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STATE OF MICHIGAN
EMPLOYMENT RELATIONS COMMISSION

IN THE MATTER OF THE
FACT FINDING BETWEEN:

MAR LEE SCHOOL DISTRICT

AND

Case No. L-82-E 402-E

SOUTH CENTRAL UNIFIED BARGAINING
ASSOCIATION, MEA/NEA /

Norman Berkowitz

FACT FINDERS REPORT AND RECOMMENDATIONS

GENERAL BACKGROUND

An existing contract between the Mar Lee School District and the MEA ended on June 30, 1982. Negotiations on a new contract began in April 1982. Impass was reached. A mediation session was held by the Michigan Employment Relations Commission (MERC) in October 1982. On October 26, 1982, the South Central Unified Bargaining Association, MEA/NEA, referred to subsequently in this report as MEA, formally petitioned MERC for Fact Finding.

MERC, in accordance with its rules, appointed Norman Berkowitz as Fact Finder.

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Mar Lee School District

On February 1, 1983, a Fact Finding hearing was conducted in the Mar Lee School located approximately five miles East of Marshall, Michigan.

APPEARANCES

For the Board of Education

James McDonagh, President, Mar Lee Board of Education

Blaine Van Sickle, Vice President, Mar Lee Board of Education

Robert H. Gelina, Superintendent, Mar Lee Board of Education

For the MEA

Lloyd Fiesel, Director, SCUBA/Mar Lee Education Association

Susan L. O'Dell, Mar Lee Education Association

Roxanne K. Dougherty, Mar Lee Education Association

The parties stated they were in agreement on all non-economic issues and on all economic issues except wages for both the first and second years of the proposed contract. They also were in agreement the new contract would be retroactive to July 1, 1982.

The Board is offering a 3% wage increase over the contract ending June 30, 1982, at each of the eleven steps shown in the old contract, but not including the four additional steps labelled "longevity".

The MEA is requesting a 6% wage increase over the contract ending June 30, 1982, at each of the eleven steps shown in the old contract but not including the four additional steps labelled "longevity".

The Board is offering the same dollars for the second year as the first, together with a promise of no layoffs during the second contract year.

The MEA is requesting a cost of living increase of no less than 5% nor more than 7% for the second year of the contract.

There was considerable disagreement between the parties, however, on what actually was being offered and this Fact Finder will devote some attention to this issue.

THE POSITION OF THE MEA

The MEA introduced eleven exhibits. The first three were adopted by the parties as Joint Exhibits. These exhibits were introduced to show:

1. Comparisons in salary schedules at the MA maximum step between Mar Lee and all other school districts in Calhoun County for the years 1978-79 through 1982-83;

2. Retirement benefits of Mar Lee teachers compared with those at the other Calhoun County school districts;
3. Salary increases compared to cost of living increases for Mar Lee teachers for the years 1977-1982;
4. Dollar costs of its proposal and the Board's proposal;
5. Financial ability of the District to pay the increase it is requesting.

Essentially, the MEA argued Mar Lee was the lowest paying district in the county with a 1981-82 figure for a MA at the maximum step of the schedule of \$18,565 compared with a countywide average of \$24,020 for the 13 districts, including Mar Lee.

Eight of the other 12 districts paid above the \$24,020 average. The lowest paying district in the county, aside from Mar Lee, was Tekonsha at \$20,800.

The MEA argued the disparity between Mar Lee and the average for the county increased from \$4,230 in 1978-79 to \$5,455 in 1981-82 and would increase further to more than \$5,670 in 1982-83 even if the entire MEA request was granted.

The MEA argued that all but two of its teachers at Mar Lee live in Marshall, make up part of the Marshall labor market, and have identical costs of living with other teachers living in Marshall, especially those employed by the Marshall School District.

The MEA argued its proposal for a cost of living increase of no more than 7% nor any less than 5% for the second year of the contract was entirely reasonable.

The MEA argued the school district had the ability to pay the increase being requested because of the healthy position of its cash reserves.

POSITION OF THE BOARD

The Board introduced six exhibits at the hearing plus two additional statements submitted three days later. These exhibits were introduced to show:

1. The Board's currently offered salary schedule for 1982-83 compared with 1980-81 and 1981-82;
2. The Board's salary cost increases for 1977-78 through 1981-82;

3. The actual salary for each individual teacher under the Board's proposed 1982-83 salary schedule compared to the actual salary for each individual teacher for 1981-82;
4. The financial status report for Mar Lee for 1982-83 prepared by the Michigan Department of Education;
5. The 1982-83 General Fund Operating Budget.

