

FACT FINDING OF THE
1985-86 COLLECTIVE BARGAINING AGREEMENT FOR THE
SCHOOL DISTRICT OF THE CITY OF PONTIAC

In the Matter of the Fact Finding Between:

BOARD OF EDUCATION OF THE SCHOOL
DISTRICT OF THE CITY OF PONTIAC

Fact Finder:

ELLIOT I. BEITNER

-and-

THE PONTIAC EDUCATION ASSOCIATION

Elliot I. Beitner /

Introduction:

The parties, having reached an impasse in their contract negotiations, have agreed to fact finding. On September 3, 1985 a Petition for Fact Finding was filed by the Pontiac School District listing the following eight unresolved issues:

- Issue #1 : SALARY AND OTHER COMPENSATION.
- Issue #2 : CLASS SIZE.
- Issue #3 : WEIGHTING MAINSTREAMED SPECIAL EDUCATION STUDENTS.
- Issue #4 : BENEFITS FOR PART-TIME CONTINUING EDUCATION TEACHERS.
- Issue #5 : NUMBER OF CONTACT HOURS FOR FULL-TIME CONTINUING EDUCATION TEACHERS.
- Issue #6 : PROFESSIONAL/TECHNICAL EMPLOYEES.
- Issue #7 : SAVINGS FROM CHANGE IN EMPLOYEE BENEFITS.
- Issue #8 : EARLY RETIREMENT INCENTIVE.

At the hearing the Association attempted to add an additional issue of amnesty. It proposed that there be "no reprisals" and that each side withdraw with prejudice pending unfair labor practice charges. The

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Pontiac School District

Board objected strenuously to the addition of an issue not listed in the original Petition for Fact Finding filed by the Board. Although the Association could have added issues by filing a written answer to the Petition, it cannot, the Board asserted, orally add an issue during the fact finding hearing.

Subsequent to the filing of the Petition, the parties settled Issues #4, #5 and #7; therefore, there are only five remaining issues unresolved. Issue #1 has also been narrowed and concerns only salary, not other compensation as originally listed. On September 5, 1985 the Michigan Employment Relations Commission (MERC) appointed the undersigned, ELLIOT I. BEITNER, as fact finder with instructions to schedule a hearing promptly on the unresolved issues. A hearing was held on September 9, 1985 at the offices of the MERC in Detroit, Michigan, and the hearing was continued and concluded on September 10, 1985 in Birmingham, Michigan. At the hearing testimony was taken, and multiple exhibits were presented by each side and admitted into evidence. Both sides made opening statements and closing summations.

Present for the BOARD OF EDUCATION OF THE SCHOOL DISTRICT OF
THE CITY OF PONTIAC, were:

DENNIS R. POLLARD, Attorney
ROBERT NYOVITCH, Attorney
PAUL D. ROTHROCK, Administrator
BYRON K. LOVE, Administrator
ODELL NAILS, Administrator
EDWARD SLAWSKI, Administrator
JOANNE DEMBINSKI, Administrator

Present for THE PONTIAC EDUCATION ASSOCIATION, were:

LEE LONGFIELD, MEA Spokesperson
TOM FETTE, MEA, Spokesperson
GERALD HAYMOND, MEA Spokesperson
GROVE SANDROCK, MEA Spokesperson
MICHAEL BENNER, PEA Negotiating Chairperson
SHIRLEY MC CLENDON, PEA Negotiating Team
ADELA CAMARENA, PEA Negotiating Team
CHRISTINE MARUSIAK, PEA Negotiating Team
HAROLD PARKER, Professional/Technical
HELEN EFTHIM, Professional/Technical

The following Exhibits were received in evidence:

Joint 1 : Master Agreement

Employer 2 : School District Presentation

Employer 3 : School District Exhibits numbered
1 through 27:

