Fact Finder also points out that some of the attempted comparables are geographically quite far away, such as Niles. But the point is, regardless of the comparables, over the years Mt. Pleasant has really been compared with districts of similar size. And the comparables utilized by the Association seem reasonable, except one cannot lose sight of what is occurring in the immediate district. The bottom line is this is not the contract to increase the comparable position of Mt. Pleasant because of the District's financial concerns. But the Mt. Pleasant teachers argue persuasively that they are entitled to a reasonable increase to keep in their comparable position, for they are comparing themselves with the marketplace.

Health Insurance Costs

In order to comprehend the parties' dispute, the issue of health care insurance must be examined. In its advocate's position paper, the Board sets forth in advocacy language its position as follows:

ARTICLE XVIII, Salary Schedule and Other Benefits, Section B.8., Insurance Benefits, subsection a, page 54:

The Board is proposing that this section be revised to read:

~~The Employer shall provide without cost to the~~ For bargaining unit members working half-time or more, **the Employer will pay up to \$9,925 per year toward** the following MESSA-PAK: [Full Family SuperCare 1 with \$100/\$200 Deductible & MESSA Preferred RX; Long-term Disability, 66 2/3%, \$3,000 maximum, 180 calendar days, freeze on offsets, alcoholism/drug addiction and mental/nervous same as any other illness, COLA; Delta Dental \$100/80/80 = \$2,000; \$15,000 Term Life AD&D; Full Family VSP2] for the bargaining unit member and his entire family.

Bargaining unit members not electing MESSA-PAK Plan A will select MESSA-PAK Plan B. Plan B shall include: Cash in an amount ~~equal to 85% of the single subscriber monthly premium of~~ MESSA SuperCare 1 with \$100/\$200 Deductible & MESSA Preferred RX of \$3000; Long-term Disability, 66 2/3%, \$3000 maximum, 180 calendar days, freeze on offsets, alcoholism/drug

addiction and mental/nervous same as any other illness, COLA; Delta Dental 100/80/80 = \$2,000; \$15,000 Term Life AD&D; Full Family VSP 2 for the bargaining unit and his entire family.

The Mt. Pleasant Education Association has insisted on keeping the excellent insurance coverage which teachers in this District enjoy through the Michigan Education Association, MESSA-PAK Plans. However, insurance costs represent a significant cost to the District. For the 2001-02 school year (July 1 through June 30), the cost of the MESSA-PAK coverages for teachers alone (including the cash payment in PAK B) was \$2,211,699. Total insurance costs for the District constitute a significant portion of the District's budget.

The 2001-02 per teacher premium for PAK A was \$9,275. The 2002-03 (July 1 through June 30) premium for each teacher taking the PAK A coverage will be \$10,575, which is a 14% increase, a whopping \$273,000 cost increase. The total insurance cost increase (for PAK A, PAK B, and cash payment in lieu of health insurance) without a cap would be \$326,313, which is 14.3%. The District cannot absorb that cost entirely on its own without implementing cuts which would negatively impact the educational program for students. The Board is, therefore, proposing that the amount it is required to contribute to PAK A coverage be 'capped' at \$9,925. This constitutes a 7% increase in premium cost to the Board. Requiring the teachers to absorb a portion of the escalating insurance costs, as many employers including school districts now do, is a fair and equitable way to enable to teachers to continue enjoying the current MESSA coverage but still keep insurance costs for the District manageable.

A 7% cap is certainly reasonable given that the District for the 2003-03 school year is only expecting to receive a 3.05% funding increase. In other words, a 7% cap on insurance contributions by the Board represents an insurance cost increase to the District of over two times the percentage increase in revenue which the District will receive (assuming that there are no executive order cuts in funding). The flat \$9,925 amount will allow the parties to negotiate about what insurance coverage will be starting in July 2003 as part of a total compensation package without the Board automatically 'getting hit' with another exorbitant MEA insurance premium cost increase effective July 1, 2003. This is extremely important given funding limitations under proposal A and for budgeting purposes.

