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Kelman Maurice FF 10/5/84

STATE OF MICHIGAN

DEPARTMENT OF LABOR

EMPLOYMENT RELATIONS COMMISSION

In re Fact Finding:

RIVER ROUGE SCHOOL DIST.

-and- Case No. D84 C-523

RIVER ROUGE EDUCATION ASS'N

River Rouge Board of Education

REPORT OF THE FACT FINDER

Procedural history of the case

The matters currently in dispute include teachers' compensation for 1983-84 pursuant to a wage reopener in the 1982-1984 collective bargaining agreement and also the salary and fringes package for a new three year contract covering 1984-1987. Negotiations with respect to the wage reopener began in August 1983 and continued fitfully into the spring of 1984, with the union filing for fact finding on May 31, 1984. The self-disqualification of the person originally designated as fact finder, followed in turn by the resignation of a second fact finder, delayed bringing the case to a hearing. In the meanwhile negotiations concerning a new collective bargaining agreement began in mid-July 1984 and, having reached impasse, became the subject of an amended petition for fact finding filed by the Association on August 31, 1984. By the time the undersigned was appointed (September 6, 1984) the case encompassed the new contract dispute and the still unresolved matter of 1983-84 teacher salaries.

A strike was under way when the present fact finder was appointed, the teachers having refused to report to work on August 31 without a settlement. At a pre-hearing conference on Monday, September 10, the parties were directed to exchange exhibits on September 12, with formal hearings to begin on Friday, September 14. At the outset of the Friday hearing the Board's attorney, Mr. Wycoff, announced the employer's refusal to participate in the fact finding process while the strike continued, particularly because the teachers had resorted overnight to the tactic of a "camp in" at the high school building. Mr. Wycoff concluded his statement with a directive that all teachers were to report for work the next Tuesday, September 18, or face adverse (but unspecified) consequences.

The fact finder declared a temporary recess to consider the correct course of action to follow in light of the employer's walkout. When the Commission granted the union's application for fact finding it was of the opinion that (to quote the statute) "matters in disagreement between the parties might be more readily settled if the facts involved in the disagreement were determined and publicly known." The fact finder concluded that since the Commission had not withdrawn its order, he remained under a mandate to proceed even without the participation of the employer. Accordingly the Association was invited to present its case on Saturday, September 15 (one of the hearing dates agreed to at the preliminary conference). The procedure to be followed was that after the union had completed its presentation (and assuming that the employer still chose to absent itself), the record would be deemed closed and the case submitted, but that the fact finder would entertain any request by the Board to reopen the hearing if the request was made before his written report had issued. The Board was informed of these procedural rulings by telephone late on Friday, September 14.

On Saturday, September 15, the fact finder convened the hearing at the offices of the Commission. The Board was absent but did send a court reporter to make a stenographic record of the proceeding. A full day was spent hearing the Association's presentation, which consisted primarily of 68 documentary exhibits with explanatory testimony. The fact finder then declared the record closed and took the matter under advisement.

On Monday afternoon, September 17, the teachers ended their camp-in and decided to return to work the next day. A further negotiating session was held that evening, but failed to produce a settlement. On September 18 the fact finder received and granted the Board's request to reopen fact finding proceedings. Hearings were resumed on September 24 and completed on September 25 with the active participation of both parties. The Board's case-in-chief consisted of a 67 page packet plus four other documentary exhibits, as well as the testimony of four witnesses.

Thankfully this report is not the jejune outcome of an ex parte process but is based on information and arguments offered by both sides and subjected to full cross-examination and rebuttal. My hope, therefore, is that it will have the functional value that fact finding reports are meant to have, and that is to suggest a fair and financially affordable settlement.