1. Map of the School District of the City of Pontiac
2. Student Population Projections v Actual Enrollment
3. History of Millage Elections
4. Distribution of Savings from Change in Insurance Underwriter
5. Costing of Association's Salary/Compensation Demands (A, B, C, D)
6. History of Fund Equity
7. Borrowing History
8. Amendment of State Aid Act - 1983
9. Preliminary Audit Data
10. Effect of Litigation Between Oakland County and State of Michigan
11. FY 1986 Budget with Major Adjustments through September 4, 1985
12. FY 1985-86 Budget Summary Fund Equity Without Salary Improvements
13. FY 1985-86 Budget Summary Fund Equity Including Board's Offer of 2% Salary Improvement
14. FY 1985-86 Budget Summary Fund Equity Including Costs of Association's Proposals (A, B, C)
15. Amortization Schedule of Equipment
16. Schedule of Oakland Schools Special Education Billbacks
17. Six Year History of Salary Increases to PEA
18. Six Year History of Maximum Salary Levels to PEA
19. C.P.I. - U/Salary Increase 1979-85
20. Rankings of School Districts of Comparable Size
21. Association's Proposal on Reduction of Class Size

22. Association's Proposal for Weighting of Special Education Students
23. Association's Proposal to Provide Fringe Benefits to Part Time Continuing Education Teachers
24. Association's Proposal to Reduce Student Contact Hours for Full Time Continuing Education Teachers
25. Association's Proposal to Reduce Work Year and Work Day of Professional/Technical Employees
26. Energy Conservation Statute
27. FY 1986 Budget

Union 4 : Union's Exhibits numbered 4 through 30:

4. List of Unresolved Issues
5. Board Proposal to PEA
6. Board's Position - Early Retirement Incentive Offer
7. Association's Position - Early Retirement Incentive Offer
8. Association's Amnesty Proposal
9. Salary Range - 1984-85
10. Continuing Education Salary Range - 1984-85
11. Current Staff as of 9/85, Salary Range 1985-86
12. Continuing Education Salary Range - 1985-86
13. Oakland County District Salaries - 1982-83
14. Oakland County District Salaries - 1983-84
15. Oakland County District Salaries - 1984-85
16. Oakland County District Salaries - 1985-86
17. Oakland County BA Maximum Comparison
18. Oakland County MA Maximum Comparison
19. Percentage Raises 1982-83 / 1985-86
20. Oakland County Longevity Payments - 1985-86
21. Early Retirement Incentive
22. Equipment Items in Budget
23. Breakdown of Bond Money
24. Bonded Expenditures in General Fund Budget
25. Error in Board's Salary Matrix
26. Board's Budget for 1986
27. Bond Fund Allocation
28. Savings - Early Retirement
29. Source of Money for Settlement
30. Summary of Cost of PEA Proposal

Background:

The area encompassed by the School District of Pontiac includes not only the City of Pontiac, but also portions of Waterford Township, Bloomfield Township, West Bloomfield Township, Orion Township and portions of the cities of Sylvan Lake and Auburn Hills. It has the sixth largest student enrollment of any school district in the State of Michigan. While Oakland County itself is thought of as an affluent area, the School District is populated by people from the lower income stratum. For example, the City of Pontiac, according to 1980 U.S. Census figures, had a per capita income of only \$6,799 as compared to a county-wide per capita income level of \$11,697. Property taxes are also lower in the District than in the more affluent communities of Oakland County resulting in a lower tax base. Moreover, unlike most of the County, the Pontiac District has not experienced a significant decline in its student population.

Many districts in Oakland County have, over the last several years, lost 50 percent of their student base, while the decline in Pontiac has been only 17 percent. Therefore, there has not been any significant reduction in the number of employees necessary to carry out the work of the School District. Efforts to fund the school program have met with serious difficulties in the past: from June 1978 through June 1981 the School District initiated eight separate millage elections, all of which were defeated at the polls. Four of these millages involved millage

renewals. It was not until December of 1981, when the District was in critical financial difficulty and attempting to operate on half-day schedules, that the voters passed a 7.4 millage consisting of a 3.50 renewal and 3.90 as an additional amount.