The Board is also proposing that the cash payment in lieu of health insurance for those taking PAK B in 2002-03 should be a flat \$3,000 which represents a 1.7% increase over the 2001-02 cash amount of \$2,951. Otherwise, the amount the Board is required to pay automatically increases the same as the single subscriber insurance premium amount which for the 2002-03 year is an increase of 17.9%.

There is simply no way that the Board should be required to absorb the full MESSA insurance premium increases. The Mt. Pleasant *Morning Sun Editorial* of May 31, 2002, concurs with the District's position in this regard (see Attachment 11). Each 1% increase in the cost of insurance premiums equals a .15% increase on the salary schedule. Although a cap in the range of the percentage revenue increase which the District will receive (3.05%) is what the cap logically should be, the District is willing to accept a 7% cap which at least represents a workable cost containment measure providing the salary schedule cost increase is also reasonable. All administrators in the District have already accepted the 7% insurance cap in recognition of the District's need in this regard. The teachers should also.

This statement of course, is one of an advocate, but it does note, as was explained to the Fact Finder in the hearings, that in 2001-02, though there was an increase in rates, it was not a double-digit increase, and that the proposed increased rates for a family plan in 2002-03 is in the area of 14%. It was also noted that the Board had provided the 7% cap for its administrators.

The Association's representative explained that, in the past, MESSA has been able to keep the rates down as compared to rates of other insurance carriers; that because of escalating medical costs, MESSA was not able to do so for the year 2002-03. However, the Association pointed out that the average rate increase for MESSA in Area A, where Isabella is situated, is projected at 17.9%, suggesting that the rate proposals for the Mt. Pleasant school district falls below the average. Furthermore, the Association maintains that the comparables do not necessarily support a cap on medical insurance. Finally, the parties are not in disagreement that a

percentage increase in insurance costs equals about 0.16% increase in salary.

Addressing the health insurance issue, there continued to be the battle of comparisons.

Within the Gratiot-Isabella RESD School Districts, all but two have caps. The two without caps are Beal City and Breckenridge. As to the comparables utilized by the Association in their presentation, the following is the situation based on the applicable agreements:

Adrian	Board pays up to set dollar amounts toward Super Q 100 for health and full premium . . . \$300 per month to all who take neither A . . . pg. 24-26
Cadillac	Board will pay up to 107.5% of previous . . . premium. pg. 38-40
Greenville	Board will pay up to 108% of previous . . .
Hartland	Board pays 100% of premium + the . . . deductible for health and \$25 of prescription co-payment. pg. 37
Jenison:	Fully paid by Board. pg. 38-39
Mt. Pleasant	Fully paid by Board. pg. 54
Niles:	Fully paid by Board. pg. 39-40
Owosso:	Fully paid by Board + employee deductibles. pg. 33
Pinckney:	Fully paid by Board. Cash option for Plan B. pg. 30-31
Reeths-Puffer:	Fully paid by the Board. pg. 36-38
Saline:	Fully paid by the Board. pg. 37-38
Swartz Creek	Fully paid Board self-funded MESSA duplicate pg. 52-53

Looking at the comparables in the Gratiot-Isabella RESD School Districts, there is a tendency to put caps on insurance. In the comparables utilized by the Association, caps are beginning such as at Cadillac and Greenville, but are not yet prevalent amongst these compared districts.

During the fact finding, there was the discussion that the Michigan Education Association at Clare School District, which is near Mount Pleasant, did accept an insurance cap. But the Fact Finder was advised that the cap there was 14% and a rolling cap so that if the cap was not reached in any one year, the amount that was not reached would be carried over and added to the cap for the next year.

At Shephard, there was a suggestion that there was a cap there, but the wage increases were 3% and 2.6% for the two years involved, with another .4 % added which amounted to a 3% and 3% wage increase for each of two years and a cap whereby the District would pay up to 7.5%. The observation that the Fact Finder makes is that Shephard settled at more than the Board in Mount Pleasant is offering, namely 3% and 3% plus a 7.5% cap.