Through these exhibits and statements, the Board argued that as a K-8 district it could not afford to pay its teachers the same as K-12 districts.

The Board argued it had unique tuition expenses for sending its senior high school students to Marshall.

The Board argued it could not afford any larger increase than it was offering because its operations budget was in a deficit position.

The Board argued it was offering not a 3% increase but, in fact, either a 4.74% or a 5.8% increase on average per teacher which it believed to be a fair increase in times of economic hardship.

In fact, it argued, it has given 12.31% in increases on average per teacher per year for the 1978-79 through 1981-82 school years based upon \$5,941 of raises for an average per teacher of \$1,487 per year. And, in addition, it argues, it also provided increases in fringe benefits.

It argued its 4.74% increase figure was properly made up of the 3% basic increase at each step of the salary schedule plus 1.74% additional costs of step increases and longevity increases.

It argued the total increase is 5.8% because the added fringe benefits costs add another 1.06% to the 4.74% for wages.

DISCUSSION AND CONCLUSIONS

This has been a very difficult case to hear because the two parties were not in agreement on basic definitions and were speaking in different terms about the same issues. This Fact Finder will attempt to separate their differences and establish a common basis for analysis.

First, a determination must be made whether or not a K-8 school district is different than a K-12. The Fact Finder finds that all K-12 school districts include K-8 programs. All pay K-8 teachers the same as K-12. All have similar financial problems. All receive their income from local taxes, state aid and federal grants. All are devoted to the same goal of providing quality education to their students. All must employ only teachers who meet state certification standards. And all are part of the same state teachers retirement plan. Therefore, the Fact Finder finds that a K-8 district is not different from a K-12 district.

Second, a determination must be made whether it is proper to compare the wage scale of Mar Lee with K-12 districts. The Fact Finder finds that comparisons with K-12 districts is proper on the basis of the criteria listed in the previous paragraph.

Third, a determination must be made whether it is proper to compare the wage scale of Mar Lee with K-12 districts in Calhoun County. Even though state-wide statistics have a clear bearing, one must argue that the local labor market represents a more pertinent comparison, in general, than school districts many hundreds of miles

away. This is especially true since teachers may tend to be a little less mobile than other workers. Under these circumstances, the Fact Finder finds that Calhoun County represents the most appropriate labor market for determining comparisons of salaries between Mar Lee teachers and teachers in other districts.

Fourth, a determination must be made whether average salary costs per teacher at Mar Lee can be used as a proper basis for comparison purposes with other school districts and for determining the amount of increase being offered. Average salary costs in this context includes the actual cost for each teacher based upon the particular step in the salary schedule the teacher may be occupying in any given year including any payments for longevity steps. A comparison of average salary costs per teacher between school districts is not available to the knowledge of the Fact Finder nor was any such information introduced at the hearing for the twelve districts in Calhoun County. Such costs do not represent a salary schedule that can be developed that will give each teacher an equally prescribed increase in the contract years under negotiation whether based upon additional actual dollars or percent increase. Such costs average themselves out over a long period of time although they may fluctuate wildly over the short term. In the case of a district like Mar Lee with only eleven and a half teachers, the resignation, retirement, or leave of absence of one

teacher at the top of the scale who is replaced by a beginner would reduce the average salary cost of the staff for the year 1981-82 by \$573. Five Hundred and Seventy-three dollars is obtained by taking the difference between the highest paid teacher, \$19,165 and the beginning salary step, \$12,753, or \$6,592, and dividing by 11-1/2. Clearly, any formula that can fluctuate that much with the resignation of one teacher must be examined very carefully to determine its merit. While step and longevity increases represent added costs to a school district, they represent added costs previously bargained for by the teachers and these future costs, hopefully, have been prudently planned for by the school board. They do not reflect increases in a new contract year. Using average teacher costs to the district is misleading and results in attempting to count the same increase more than one time when negotiating and costing out the benefits of a new contract. On the basis of this analysis, the Fact Finder finds that it is not proper to consider average salary costs to the Board as a basis for determining the amount or percent of increase being offered by the Board to its teachers.

Fifth, it must be determined whether added costs of certain extra benefits are properly considered to be increases. The Board claims its offer is 5.8% in increased costs per

teacher on the average. In arriving at this percent, the Board used actual salaries and step increases for each individual teacher to arrive at a 4.74% increase in new money for salary costs. This item has already been dealt with.