The current School District millage levy is 35.9 mills, which places it in the top 15 percent of millage levies in the state during the 1984-85 school year. When this amount is coupled with millage levies of other governmental taxing units, the combined rate for the area is almost at the constitutional limit of 50 mills. Therefore, as a practical matter, any additional increased funding would have to come from state aid; unfortunately, however, state aid has not been available for such additional funding. In fact, largely as a result of reductions in state aid in 1981, and also because of wage increases of 11.30 percent to the teachers (9.80 of which was COLA benefits), the School District teetered on the brink of bankruptcy. Its fund equity, which was \$820,418 on June 30, 1980, was reduced to a negative amount of \$3,850,465 on June 30, 1981.

Stringent austerity measures were adopted by the District because of this drastic change in fund equity, measures that dramatically affected teachers' compensation and also deferred necessary maintenance programs and capital replacements. In fact, the amended State Aid Bill passed by the Michigan Legislature included a provision directed specifically at the Pontiac School District: Section 9 required the School

Board to eliminate its deficit budget by June 30, 1985 as a condition of eligibility to continue receiving state aid. That provision (Employer 8) reads:

For the 1981-82, 1983-84, and 1984-85 school fiscal years only, a district which levied 35.19 mills for operating purposes in 1981-82, and is operating under a deficit budget, shall continue to receive state aid allotments and payments if the district submits to the department for approval a plan to eliminate the deficit not later than June 30, 1985.

The District was, in fact, able to comply with this statutory requirement and its budget, prepared June 30, 1985, contained an estimated fund equity of \$747,147. A deficit of \$3,850,465 was reduced in 1982 to \$2,725,673; in June of 1983, to \$1,625,109; and on June 30, 1984, to \$487,433.

In the spring of 1985, the School District was successful in floating a bond issue to provide for renovating and re-equipping the Schools. The bond proceeds exceeded \$23,000,000. In addition, the School District was able to issue energy conversion notes which raised approximately \$3,700,000. These proceeds are designated to repair or replace equipment (roofs, etc.) that will result in energy savings.

Viewing education as a business, it is apparent that it is labor-intensive, and the majority of the cost involved in running a school district is expended for salaries. Reduction in the budget was, therefore, accompanied by a significant sacrifice on the part of the bargaining unit and other employees of the District. In 1982-83 the teachers received no

wage increases; in 1983-84 they received what amounted to a 3 percent salary increase; and in 1984 received 2 percent plus a rollover of the prior year's 3 percent increase. The teachers feel that they have borne the brunt of the sacrifice necessary to restore the School District to financial health and now should be entitled to receive a meaningful salary increase. The Association seeks a salary increase of 7 percent.

The comparative ranking of the Pontiac School District in terms of teachers' salaries has eroded over the past years. In 1982-83 the Pontiac District was ranked 16th at the BA maximum level and 18th at the MA maximum level in a ranking of the 28 school districts in Oakland County. Its 1983-84 ranking was 14th in both categories, but in 1984-85 it had dropped to 18th in both categories. Under the Board's proposed salary offer, it would be ranked for the academic year 1985-86 as 21st in the BA maximum category and 22nd in the MA maximum category. Under the Association's salary demand of 7 percent, the District would be ranked 17th for a BA maximum, and 14th for an MA maximum.

The \$747 thousand in fund equity listed is slightly more than 1 percent of the Schools' annual budget and constitutes less than one week of payroll for the School District. In addition, there are several problems that loom on the horizon that may have a significant adverse impact on the District. Various services provided by the County are billed back to the School District. This indebtedness is reflected in the current budget in the amount of \$829,400. This amount consists of the anticipated

billbacks for this current year and also accumulated billbacks over the past several years that have not been paid by the District. There will be a county-wide millage election in early October with the purpose of raising funds so that the services provided by the County for handicapped students need not be billed back to the School District.

Another serious financial problem facing the parties at the time of bargaining related to a suit filed by Oakland County against the State of Michigan challenging the method used by the State in establishing the State Equalization Value (SEV). The SEV was set by the State Tax Commission at a figure 6 percent higher than that used by the Oakland County Equalization Department. The County filed suit in the Court of Appeals, and its position was sustained. The Michigan Supreme Court had accepted leave to appeal, and the case was pending at the time of negotiations. A sustaining of the Court of Appeals' decision could have resulted in an indebtedness by the Schools of approximately \$2.5 million including statutory interest. Unlike most other Oakland County school districts, the Pontiac School District was unable to set aside a reserve for this contingent liability.