Participating on behalf of the Association were:

Nancy Knight	MEA staff representative
Richard Ringstrom	MEA staff representative
Gerald Haymond	MEA staff representative
Lois Johnson	Chief negotiator
Esby Williams	RREA president
Kathleen Brehmer	Negotiating team member
Shirley Daigle	Negotiating team member
Helene Waters	Negotiating team member

Appearing for the Board were:

Charles Wycoff	Attorney
Curtis Bartz	Superintendent
William McCollum	Deputy superintendent
Fredric Rivkin	Director, state and federal programs
Evelyn Ockenas	Business manager
Harry Howard	President, Cleary College
Thomas Monteleon	CPA

The 1983-84 dispute

Under the 1980-82 agreement the teacher salary schedule in effect for 1981-82 was this:

Step	BA	MA	Second MA	PhD
0	16,295	18,085	19,966	21,936
1	17,657	19,465	21,346	23,316
2	18,991	20,970	22,849	24,820
3	20,449	22,473	24,354	26,327
4	21,765	23,978	25,860	27,882
5	22,786	25,480	27,362	29,331
6	23,942	26,986	28,869	30,836
7	25,107	28,490	30,370	32,340
8	26,233	30,083	31,964	33,934
9	27,576	32,412	34,291	36,261

By the parties' last agreement, covering 1982-1984, the union accepted a first year compensation freeze (1982-83). This meant no raise in salary and also, for those few teachers not already at step 9, it meant that no step increments were paid in 1982-83.* In addition the union agreed to a reduction in dental insurance coverage: 50%, 50%, and 75% of scheduled fees for Class I, II, and III services in place of the previous 60/60/75 coverage. Also frozen for 1982-83 was the "Schedule B" supplemental pay scale, which specifies added salary for extra duties and sets a general hourly rate for teachers ($11) and a per diem rate for substitutes ($40).

With respect to the year 1983-84 the contract stipulated that "[t]he parties agree to reopen negotiations" on the salary schedule and the other items mentioned above. As presented to the fact finder, the parties' last positions are the Association's September 7, 1984, revised proposals and the Board's September 24, 1984, revised offer. For 1983-84 the Association demands a 4% general salary improvement and payment of step increments based on normal step advancement during the freeze year of 1982-83. Thus, for example, a teacher who was at step 5 in 1981-82 and who received exactly the same salary for 1982-83 because of the wage freeze should be placed on and paid at step 7 of the 1983-84 salary schedule as finally determined by a new agreement.

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* All but 10 of the 118 teachers in the bargaining unit have reached maximum salary, and two of the ten were hired last year at the entry step.

The Association also seeks new health benefits for persons who retired in 1983, retroactive to 1983-84. The proposal is that the Board pay a supplemental premium in order to bring the medical coverage afforded by the statutory retirement system up to the level of coverage enjoyed by current employees. This entails not only improved health coverage but also vision and dental benefits not now granted by the retirement system.

The Board's position with respect to 1983-84 is that wages and step placement should remain frozen as they were in the preceding year -- in short, a zero wage offer. The Board is willing to upgrade retiree health insurance coverage for that year as proposed by the Association, but only on a single-subscriber basis excluding spouse (extension of coverage to the retiree's spouse would come in 1984-85 as part of the Board's overall four-year package proposal covering 1983 through 1987).

The 1984-87 dispute

The Association makes these salary demands for a new three year agreement:

* Salary increases of 6% for 1984-85, 7% for 1985-86, and 8% for 1986-87.

* The union also seeks to introduce into the contract a system of longevity pay, by which teachers with 15years' seniority would receive an extra 2% salary increase, teachers with 20 years' service would be raised by 3%, and teachers with 25 years' seniority would receive a further 4% raise.

* An increase of the hourly rate under Schedule B to $15 and of the daily substitute rate to $50.+

As for insurance fringes, the Association seeks these changes:

* restoration of dental coverage to the pre-freeze level of 60/60/75.

* a hike in life insurance coverage to $40,000 (from $25,000 under the expired agreement) with the addition of accidental death and dismemberment coverage.

* the choice of MESSA Super Med 2 as an alternative to the health care coverage now provided exclusively through Blue Cross-Blue Shield MVF 2.

