

STATE OF MICHIGAN
DEPARTMENT OF LABOR
EMPLOYMENT RELATIONS COMMISSION

IN THE MATTER OF
OLIVET PUBLIC SCHOOLS
-and-
OLIVET EDUCATION ASSOCIATION

Case No. L75 C-214

Mario Chiesa

10-20-75

INTRODUCTION

Pursuant to Section 25 of Act 176 of Public Acts of 1939, as amended, and the Commission's regulations, a Fact Finding hearing was held regarding matters in dispute between the above parties. After sufficient notice was given the hearing was commenced at 9:30 in the forenoon at the Olivet Middle School on September 24, 1975. The undersigned, Mario Chiesa, is the Fact Finder herein.

APPEARANCES

Olivet Public Schools:

James H. Champion; Superintendent, Olivet Community Schools

Stewart A. Graham; Board member, Olivet Community Schools

Olivet Education Association:

Howard Ward; Executive Director, OEA

Barry Delaney; Negotiating Team, OEA

Jerry R. Brown; Negotiating Team, OEA

Ivan Sheets; Negotiating Team, OEA

HISTORY

The parties generally agree that the community is predominately agricultural with a business district located in the central part of Olivet. The community is relatively stable and is not enjoying rapid growth.

There are three school buildings, the high school, middle school and elementary school with a full-time employment equivalency of about sixty (60) teachers.

The operating millage levied is 24.3 mills. Good educational support has been shown by the community and it appears that there never has been a millage request denied by the voters.

The faculty is undergoing a transition with the younger teachers displacing the older retiring teachers. In the near past the total number of teachers has been reduced because of non-replacement of retiring teachers and teachers acquiring other positions. The Board has refrained from releasing teachers in order to enjoy a decrease in expense.

In 1969, the Association did not receive an increase in salary, although a substantial increase was received the following year. The price and wage freeze is history, however, its effect was felt in Olivet in the same manner and magnitude as other communities.

ISSUES

A one-year agreement is involved herein and the parties have agreed that there are two issues in need of resolution.

The first issue is salary and the second concerns a dispute regarding whether a cost ceiling shall be placed on the health insurance premiums payable by the Board.

These issues are negotiable pursuant to a limited reopener contained in Article XXV, "Duration of Agreement," of the Master Agreement which states inter alia:

"For 1975-1976, the following should be reopened for negotiations:

1. The Salary Schedule
2. Total fringe package
3. Up to two (2) non-economic items from both the Board and the Association."

DISCUSSION AND EVIDENCE

Salary

There are inescapable realities that cannot be ignored when analyzing this issue. Unlike a private sector employer the Board has very little, if any, control over the amount of revenue available for operations. Private sector employers generally are allowed to pass escalating costs to the consumer via price increases. This remedy is unavailable to the Board. Yet, the evils of rapid inflation strike the Board with the same voracity as it does private sector employers. With each increase in price the cost of energy, services, supplies and other products climb, with the Board enjoying no immunity.

Inflation is a two-edged sword, striking at the teachers' purchasing power and diminishing it just as grievously as it does the Board's. The teachers must purchase goods and services in the same marketplace as private sector employees and as in the case of the Board, they also enjoy no immunity from rising prices. The

teachers also helplessly stand by and observe their purchasing power diminish.

With the Board failing to replace retired teachers and teachers that leave the system, the remaining teachers must assume an added responsibility via larger class size. As long as total enrollment remains stable, there can be no alternative. In effect the teachers are forced to work more for less.

The Board proposes a 6.7% increase to all faculty members. However, this increase includes increments. The Association is seeking an average increase of 8.3%, excluding increments and according to Association Exhibit D8, an average increase of 13% including increments.

By including increments a higher percentage increase can be shown. This can be deceiving. For instance, in the present dispute, the Board proposes a 6.7% increase, including increments. Yet, according to Association Exhibit C2, the 6.7% proposal represents an increase of only 2.5% when increments are excluded.

The topic of increments was litigated at the hearing. The Board took the position that a teacher passing into a higher increment is in reality receiving a raise. While this proposition is true in the sense that salary increases, it may not be totally accurate. The step or increment system was not devised to provide raises as such. Longevity and experience are the main motivators regarding the adoption of the increment system. The incremental steps are based on the gaining of experience a teacher realizes from teaching for the additional period of time. This experience makes the teacher

more valuable to the Board. Once a teacher reaches the last increment in a track, his or her value doesn't remain stable. It also increases.