During the time that I was preparing this fact-finding report, it was learned that the Michigan Supreme Court released its decision regarding the SEV issue and upheld the Court of Appeals' finding in favor of Oakland County. Fortunately for the School District, no financial recovery

was ordered despite this finding that the taxpayers' values were improperly inflated by the State Tax Commission. The Court cited "considerable administrative burdens" that would be necessary to refund the taxes improperly collected in reaching its determination that no refund would be made. Because of this holding by the Court, the School District will not be required to pay any monies back to the County.

Issue #1: SALARY

The parties engaged in intensive negotiations prior to the initiation of fact finding. In fact, the teachers engaged in a one-week work stoppage resulting in the schools' not opening for the first week of the school year. Initially, it was the School Board's position that there could be no wage increase whatsoever. It was not until the final negotiation sessions that the School Board did offer a 2 percent wage increase. Only then, on Sunday night, September 8, 1985, did the teachers vote to return to the classrooms and await the results of the pending fact finding. At present, the teachers' salary demand is 7 percent, and the Board's offer remains 2 percent. The essential issue that must be addressed is the District's ability to pay.

The intrinsic value of the teachers' services is not in dispute; they work hard and under severely adverse circumstances to provide essential services to the District and the community. Classroom sizes are too large, facilities are aging and inadequate, and the turnover from year to year in student population (35 to 40 percent per year) is significant. No one would argue that providing such teaching services is not at least as valuable as providing similar services in one of the more affluent neighboring districts. In an ideal world, teachers working in a school system like Pontiac would not be penalized financially and would receive the same or higher wages than teachers in the several surrounding affluent school districts. This, however, is not an ideal world, and the amount of wages is

predicated to a significant extent on a district's ability to pay. It is the Board's position that granting a 2 percent raise, which it reluctantly offered at the end of bargaining, will not only eat up its fund equity, but will also result in a deficit for the upcoming fiscal year of \$639,046. The Board prices out the cost of the Association's demands on the salary issue and other issues at \$11,000,000.

The School District points out that a 1 percent salary increase costs approximately \$290,000. However, there are eleven other bargaining units, and historically these units have received relative parity with the Pontiac Education Association. A 1 percent raise for all employees would cost about \$400,000. Therefore, a 7 percent raise would cost approximately \$2.8 million, whereas the 2 percent raise offered by the Board would cost \$800,000. Looking at salaries alone, then, the Union's demand requires an expenditure of an additional \$2,000,000.

The Association, however, disputes the Board's figures and projects a budget surplus of \$4,549,839 available for settlement of this contract. The key items in that projection are \$1,170,486, which the Association argues constitutes an overbudgeting for teachers' salaries, and \$2,987,536, which reflects an excess of revenues over proposed expenditures for the current year's budget. In addition, the Association argues that certain budgeted expenses could be allocated to bond revenues and/or the proceeds from energy conversion notes.

Involved then is the question of the credibility of the exhibits presented by the Board and the Association as these reflect the total revenues available to fund any contract settlement. The Association used data printouts for the School District's salary matrix (Union 11 and 12) as a basis for asserting that the Board had overbudgeted teachers' salaries. The salary matrix figures contain a category entitled "total heads" (total number of teachers) and another category entitled "total FTE" (full-time equivalents). Thus, if two teachers worked half-time, they would be considered one full-time equivalent. Exhibit 11 shows 951 total heads and 985 full-time equivalents. This is a logical impossibility since there must be at least as many teachers as full-time equivalents.

The Association compiled the overbudgeted figure by deducting the amount of total heads listed in Union exhibits 11 and 12 from the amount of full-time equivalents listed and multiplying by the appropriate salary. The assumptions underlying the Association's calculation proved, however, to be incorrect. The total salaries figure listed in the school budget was not compiled from the printout of the salary matrix.