* provision for a MESSA "fixed options" insurance program for those employees electing not to be included in the school district's health insurance program because a working spouse's own insurance provides full family health coverage. The fixed options would afford vision care, dental, and life insurance.

The Board's counterproposal for 1984-87 is this:

* Salary increases of 3% for 1984-85, 3% for 1985-86, and 3% for 1986-87. (The Board flatly rejects the demand for longevity pay).

Otherimprovements offered by the Board largely satisfy the Association's fringe benefit requests but are offered only as an indivisible part of the 0-3-3-3% wage package. On that premise the Board is willing to:

+ One minor item on the Association's September 7th list of demands was dropped at the fact finding hearing, viz., an increase from 50% to 75% in the "cash surrender value" of accumulated leave time.

* restore dental benefits to 60/60/75

* raise life insurance to $40,000

* improve vision care benefits with the VSPA vision plan

* permit teachers the choice of health insurance carrier so long as the premium does not exceed the Board's cost for Blue Cross

* offer fixed options for employees who do not select health insurance

* broaden the retirees' new (1983-84) health coverage to include spouse

* raise substitute pay to $50 and the hourly rate to $12.50

Arguments of the parties

The Association

The teachers of River Rouge recognized the district's deteriorating financial condition in 1982 and by submitting to a one year wage freeze they not only spared the district an even worse deficit but also improved the climate for enactment of new millage. The reopener provision for 1983-84 was bottomed on the expectation that the voters of River Rouge, historically a low millage community, would bring the property tax levy into closer alignment with the normal rates in Wayne County. The approval of an 8.4 mill increase in July 1983 fulfilled this hope. Raising millage from 25.65 to 34.05 not only enabled the Board to restore some of the previously discontinued programs and services (thereby preserving the high school's accreditation), but it also moved the district from a deficit of $621,000 in June 1983 to a positive fund balance of $467,000 a year later.

In the union's view, the hoped for "better days" have arrived, and the Board now has the obligation as well as the wherewithal to set salaries from and after 1983-84 that are commensurate with other settlements in the county.

The Board

The new millage is not a panacea, and the district's revenue needs are far from solved. While it is true that the budget has temporarily moved from deficit to surplus, two things need to be kept in mind. First, the current fund equity of $467,000 is really quite modest. As pointed out by Dr. Harry Howard, the Board's expert witness on school district management, it represents the minimum equity a district should maintain in order to avoid cash flow difficulties, i.e., an amount equal to two payrolls. Second and of deeper concern to the Board, there has been a significant erosion of the district's tax base as the result of lowered assessments recently granted to the major industrial taxpayer in River Rouge , the Great Lakes Steel Company, and further reductions are expected next year. For an "out-of-formula" school district which depends on local sources for ninety percent of its income, the loss of SEV threatens a return to deficits before very long, despite the welcome millage increase in 1983. Also contributing to the Board's anxiety about future budget gaps are the ever-escalating costs of employee health insurance and spiraling utility rates. With these concerns in mind, and convinced that the citizenry will not impose new taxes on themselves to finance teacher pay raises (River Rouge being a relative poor community, with depressed income levels, high unemployment, and an aging population), the Board believes that its 0-3-3-3% offer is as much as the district can afford.

Analysis

The situation of River Rouge teachers at the time of the 1982-83 wage freeze

The 1980-1982 contract elevated the MA maximum salary in River Rouge to 4th place among the 27 Wayne County school districts that are represented by MEA locals (and which the Association deems the most pertinent comparables).* From a review of the Association's own exhibits, the following facts emerge:

1) No other district in 1982-83 paid higher MA max salaries with lower property tax rates than River Rouge's 25.65 mills.

2) No other out-of-formula district in 1982-83 paid higher MA max salaries with a per pupil SEV lower than River Rouge's $91,000.

3) 10 districts (four of which were out-of-formula) paid lower MA max salaries in 1982-83 with higher total millage rates.