Conclusions and Recommendations

There are several conclusions to be reached, based upon the above-described facts.

1. Salaries for 2001-02 School Year. The District has offered, as proposed, a wage increase of 2.6% for 2000-01 where there was not a double digit increase in health insurance. This proposal, for example, at the MA Maximum, when compared to the districts proffered by the Association, including some also compared by the District, there were for 2000-01 at the MA Maximum only two of the ten district that settled for less than 3%. In both cases, Jenison at 2.9%, continued to rank 5th of the 12 compared, even though since the 1999-2000 school year the settlement at Jenison had been below 3%. Saline, with adjustments, who settled for 2.7%, still was number one in the 12 districts at the MA Maximum, paying \$65, 513. In the 12 compared districts, Mt. Pleasant previously ranked 12th at the MA Maximum and, even at a 3% increase, would continue to rank 12th and would not be at the \$55,505 pay scale of Greenville or the \$55,214 pay scale of Cadillac or the \$57,005 pay scale at Adrian, but would be near the scale of

the next lowest district in the compared districts – Niles. Adrian, Cadillac, Niles and Reeths-Puffer settled at 3%. Others settled at higher rates. Thus, based upon the bargaining history and the comparables, a 3% increase for 2001-02, considering the District's financial concerns, seems to be the settlement dictated by the applicable criteria. The Fact Finder will so recommend. The above analysis as to the MA Maximum would also apply to the BA Maximum and the MA Minimum, for example.

2. Salaries for 2002-03 School Year. The Association's proposal of a 3.5% for 2002-03 is inconsistent with the settlements in ten of the compared districts in the Association's comparables. There was no comparable with Owosso or Reeths-Puffer. Of the ten settled districts, only one is above. Greenville is at 3.9%, but four are at 3%, with five below 3% (Swartz Creek 2.3%; Saline 2.7%; Jenison 2.8% and Hartland 2.0% and Cadillac 2.6%). This is based on the MA Maximum. These figures as to percentage increases at the other levels such as the BA Maximum and MA Minimum are similar. The point being made by the Fact Finder is that the settlements for the 2002-03 school year, percentage-wise, are less than in the 2001-02 school year.

The overlay to the recommendation as to the 2002-03 school year is both the District's concern over its financial health in what it believes is a declining student enrollment plus the double digit increase in insurance, namely, the proposed 14% 2002-03 rate, which the District maintains will impact on its financial ability. As indicated, by the fact that there was not a double digit rate increase in the 2001-02 school year, and that the Fact Finder has recommended a 3% increase on the proposition that the health insurance for 2001-02 would remain as it had been for 2000-01.

The question then becomes the issue of balancing the teachers' concern about being

competitive in the marketplace where in the comparable districts at the MA Maximum, for example, they ranked 12th and at the MA Minimum, the teachers ranked 11th, and at the BA Maximum the teachers ranked 12th in the Association's comparables. There are differences in these comparables.

In the Association's comparables, only two have caps -- Greenville and Cadillac. Cadillac agreed to a 2.6% increase for 2002-03, whereas Greenville agreed to a 3.9% increase. As indicated, the other districts that are settled in the compared group had wages from 2.3% to 3.0% where there were no caps on insurance as to the GRESO Districts. Even in Shephard, where there is a cap, the settlement was a 3% increase.

The Fact Finder was advised that a 1% increase in the total salary was \$130,000 to \$134,000; that a percentage increase in insurance represented approximately .16% of a salary. Since the increase in insurance premiums is to be 14% and the District is proposing a cap of 7%, then the District is expecting teachers to pay approximately 1.12% of their salary toward health care insurance. This means that the teachers would pay approximately \$148,000 a year collectively toward health insurance. This is what the District proposal represents.