A plausible explanation for the disparity of figures in total teachers and FTE was provided by the testimony of JOANNE DEMBINSKI, Executive Director of Personnel. She explained that some teachers teach more than the 185 days a year because there are programs that run for 230 days, and this can result in a teacher's being counted more than once. Under some circumstances a teacher could be counted six times. Moreover,

and more importantly, she testified that the salary figures contained in the 1985-86 budget were based on 959 full-time equivalents, and not 985. The computations were not made on the salary matrix printouts (Union 11 and 12). Therefore, the Association's projection of a \$1,170,000 overbudgeted item for salaries is unsupported by the exhibits: that figure was based on computations from an exhibit not used to arrive at the budgeted figure.

The other key amount relied upon by the Association of \$2,987,536 was arrived at by deducting the total revenue figures from the total expenditure figures using the budget presented and approved by the Board on June 27, 1985. The Union asserts this reflects an excess of revenues over proposed expenditures. In rebuttal, the School District presented the testimony of Dr. PAUL ROTHROCK, Assistant Superintendent of Business, who explained that the Union's computations were based on figures compiled by June of 1985 and do not include expensing out the categorical revenue funds. The second item overlooked by the Union is the requirement to make payments for the servicing and retirement of an outstanding mortgage: a surplus of \$660,000 must be retained in the debt fund and cannot be used for anything else. Moreover, the other two items of \$133,420 and \$258,397 contained in the Association's projection of monies available for contract settlement are also based on the "salary matrix" printouts which were not used in the preparation of the budget. It is my judgement that the budget exhibit of the Schools is accurate and reflects the operating cost of the

District for the 1985-86 school year. Therefore, I conclude that there is not a source of money available, as argued by the Association, for the settlement of this contract in accordance with the Association's demand.

Furthermore, monies from the bond issue and the energy conversion notes cannot be used to fund a salary increase. I am not persuaded by any evidence presented at the hearings that there are items included in the budget that could instead be allocated to the bond proceeds or the energy conversion monies. Those funds have been fully committed. It is true that for various projects the bond fund contains a 7 percent contingency fund; however, it is impossible to know at this time whether projects will be completed as bid or whether the contingency fund will have to be utilized. The amount reserved may or may not be adequate to pay for any additional unanticipated expenses resulting from those projects. It would be imprudent fiscally for the Schools to fail to establish a contingency reserve. Therefore, any capital items in the budget cannot be shifted to the bond or energy note funds which fund's revenues have been committed. Furthermore, it would be completely improper and impermissible to take contingency funds and shift them into the general budget.

The offer presented by the School Board, according to its projection, will result in a fund equity deficit in excess of \$600,000. I am aware that the total budget of the school is over \$70 million, and furthermore, the budget is changed and amended at every Board meeting. In all likelihood there is some flexibility in the budget; however, I have not

seen any obvious or apparent inaccuracies or exaggerations in the budget. As a matter of fact, ⁱⁿ the schedule of depreciation for furniture and equipment the District has used an ultraconservative, even unrealistic, life of 20 years. There are, thus, no monies available to be taken from depreciation. The School Board, of course, is obligated under law to operate within a balanced budget, and adjustments would have to be made even under the 2 percent offer made by the District because of a resulting deficit of over \$600,000.

The figures presented before me would argue for no further increase beyond what the School District has offered; however, I am aware, and the community should be aware, of the significant sacrifice that has been borne by the teachers throughout the last several years of austerity. Teacher morale is an important factor in the successful operation of the School District, and I feel it necessary, therefore, to recommend something beyond what the School Board has offered, notwithstanding cognizance of the current financial condition of the District and an awareness of potential problems on the horizon. Any additional percentage must of necessity be low, however, because of budgetary limitations. While teachers may be disappointed with the increase recommended, I am convinced that their long-range interests will best be served by the preservation of the fiscal soundness of the School District.

It is my recommendation that teachers be awarded a salary increase of 3 percent, even though this could add an additional \$400,000 to the

deficit. Perhaps the District will again be fortunate as it was with the County's challenge to the SEV, and the County millage will pass, relieving the District of the obligation to pay the County billbacks. If not, additional budgetary adjustments will have to be attempted.