The Board also computed its additional costs of \$246.32 per teacher on average for hospital/medical, \$42.70 per teacher on average for retirement benefits and \$20 per semester hour reimbursement to teachers for attending graduate school on average per teacher. In adding these costs to its package, the Board claimed an average cost per teacher of 5.8%. In determining a benefit raise to teachers that the Board is offering, this Fact Finder has previously found when discussing salaries that only benefits not previously incorporated into earlier contracts can be construed as being increases.

In the present case, while the hospital/medical benefits actually provide for better coverage, the cost of the new plan is less than the cost would have been if the old plan had been continued. Therefore, the increased costs for the year cannot be considered to be a pay or benefit increase to the teachers.

Dental costs do not go up for the coming year nor are there any increased benefits for the coming year. Therefore, dental costs cannot be considered a pay or benefit increase to the teachers.

State retirement benefits do not change from the old contract. Therefore, any additional costs to the Board cannot be considered a pay or benefit increase to the teachers.

A tuition reimbursement increase from \$30 to \$50 per semester hour for teachers is an increased benefit and this extra cost is properly claimed by the Board as a benefit increase and should properly be added to the basic 3% wage increase being offered. The cost of this benefit increase for all teachers is estimated by the Board at \$360 per year.

The Fact Finder therefore finds that the percentage increase being offered the teachers for the 1982-83 school year is 3% plus whatever fraction of a percent the \$360 of new benefit money would represent.

The Fact Finder can now devote his attention to a comparison of the actual salary schedule for Mar Lee and the other Calhoun County school districts.

MEA submitted Joint Exhibit #2 shows the 1981-82 salary schedule for Mar Lee. Board Exhibit #4 shows the salary schedules for 1980-81, 1981-82, and Board proposed 1982-83 for Mar Lee.

Board Exhibit #4 includes four additional steps for the 12th, 13th, 14th and 15th years, labelled "Longevity" which is not included in Joint Exhibit #2. This Fact Finder believes that since steps 12 through 15 are automatic [note paragraph 3 on page 10 and Longevity Plan on page 26 of the contract for 1980-82] and represent merely extensions of the first eleven steps rather than credit for long service, it is proper to consider them as part of the salary schedule for purposes of comparing salaries with other districts. It should be noted here that many school districts already have 15 step schedules.

The following schedule then gives us a base from which to work:

SALARY SCHEDULE FOR 1981-82

<u>STEP</u>	<u>BA DEGREE</u>	<u>MA DEGREE</u>
1	\$12,753	\$13,399
2	13,269	13,915
3	13,785	14,433
4	14,302	14,950
5	14,819	15,466
6	15,334	15,984
7	15,853	16,502
8	16,370	17,018
9	16,887	17,534
10	17,404	18,051
11	17,917	18,565
12	18,117	18,765
13	18,317	18,965
14	18,517	19,165
15	18,717	19,365

Liberty has been taken with MEA #1 to produce the following

SCHEDULED MA MAXIMUM SALARIES FOR 1981-82

CALHOUN COUNTY

<u>DISTRICT</u>	<u>AMOUNT</u>
Albion	\$25,578
Athens	21,567
Battle Creek	26,788
Calhoun Intermediate	26,788
Harper Creek	24,534
Homer	22,103
Lakeview	26,700
<u>MAR LEE</u>	<u>19,365</u>
Marshall	24,640
Pennfield	25,579
Springfield	26,683
Tekonsha	20,800
Union City	21,941
COUNTY AVERAGE (Excluding Mar Lee)	\$24,475
Dollar difference between Mar Lee and County Average excluding Mar Lee	\$ 5,110

It has already been determined that Calhoun County school districts represent a proper labor market for wage comparison purposes for the Mar Lee School District. The Mar Lee salary schedule is \$5,110 less than the average of the other Calhoun County school districts. Averages can sometimes be misleading. That is not the case here. The salaries for eight of the twelve districts are above the county average. Not only is Mar Lee's salary schedule \$5,110 below the average for the county, but there is no other single district as low as Mar Lee. The closest district in compensation, Tekonsha, had a schedule for 1981-82 which was \$1,435 higher than Mar Lee. For 1982-83, Tekonsha has settled for a raise of \$1,872 or 9%. This provides a salary of \$22,672 for the 1982-83 school year.