Realizing this, many salary schedules provide a greater increase between the next to the last step and the last step. This recognizes the longevity aspect of a teacher who has reached the end of a salary track.

The normal comparative evidence was introduced and the most relevant will be discussed herein. Throughout most of the exhibits the schools compared with Olivet were Intermediate, Eaton Rapids, Grand Ledge, Charlotte, Potterville and Maple Valley. All are located in Eaton County.

First, there is a comparison between Eaton County schools that have settled agreements, based upon the average percentage salary increase including increments and negotiated raises. The picture appears as such:

<u>School</u>	<u>Average Percentage</u>
Eaton Rapids	14.3
Maple Valley	13.6
Charlotte	10.8
Intermediate	10.7
Grand Ledge	9.4
Potterville	8.6

The average is 11.2%; the Board's proposal in Olivet is 6.7%, while the Association's proposal is 13.0%.

Second, we have a comparison of factors concerning all the schools in Eaton County for 1974-1975.

<u>School</u>	<u>Members</u>	<u>Operating Millage</u>	<u>SEV/Members</u>	<u>\$/Member</u>
Bellevue	1,373	25.2	12,102	983
Charlotte	3,983	24.9	19,702	971
Eaton Rapids	3,637	22.0	14,528	858
Grand Ledge	5,996	23.2	19,265	905
Maple Valley	1,976	22.2	12,167	866
Olivet	1,295	24.2	18,319	944
Potterville	916	25.0	13,598	975

In this comparison Olivet ranks third in SEV/Member, fourth in Dollars/Member and in operating millage.

Third, we have a comparison of the settled units in Eaton County regarding percentage increase of salary, excluding increments. It appears as follows in Association Exhibit C1:

<u>School</u>	<u>Average Percentage</u>
Charlotte	6.0
Intermediate	5.9
Maple Valley	8.8
Eaton Rapids	7.6
Potterville	4.6
Grand Ledge	<u>4.7</u>
Average	6.3

If the Board's proposal of 2.5% were adopted, Olivet would rank last. If the Association's proposal of 8.3% were adopted, Olivet would rank second.

Concurrently with the above evidence, a comparison of actual cost for the respective proposals was submitted by the Association. The exhibits are Association Exhibit G5 and G6 and they show the following:

Cost of Salary

Board's Proposal:

Total	\$761,494
Extra Duty	25,319
Retirement	<u>5%</u>
	\$826,154

Association's Proposal:

Total	\$808,069
Extra Duty	26,502
Retirement	<u>5%</u>
	\$876,300

The Exhibits indicate that the difference between the respective proposals amounts to \$50,146.00.

Exhibit B1, submitted by the Association, indicates that Olivet spends approximately 58% of its budget for teacher salaries, while Bellevue spends 55%, Charlotte spends 51%, Eaton Rapids spends 57%, Grand Ledge spends 58%, Maple Valley spends 53% and Potterville spends 60%. This comparison was based on information from the 1973-1974 school year.

It seems to indicate that Olivet was extremely comparable to the other districts. Simply stated, Olivet was spending as much of its total budget for teacher salaries as was the other districts when spending is expressed in a percentage of that budget.

The 1975-1976 proposed budget was submitted by the Board with updates as recent as October 1, 1975. The budget shows receipts in the amount of \$1,453,645.19 and disbursements in the amount of \$1,452,562.57, leaving a surplus of receipts or disbursements in the

amount of \$1,082.62. A very recent addition in the budget indicates that total State aid has increased from \$754,748.99 to \$776,610.74, or \$21,861.75. Thus, the projected surplus of revenue over disbursements is now \$22,944.37. The Form B, the official document required by law, shows that the Board has a net fund equity exceeding \$65,000.00. An audit was also submitted by the Board. In that exhibit the General Fund Balance Sheet shows a fund deficit of \$34,249.00. There is no doubt that accepted accounting principles were used in its computation. However, for the present purposes its value may be limited. For instance, one item listed is notes payable in the amount of \$98,139.00. This item represents bus and equipment notes maturing as follows:

	<u>June 30, 1975</u>	<u>June 30, 1974</u>
1974-1975	-	\$21,529.00
1975-1976	\$24,377.00	17,868.00
1976-1977	24,013.00	14,173.00
1977-1978	23,650.00	14,173.00
1978-1979	17,348.00	13,678.00
1980	<u>8,751.00</u>	<u>-</u>
	\$98,139.00	\$81,421.00

It is apparent that the only item becoming due during the period of the 1975-1976 contract amounts to \$24,377.00. While accounting standards may demand that \$98,139.00 be stated as it appears in the audit, the immediacy of the obligation is as important as the amount.