Issue #2: CLASS SIZE

It is the Board's position to maintain class size at current levels, and the Association's position to reduce class size.

The current collective bargaining agreement (Article 15, Section B) provides the following class size limitations: K-3, 31 students; grades 4-5, 34 students; grades 6-8, 35 students; and grades 9-12, 36 students. The Union's proposal initially was to lower the class sizes as follows: K-2, 20 students; grades 3-5, 24 students; grades 6-8, 28 students; and grades 9-12, 29 students. It would be a rare educator who would dispute the importance and value of reducing class size. Involved, however, is the obvious necessity of hiring additional teachers so as to reduce the number of children in a classroom. District Exhibit 21 projects the cost of the Board's proposal at \$4,036,252.50, and the Association did not dispute this assessment in its presentation. In fact, the Association recognizes that this may not be the appropriate time to grant any significant relief in this area, but the Association, nevertheless, wished to have the issue addressed.

It is my recommendation that class sizes not be reduced at this time because of the financial costs that would result. However, the goal of reducing class sizes is one that should be of importance, not only to teachers, but also to the School District. Reduced class size should make for more effective teaching and learning, and it is hoped that this problem

can be dealt with effectively in the future when the financial condition of the District becomes stronger.

Issue #3: WEIGHTING MAINSTREAMED SPECIAL EDUCATION STUDENTS

Federal and State law require that handicapped students be provided educational services in the most unrestricted environment possible. This means that wherever feasible, handicapped children are placed in regular classrooms. Frequently they require additional work and attention, and therefore it is the Association's proposal that having such a child in a classroom should be considered as something more than one student for the purpose of class size. The Association requests weighting ranging from 1.5 all the way to 4 depending on the nature of the handicap.

The Board has estimated that the cost of the Association's proposal would be in excess of \$1,122,000. For this reason the proposal cannot be granted. However, again, the concern raised in this issue is a valid one. Students who are mainstreamed frequently do require additional work and assistance from the teacher; however, there just is no money available under the circumstances presented to accommodate this concern. Again, as in the issue of class size, it is hoped that when the District's financial condition improves, this issue will be considered and relief granted. It is then my recommendation to adopt the Board's proposal to make no change and deny the Association's position.

Issue #6: REDUCE THE CURRENT WORK DAY AND WORK YEAR FOR
PROFESSIONAL AND TECHNICAL EMPLOYEES

Professional and technical employees provide valuable services to the District. They frequently have advanced degrees although they are not required to have teaching certificates. An example of the type of job that a professional/technical employee might hold is the position of coordinator of high school job placement. Traditionally and historically, professional and technical employees have been treated differently than teachers. Such employees work 215 days a year while a teacher works only 185 days. In addition, these employees work eight hours a day, from 7:30 a.m. to 4:30 p.m., with a one-hour unpaid lunch. By contrast, teachers work 6-3/4 hours a day.

The Board projects that it would cost \$102,000 to reduce the work year as requested, and an additional \$117,000 to reduce the work day. This, of course, is true if it is assumed, as it should be, that the professional and technical employees are working efficiently throughout the school year and throughout the work day.

The School Board values its professional/technical employees, and it should be of concern to the School District that these employees now feel somewhat like second-class citizens and desire parity with the teaching staff. Professional/technical employees should be aware, however, that there are historical differences, not only in this district, but in other districts, in how teachers are considered and how other staff

people are considered. Traditionally, schools are closed in the summer-time, and it is for this reason that teachers are not required to work a full calendar year. The job, however, of a professional/technical does require work during periods when the schools are closed. To reduce the number of days they work a year would either result in needed work not being performed, or in the necessity to hire additional employees and stagger employees over the work year. Neither alternative can be accepted at this time because of the financial condition of the District.

I am not persuaded, however, that if the work day were reduced by a short amount of time that this would make it necessary to hire any additional employees. I suggest, therefore, that the Board consider a nominal reduction in the work day of professional and technical employees by a brief amount of time, of 15 minutes to 30 minutes, so as to provide some response to the concerns of these valuable employees. My recommendation is then not to reduce the number of work days per year, but to reduce the actual length of the work day by a period of time of at least 15 minutes and no more than 30 minutes a day. This relief, if granted, should not result in any additional cost to the District and will provide a symbolic recognition of the concerns of these able and valuable employees.