4) 3 districts with higher per pupil SEV's paid lower MA max salaries in 1982-83.

5) 8 other MEA districts also accepted a voluntary salary freeze

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* Since a majority of the bargaining unit members -- 65 of 118 teachers -- are at MA step 9, that salary level is the most meaningful basis for drawing comparisons. This does no injustice to the BA schedule, which bears approximately the same relationship to the MA scale as do BA tracks in other districts.

for 1982-83. Six of them did so at a time when their MA max was below River Rouge's $32,412, and three of those districts still have not reached that salary level even with increases of 3 to 5% for 1983-84.

From these facts I conclude that River Rouge indeed was a "low effort" district before the addition of 8.4 mills to its tax rate in 1983, but at the same time the Board was an uncommonly generous employer in relation to its available resources. River Rouge teachers enjoyed an advantageous -- one could even say an unnaturally high -- salary position in a county known for paying good salaries. The offsetting cost of that favorable treatment can be seen in the severity of staff reductions when a decreasing student population and falling revenues forced the Board to cut expenditures. Whereas student enrollment in River Rouge declined 12% from 1979 to 1982, staff cuts in that period amounted to 37%.*

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* The Association contends that teachers' salaries represent a diminishing proportion of the district's total spending, and that this pattern has persisted even after a number of teaching positions were restored in 1983-84. The implication is that the Board has chosen to devote its resources to other things besides classroom instruction. To be sure, Association Exhibit 15 shows that teacher salaries constituted 50.7% of the district's operating expenses in 1979-80 but declined in each succeeding year, accounting by 1983-84 for just 43.7% of operating expenditures. But if one is to come to realistic conclusions about teaching costs, the more significant figure is the combined cost to the employer of salary and fringe benefits. While salary <u>per se</u> declined as a percentage of total district spending, employee benefit costs (mostly attributable to teachers but also including other job classifications) were moving in the opposite direction as if by some Newtonian law of mechanics -- from 10.6% of expenditures in 1979-80 to 17.3% in 1983-84. The net result is that salary-plus-fringe costs have remained virtually constant in percentage terms (61.3% in 1979-80, 61.0% in 1983-84).

Significance of the 1983 millage

What was the rationale for the 8.4 millage proposal submitted to River Rouge voters in the summer of 1983? There is no doubt that it was meant primarily to restore programs (at least partially), to revive building maintenance, replenish books and supplies, and in general to bring the district back to solvency. The specific impetus seems to have been the high school's loss or threatened loss of accreditation after the 1982-83 school year. That is the sort of thing that Samuel Johnson would say "concentrates the mind," and it explains how it could happen that a more modest 4 mill proposal was defeated earlier in 1983 while the 8.4 mill proposition succeeded a few months later -- but only after the accreditation crisis occurred.

This legislative history does not mean that none of the revenue generated by the increased millage can rightfully be applied to salary improvements for teachers. There is no evidence that any such commitment was made to the voters and, in my opinion, it would have been unconscionable for the Board to have given a negative pledge of that kind. It deserves to be remembered that even with the new millage the River Rouge school district falls below the county-wide average tax levy. If there is ever a time for earmarking operating millage to certain exclusive uses, it is after a district has distinguished itself in tax effort, not before. What the Board promised the electors in 1983 the Board has in fact delivered: significant restorations, both in program and in physical maintenance. Beyond these priorities it is entirely proper and sensible to apply the general revenues of the district to regular operations, whether that involves paying higher heating bills or paying reasonable wage increases. The work force clearly has a just claim for some salary improvement after having sustained a wage freeze. And implicit in the 1982-1984 agreement is an expectation of second year raises if adequate funds became available to the district. Why, after all, was the contract written in terms of a one year freeze with a second year reopener rather than straightforwardly as a two year no-raise agreement? Surely it was because both parties awaited extrinsic events that would shape the Board's ability or inability to finance increases in the second year. A worst case scenario might well have forced the freeze to continue. But a 32% increase in the property tax rate -- which is what the 8.4 millage hike amounts to -- looks very much like a best case scenario. In these circumstances it is not unwarranted for the teachers to expect some salary recognition for 1983-84. This expectation is further supported by the epilog in the other Wayne county districts that negotiated a 1982-83 freeze of teacher salaries. As noted earlier in this report, there were eight such districts. At last word, two are without settled contracts for 1983-84 (Lincoln Park and Westwood), but the other six have granted 83-84 raises ranging from 3% to 7.1% and averaging five percent. They are Flat Rock, Gibraltar, Plymouth-Canton, Redford Union, Riverview, and South Redford. No district thus far has persuaded teachers to endure a freeze for two consecutive years.