The Association in the fact finding process clearly stated that a contract could not be reached by placing a cap on health insurance through bargaining, suggesting that applying the art of the possible, and even the strike criteria, the District could not in this bargaining obtain a cap on insurance, particularly with the wages being offered when compared with the comparable districts. Even in Shephard, the increase proposed agreed to between the parties was a total of 3%. This makes the point.

It may be that the District suggests that its administrators did settle for a 7% cap. But it is not clear as to the percentage wage increases for the administrators. In any event, there is no

evidence that the administrators were subject to a collective bargaining relationship. Here, there is a collective bargaining relationship that has covered a number of years with a certain history. In applying the art of the possible and even strike criteria, this factor cannot be overlooked.

Recognizing the teachers' position, the question is one of money in a district that is anticipating declining student enrollment that relies on about 73% of its income on State Foundation money, which is calculated on the number of students enrolled. In other words, if the teachers do not wish a cap on health insurance in this contract, then the wage increases for 2002-03 must be moderated to recognize the District's financial concerns.

There is in the immediate area a tendency toward caps. In the compared districts, there is a beginning tendency toward insurance caps. But this tendency has not yet been widespread. Again, the art of the possible. From the District's standpoint, the name of the game is money. And there is the art of the possible, coupled with the comparables and the bargaining history of the parties. Growing tendency for some adjustment in insurance, concern of teachers about keeping their relative rank. Therefore, to this Fact Finder, the criteria support as a reasonable increase for the 2002-03 contract period a 2.5% across-the-board increase. Districts such as Swartz Creek and Hartland that settled for less than 2.5% for 2002-03, both of whom do not have insurance caps, were ranked number 5 (Swartz Creek) and number 4 (Jenison) in this category. Thus, it could be argued that their settlements represented a realization that other districts compared were in a catch-up mode, whereas those districts were not. On the other hand, a 2.5% increase would keep Mt. Pleasant in its relative position with the compared districts. The recommendation would be without an insurance cap for the 2002-03 school year.

Now what does this mean in terms of the District's finances? This means that the District, as compared to its tabled position, would be adding about \$254,000 to the economic

package, namely, \$106,000 more toward the offered wages, 2.6% versus 3%, 2.1% versus 2.5%, and \$148,000 that will be required to be paid for the increase in health insurance over 7%. These figures are approximate and may be off a few thousand dollars. But, essentially, the calculations are based upon the figures supplied by the parties.

The Fact Finder has come with a package that recognizes the bargaining history and the comparables and considers the concerns of the District as to health care increases. It could be argued that, based upon the bargaining history and the comparables, the salary increase for 2002-03 should actually be higher. But what the Fact Finder has done in calculating the recommendations is to balance the respective interests in factoring the cost imposed upon the District by increased health insurance. Thus, a 3% for 2001-02 and 2.5% for 2002-03 school year salary increase without any cap or modifications of the health care insurance that was in effect in 2000-01 is supported by the facts applying the applicable criteria.

What does this do to the District's finances? Based upon the District's position, namely, suggesting that there would be a \$2,139,496 ending 2002-03 unreserved fund balance with its wage proposals and a 7% insurance cap, the Fact Finder suggests that with the recommendation here this fund balance would be reduced to \$1,885,496. The Fact Finder appreciates that these figures are approximate and could be refined and challenged in the sense that there will be an increase in a single subscriber cost which also impacts the cash payment in lieu of health insurance for those taking PAKB in 2002-03. Nevertheless, the above estimates, though they may be off somewhat, are close approximates of the impact based upon the District's figures of not having a cap or changing insurance benefits. The Fact Finder appreciates that the District only anticipates about a 3% increase in income. The recommendation suggests that the facts do support that the District can presently afford the recommendation and it is in keeping with the

only anticipates about a 3% increase in income. The recommendation suggests that the facts do support that the District can presently afford the recommendation and it is in keeping with the applicable criteria.