Issue #8: EARLY RETIREMENT INCENTIVE

The expired contract, contains a provision, Article 22, Section H, that entitles an employee retiring at age 55 with a minimum of ten consecutive years of service to a sum of \$10,000. Entitlement decreases by \$2,000 a year from age 56 through age 59, at which age the entitlement is only \$2,000. The Board has proposed changing this provision to couple it with entitlement under the amended State Teachers' Retirement Act, which Act provides pension incentives for early retirement, and to have one flat amount of \$10,000 for all retirees rather than the sliding scale currently provided. The Association's position is that an employee with 15 years of service should be entitled to a severance amount of \$25,000.

Listed below are the specific proposals of the parties:

Board's Position (Union 6):

The Board will make available during the 1985-86 school year an early retirement incentive program according to the following guidelines:

1. Full-time teachers with ten (10) years experience in the bargaining unit, excluding unpaid leaves of absence, will be eligible.
2. Teachers whose age and years of experience equal eighty (80) will be eligible.
3. The incentive will be offered at two separate times during the school year: in October for retirement at the end of the first semester and in February for retirement at the end of the second semester.
4. Teachers who qualify will receive a lump sum

payment of ten thousand and no/100 dollars (\$10,000) on or after July 1, 1986. Upon presentation of a valid number assigned by the Michigan Public School Employees Retirement System. Teachers will receive terminal payment for accumulated leave days at the time of the payment of the incentive.

5. There will be no double dipping -- current language in the master agreement concerning early retirement, Article 22, Section H, Item 2, will be deleted.

Association's Position (Union 7):

1. A full-time employee with fifteen (15) or more full years of total service in the Pontiac School District who applies for Severance Incentive shall receive a severance stipend in the amount of \$25,000.

2. Time spent on unpaid leaves of absence or layoff shall not be counted toward years of service.

3. In order to qualify for the provisions of the Severance Incentive Program, a teacher must submit written notification of intent to terminate employment, to the Superintendent, by April 15, 1986 and cause his/her termination from the school district to become effective no later than June 30, 1986. A teacher who wants to terminate employment other than at the end of the school year shall notify the Superintendent at least thirty (30) days prior to the effective date of the termination.

4. Payments will be made annually from the total from Section 1 above to be prorated equally over three (3) years. The dates of payment shall be arranged between the teacher and the Payroll Office. The first payment shall be no earlier than August 1, 1986.

5. Unemployment compensation collected by the teacher shall be deducted from the severance stipend.

6. Once a teacher terminates under the Severance Incentive Program benefit, the benefit may not be withdrawn because of a subsequent negotiation of the Teachers' Master Agreement.

7. For qualified teachers, the benefits of the Severance Incentive Program shall be paid in addition to the benefits included in Article 22, Section H, Item 1. However, the benefits of Article 22, Section H, Item 2 shall not be paid.

8. The Board shall provide \$25,000 term life insurance for three years to be paid to the estate of a deceased teacher who otherwise would have received benefits under this agreement.

Historically, incentives for early retirement have not been a recognized fringe benefit, at least until very recent years. In fact, the incentive for offering such inducements to employees to retire early has generally been to reduce employer costs. During the severe recession of recent years, large employers throughout the country, including many in this area, offered inducements to encourage employees to retire early. The purpose was to reduce payroll costs. Recently, both Ford Motor Company and General Motors have announced plans to reduce their white collar employment by a significant percentage over the next several years. These reductions will result from attrition and also by the offering of inducements to employees to retire early. Layoffs may, of course, also occur.

The point is that such incentives are first suggested by employers for the employers' ultimate benefit; they are not a traditional fringe benefit. The new amended State Teachers' Retirement Act does contain a significant inducement for teachers to consider early retirement, and that incentive, I would suggest, together with any inducements that the School District may provide, would encourage some teachers to take

retirement earlier than they would have without the incentives. Replacement teachers are generally hired at the fourth step level and will earn significantly less than the retiring teachers they replace.