Poverty is the Board's argument. It maintains that rapid inflation and the spiraling cost increases make it impossible to

offer more than their current proposal. It maintains that when fixed costs go up and revenues warrant it, the teachers must suffer because they represent a variable and somewhat controllable cost.

The Association maintains the Board is not as poverty stricken as it states. Contending that the Board has underestimated revenues, created money by teacher attrition and is conservative in student count, the Association maintains that the Board is wealthier than it contends. The Association contends that the net fund equity of \$65,490.00, as reported on the Form B, only strengthens their argument.

RECOMMENDATIONS

Initially, it must be stated that there is no universal concurrence stating that the teachers alone should absorb the entire burden of cost increases and inflation. Conversely, it has not been accepted that the Board should also do so alone. The problem is how to equitably distribute the effects of inflation.

After carefully examining and analyzing the record, the Fact Finder has reached recommendations that are felt to be fair and equitable and further should serve as the basis of resolving the dispute.

There hasn't been sufficient evidence introduced to persuade the Fact Finder that the Board's plea of poverty is substantial enough to warrant adoption of the Board's proposal. In fact, the information supplied by the Board shows an increase in State aid of approximately \$22,000.00. Again the Form B shows a General Fund equity of \$65,490.00. This combined with teacher attrition should place the Board in a financial position which would allow it to

sustain a financial burden greater than its proposal suggests. Also, the community seems very supportive of education. This indeed is refreshing and commendable. Perhaps the community should consider an increase in operating millage as a future course of action. Comparatively, the Board's proposal is extremely deficient when the increases of the other districts are considered.

Conversely, the Association's proposal also was not adopted. The proposal is high when compared to the percentage increases, without increments, of the other districts presented. There is nothing known to this Fact Finder which forces him to believe that the Board should not be allowed the benefit of having funds available for unforeseen events. Of course, this cannot be disproportionate to the entire financial environment. Inflation must be equitably borne by the Board as well as by the teachers.

The Fact Finder recommends the following salary schedule for 1975-1976. The 5% retirement should also be paid on the schedule.

	<u>BA</u>	<u>BA+15</u>	<u>MA</u>	<u>MA+15</u>	<u>MA+30/SPD</u>
0	8,920	9,185	9,452	9,718	9,985
1	9,362	9,641	9,921	10,200	10,480
2	9,804	10,095	10,389	10,682	10,976
3	10,245	10,551	10,858	11,164	11,471
4	10,688	11,006	11,326	11,646	11,966
5	11,130	11,462	11,796	12,127	12,461
6	11,572	11,918	12,264	12,610	12,957
7	12,102	12,462	12,826	13,187	13,551
8	12,633	13,009	13,389	13,766	14,145
9	13,163	13,555	13,951	14,345	14,740
10	13,694	14,102	14,514	14,923	15,334
11	14,224	14,648	15,075	15,501	15,929
12	15,172	15,624	16,080	16,534	16,990

The recommendation represents an average increase, without increments, of 6.27% over the 1974-1975 schedule. Through step 11 there is an increase of 6%. Step 12 receives an increase of 9.5%, in accordance with the longevity discussion heretofore had.

The average increase of the increases including increments for Eaton Rapids, Maple Valley, Charlotte, Intermediate, Grand Ledge and Potterville is 11.2%. The Board's proposal was 6.7% and the Association's proposal was 13.0%. The Fact Finder's recommended salary schedule is an increase of approximately 11%, including increments. The average increase excluding increments for Charlotte, Intermediate, Maple Valley, Eaton Rapids, Potterville and Grand Ledge is 6.3%. The Board's proposal is 2.5% and the Association's proposal is 8.3%. The Fact Finder's recommendation averages an

increase of approximately 6.27%. The total cost of the Board's proposal has been stated at \$826,154.00. The total cost of the Association's proposal has been stated at \$876,300.00. The Fact Finder's recommendation has a total cost of approximately \$864,992.00.