It would appear that under either the Board's offer or the MEA's request, Mar Lee teachers will lag farther behind other teachers in its labor market. On this basis, the Board's proposal appears to be entirely inadequate.

Before making a recommendation, the financial ability of the Mar Lee district should be considered. Board Exhibit #1 portrays an operating deficit for 1982-83 of \$95,283 after including its proposed 3% raise in its budget. This

is out of a total budget of \$660,116. However, \$60,000 of the deficit is accounted for by a decision to make a lump sum payoff of the remaining costs of its buses to save interest costs.

Making an adjustment for this extra-ordinary item leaves the district with a deficit of around \$35,000. However, whether the deficit is \$95,000 or \$35,000 it is a deficit and must be considered in adopting a final recommendation.

Statistical data submitted by the Board after the close of the hearing shows the average state equalized valuation behind each student in the state is \$44,257. The figure for Mar Lee, according to Board Exhibit #6, is \$60,029, a figure higher than for every grouping of schools by membership except for those in the under 500 student category. A SEV of \$60,029 must be considered to be high and places Mar Lee in a desirable situation.

Mar Lee receives about 10% of its funds from the State. This compares to a state average of about 30% for all school districts. State aid is provided to poorer districts in a manner to even out, to some degree, the resources provided to students regardless of the school district they may be attending.

Authorized millage produces local revenue for school districts and the greater the financial need for funds, the higher the millage figure. Board Exhibit #6 shows that Mar Lee is levying 30 mills which is very slightly under the average levied by all school districts. This does not indicate a financial press exists for Mar Lee. And if it did, the district would have an adequate ability to cover its needs without overextending its taxpayers.

In fact, Mar Lee has no need to request additional millage even though its budget may show a \$35,000 deficit. Board Exhibit #1 shows that at the end of 1980-81, the district had a cash and cash-equivalent balance of \$198,598 in its general fund for operating purposes. At the end of 1981-82, the district had a balance of \$218,932. And the estimated balance at the end of 1982-83, even after using \$60,000 to pay off its buses and factoring in a 3% pay raise is \$123,649.

The \$198,598 represents 37.7% of the District's next year's budget. The \$218,932 represents 33% of its current year's budget and the expected balance at the end of 1982-83 of \$123,649 would probably represent somewhere around 20% of the 1983-84 budget. These figures compare with a 10% or less balance available for the following year's expenditures found in a preponderance of school districts.

This data indicates that Mar Lee is in a healthy financial condition and is able to grant a pay increase to its teachers higher than the Board's offer and even higher than the MEA's request without having to ask its taxpayers for an increase in millage.

RECOMMENDATIONS

Fact Finding is a strategy utilized to prevent strikes and to assist the negotiating process. It is hoped that if all the facts can be impartially presented and analyzed, the conclusions of the Fact Finder may be accepted by both parties. In this case the cost difference between the positions of the two parties is minimal, representing a little over \$6,000.

Just prior to ending the hearing, the Fact Finder called the two chief negotiators into private session to determine whether an agreement between them was possible. Such a conclusion to the hearing would have been more desirable than the issuance of a report by the Fact Finder. The parties held to their positions and the hearing was formally terminated.

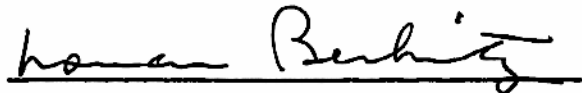
On the basis of the facts presented to him, the Fact Finder recommends for the year 1982-83 a 6% increase at each step of the salary schedule including steps 12, 13, 14 and 15, the so-called "longevity" steps.

For the second year of the contract, the Fact Finder also recommends a 6% increase at each step of the salary schedule including steps 12, 13, 14 and 15.

The Fact Finder recommends that in subsequent years steps 12, 13, 14 and 15 of the salary schedule be adjusted so that they represent the same differential between steps as do steps 1 through 11.

These recommendations are made in light of the Fact Finder's belief that Mar Lee teachers are inadequately compensated and he would have preferred to recommend an increase that would have at least brought Mar Lee wages up to those at Tekonsha. The Fact Finder refrained from going that far in his recommendation in the hope that both parties will accept the conclusions of this report.

DATE: February 15, 1983

A handwritten signature in cursive script, reading "Norman Berkowitz", written over a horizontal line.

NORMAN BERKOWITZ
FACT FINDER