An important distinction between the Association's position and the School District's position relates to entitlement to the pay. The Association's position is that a teacher is entitled severance and that any employee with 15 years of full-time service would be entitled to payment upon leaving the District. This procedure could result in the school system's losing some of its most valuable teachers. For example, a teacher who started teaching at age 22 would be entitled at age 37 to leave with \$25,000 and continue a teaching career in another school district. This is obviously not in the best interest of the School District, even if it might result in some initial savings in terms of replacement costs. I am persuaded that a proposal of this nature should be restricted to those who are actually retiring and should be coupled with the inducements of the revised State Teachers' Retirement Act.

I do believe, however, that significant financial benefit can inure to a district when teachers elect to take early retirement; substantial savings can result. It is true, as the School District argues, that there is no way of knowing for sure to what extent a teacher may have elected to retire early because of an extra incentive program and/or whether the teacher would have retired anyway. Clearly, if the teacher would have retired anyway, then the incentive payment is, or should be

considered, a pure cost item. If, however, the teacher would not have retired, then an incentive payment can be seen an investment in reducing future costs. I do suggest to the School District, therefore, that it may be in its enlightened self-interest to consider raising its offer to induce more teachers to retire.

The Association's proposal requires no payment to be made prior to August 1, 1986 and to be paid over three years. The Board might consider the feasibility of raising its offer somewhat and to make it payable over three years with the first payment commencing after the end of this budget year. Then, the item would not appear as an actual cost in this year's budget, although it might have to be reserved.

It is my recommendation that the incentive program be restricted to actual retirement, in conjunction with the State Teachers' Retirement Act. I suggest that the Board consider raising its offer by a sum of at least \$2,000 and no more than \$5,000. This incentive should be a one-time-only offer contained in a side memo, as suggested by the Association, rather than in the collective bargaining agreement. It should be provided that the amount can be paid over three years, with the first payment commencing after the expiration of this budget year. I recommend that the Board's proposal be adopted, except that an additional amount of \$2,000 to \$5,000 be paid. The entire amount, it is suggested, should be paid in three equal annual installments.

AMNESTY

This issue was not included in the original Petition for Fact Finding presented by the School District and the Association did not file a written answer. Had it done so it could have included additional issues. Cognizant of the School District's objections on procedural grounds, I must conclude that I do not have jurisdiction to consider this issue.

I am also confident that upon a successful resolution of this contract, the status of the pending unfair labor practice charges brought by each side will be resolved. Furthermore, there is nothing that I observed at the hearings to suggest that the Association need be unduly concerned over amnesty.

SUMMARY OF RECOMMENDATIONS

- Issue #1 : SALARY: 3 percent increase.
- Issue #2 : CLASS SIZE: to remain the same.
- Issue #3 : WEIGHTING MAINSTREAMED SPECIAL EDUCATION STUDENTS:
to remain the same.
- Issue #4 : BENEFITS FOR PART-TIME CONTINUING EDUCATION TEACHERS:
settled subsequent to the filing of the Petition for
Fact Finding.
- Issue #5 : NUMBER OF CONTACT HOURS FOR FULL-TIME CONTINUING
EDUCATION TEACHERS: settled subsequent to the filing
of the Petition for Fact Finding.
- Issue #6 : REDUCE THE CURRENT WORK DAY AND WORK YEAR FOR
PROFESSIONAL AND TECHNICAL EMPLOYEES: to shorten the
work day by 15 to 30 minutes; to make no change in the
work year.
- Issue #7 : SAVINGS FROM CHANGE IN EMPLOYEE BENEFITS: settled
subsequent to the filing of the Petition for Fact
Finding.
- Issue #8 : EARLY RETIREMENT INCENTIVE: to adopt the Board's
proposal except that an additional amount of \$2,000 to
\$5,000 be paid above the \$10,000 offered by the Board,
the entire amount to be paid in three equal annual
installments.

DATED: September 16, 1985

Elliot I. Beitner
ELLIOT I. BEITNER