DISCUSSION AND EVIDENCE

Health Insurance

From the outset it should be understood that this issue does not concern a dispute regarding type or quantity of insurance, or designation of carrier. Basically, the issue is whether the Board shall pay the entire health care premium or whether it shall be responsible only up to a certain ceiling.

The advantage of a health care program has often been termed as an employee benefit. However, it is very realistic to assume that an employee is in a much better position to give good and steady service if he or she is provided with health care insurance. Of course, this benefits the employer for the employer is engaging an employee who is better suited both physically and psychologically to perform the responsibilities assigned.

The record reflects that the Association seeks to retain the language that now exists in the Master Agreement.

"A. The Board shall provide, without cost to the employee, MESSA's Super Med 2 protection for a full twelve-month period for the employee's entire family. An employee wishing Blue Cross MVFI, Master Medical 1, Option IV, must assume the difference in cost."

The Board's position was that it would provide the above, but the limit would be \$68.92 per month for a full twelve-month period for an employee's entire family. Anything over the \$68.92 would be absorbed by the employee. The provision concerning Blue Cross would be identical to the present language. The Board's post-hearing brief states:

"The Board shall provide MESSA's Super Med 2 Protection for a full twelve month period for the employee's entire family in the amount of \$68.92; for self and spouse or self and children, \$61.20; or for self only, \$28.30 per month. An employee wishing Blue Cross M.V.F.I. Master Medical II, Option IV must assume any additional costs involved."

However, except for the \$68.92 limit for family coverage, the other monetary limits were never raised at the hearing. Hence, the Fact Finder is bound to disregard them.

Last July there was a rate increase regarding Super Med 2. The full family rate from 7/1/74 to 7/1/75 was \$59.60. From 7/1/75 to 7/1/76 the full family rate was and is \$68.90. This represents a cost increase of \$9.30. The record reflects that there are 23 teachers now subscribing to this plan. However, no evidence was introduced showing the various numbers of teachers subscribing to the other categories of coverage; namely, self or self and spouse, or self and children. The rate increase heretofore mentioned was the first in three years and the Association states that it doesn't expect another in July 1976 and if there is one, it would be much smaller than the \$9.30 increase experienced in July 1975.

The Association argued that its proposal was justified because of the need for security in the area of health services. It stated

the costs are very inexpensive to the Board and the benefits are extremely important to the teachers. Also, the rates charged by MESSA are extremely stable as indicated by the July 1, 1975 increase, being the first in three years. The Association also suggests that the Board's only concern is the possible increase of cost for July and August of 1976. Since the present contract language is identical to the Association's proposal, the Association maintains it should be continued.

The Board maintains that it needs the cost limitation for various reasons. First, by having the limitation the Board is in a better position to draft and hopefully follow a budget. Also, the Board maintains that any additional cost, represented by a rate increase, would have adverse effects on an already tenuous economic situation. It is also pointed out by the Board that last year was the only time that this particular unit received unlimited cost medical insurance and that in previous agreements there was always a cost ceiling.

RECOMMENDATIONS

There is no argument with the Board's contention that it would be desirable to have a solid figure that could be incorporated in a budget. This of course would be ideal for any management situation. However, it is rarely possible. The current status of health insurance shows a trend of changing cost. This coupled with the mobility of subscribers, passing from one classification to another, makes the total cost of the benefit difficult to ascertain with complete certainty.

The Fact Finder did not have the advantage of receiving evidence concerning the impact of the July 1, 1975 rate increase on the Board's financial situation. The only yardstick available is the fact that the increase was \$9.30 per month per member subscribing to the self and family plan. This amounts to an increase of approximately 15.6%. The Board has indicated that it is willing to absorb the increase, but that any further increases would present a problem.

The financial aspect has been discussed in the previous area of recommendations concerning salaries and will not be repeated anew in this area.

The cost increase involved is potential and may never become reality. Even in the event that the cost increase does materialize it will only be a short time before adjustments can be negotiated. If we assume that the increase does occur and if we assume the increase is \$10.00 per month per teacher, the cost increase involved is only \$460.00. This is not a devastating amount.

Therefore, this Fact Finder recommends that the present language in the Master Agreement be continued.

Careful analysis was exercised before the above recommendations were arrived at. It is hoped that the recommendations will serve as the basis for resolving the disputes.


MARIO CHIESA, FACT FINDER

October 20, 1975