To make the point, note, for example, that Greenville at a 3.9% increase at the MA Maximum in 2002-03 did so with an 8% cap. The Fact Finder in his recommendation has recommended that the District pay approximately 2% more cost than the District had offered, i.e., 2.6% and 2.1% and the cap. In Greenville, the Greenville District is willing to pay an additional 1% more (8%) toward insurance premiums which in Mt. Pleasant would amount to a .16% of salary and a total of 1.8% toward wages. This percentage represents about the percentage that the Fact Finder has recommended over and above the table positions of the District. Cadillac has a 7.5% cap and agreed to 2.6% wage increase in a situation where Cadillac is 8th at the MA Maximum. Though not as dramatic as in Greenville, Cadillac is another example where the District did pay more than the recommendation here. Shephard, with its 3% and 3%, actually was willing on wages to agree to 1.3% more than Mt. Pleasant's offer and another .5% on the insurance cap which, translated, means .08% of wages. In other words, the recommendation here is consistent approximately with what Shephard's total financial offer agreed to. And then when one reviews the districts compared that do not have caps on health insurance, it becomes clear that other districts for similarly situated teachers were willing to settle contracts with more financial benefit to the teachers than Mt. Pleasant, only establishing that the recommendations here are within the range of the art of the possible. The Fact Finder has just gone through the above exercise as sort of a check on the application of the criteria.

The Association has prepared some estimates based on the 3.5% proposals of possible year-end fund balances in 2002-03 of between \$961,000 to \$734,000. The Association did

Cadillac	22.62%
Jenison	13.76%
Niles	12.71%
Saline	12.46%
Pinckney	9.69%
Adrian	9.15%
Owosso	9.08%
Mt. Pleasant	6.03%
Swartz Creek	5.73%
Greenville	5.19%
Reeths Puffer	5.04%
Hartland	3.21%

On the other hand, the fund balance history as a percent of total revenue in Mt. Pleasant was as follows:

Year Ended	Percent of Revenue
6/30/95	11.7%
6/30/96	10.3%
6/30/97	4.2%
6/30/98	0.8%
6/30/99	2.9%
6/30/00	3.6%
6/30/01	5.8%

Quite clearly, at .8% and 2.9% where the unrestricted fund balance was \$233,372 and \$881,450, respectively, was dangerously low. The District has attempted to increase its fund balance history as a percentage of revenue. And as the Association's own comparables suggest, the District's goals are not unrealistic. The District thus makes a point that its fund balance as a percentage is certainly of concern and that the District has spend efforts to increase its fund balance to assure its ability to borrow when needed to at a reasonable cost and to keep a healthy financial statement for future needs. One of the issues as to the viability of the projections is the correct estimate on the number of students that will enroll. If in fact the loss is 101 students as predicted by the District, this could have a \$670,000 impact on the District. If the loss is as represented by the Association, then this impact would not be felt.

Nevertheless, the fact is that the recommendations set forth herein will not put the District in financial jeopardy for the years covered by this contract, for there still will be a realistic fund balance, even based on the District's predictions as to the state of the fund balance at the end of the District's 2002-03 fiscal year.

However, as to the last observations, it may be that in bargaining for the successor contract to the contract expiring June 30, 2003, the parties may have to take a serious realism check. If the enrollment does drop, as predicted by the District, or health care insurance continue to increase, or Foundation monies are not forthcoming from the State for a variety of reasons, then these factors may have to be considered in negotiating for successor contracts and cannot be overlooked by either party. These factors may require more creativity at the bargaining table. But for the purposes of the contract expiring June 30, 2003, the recommendations set forth below, based upon the above analysis, are financially viable.

RECOMMENDATIONS

It is recommended that for the school year 2001-02, the wage increase across-the-board, retroactive to the beginning of the contract, will be 3%. For the 2002-03 school year, the wage increase across-the-board shall be 2.5%. There shall be no cap on health care premiums; that the provisions as to health care as appearing in the contract that expired at the end of the 2000-01 school year shall continue and will apply for the 2001-02 and 2002-03 years. These recommendations are retroactive to July 1, 2001.



GEORGE T. ROUMELL, JR.
Fact Finder

August 5, 2002