Budget outlook for 1984-85 and beyond

The Board's 0-3-3-3% wage offer is based on its projected budget for the next three years. A major premise of the 1984-85 budget is the estimate of $8.009 million in local revenue. For 1983-84 the district's actual income from local sources was $8.589 million. It therefore appears that the Board is anticipating a falloff of $580,000 or 6.7%.* It is undeniable that the district's SEV declined last year as the result of some industrial reassessments, and the effect of that decline will be felt in the current year's tax collections. But the Board's own figure for 1983-84 tax base -- $249.5 million -- reflects an SEV drop of only 4.6%. There is reason to believe, then, that the revenue projection for 1984-85 is overly pessimistic. Nor would this be the first time that the Board has underestimated revenue. As Association exhibit 12 shows, the budget projections last year understated revenues by 3.4% (and also overstated spending by 2.3%). In the nature of things such estimates are never exactly on target -- Dr. Howard thinks they have a standard error rate of 1 or 2 percent -- and it is not unnatural for budgetmakers to err purposely on the side of prudence. But it is also the case that within the margin of error in budgetary projections may often be found the funds required to provide a satisfactory wage settlement. If the Board is underestimating total revenue for 1984-85 by the same 3.42%

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* Indeed, for total district revenues, including state and federal aid, the Board projects a 7.8% decline in 1984-85.

factor that infected its projection a year ago, the extra revenue involved comes to $274,000 -- a sum sufficient to cover a 7% salary increase (based on an unimproved 1983-84 wage base for 119 teachers of $3,736,676 -- a figure furnished by the employer).

The revenue projections for future years, 1985-86 and 1986-87 are subject to even more guesswork and higher error rates. And once more the Board seems to be proceeding from worst case assumptions about tax losses and fixed costs. How inevitable is the "anticipated reduction to Great Lakes Steel of 15% in personal property assessment"? Does it follow that no other property assessments in River Rouge will go up? And in any event, the local revenue estimates for 1985 to 1987 proceed from the Board's projection for the current year -- a projection which, as just discussed, seem to be too low. My conclusion is that the district's foreseeable revenues will support a better wage package than the Board's September 24th offer proposes. I cannot adopt that offer as my recommendation on the single basis that it reaches the limit of the district's "ability to pay."

Fact finder's recommendations

Based on salary patterns and recent settlements elsewhere in Wayne county, and in light of the facts reviewed in this report, I recommend the following settlement to the parties:

Salary

For 1983-84 I recommend a 3% salary increase. In the case of teachers below maximum, I suggest schedule placement based on uninterrupted step progression (so that the only lost increment would be the one payable in 1982-83 but for the freeze).

I recommend a further increase of 4% for 1984-85. In place of a separate retroactive payment of the 1983-84 increases, I suggest that the teachers receive during the current year a conflated raise of 7.12% based on Schedule A of the last contract.

For 1985-86 I recommend an additional 4% salary improvement.

I offer no specific recommendation for 1986-87 salaries. Only four MEA districts in Wayne County have reached agreements extending past 1985-86, and that is too limited a sample from which to derive a pattern. Furthermore, when one attempts to set salaries two or three years in advance, the calculation will not be based on solid economic, fiscal, or political data, but on intuition, hope, fear, or other subjective factors. It is apparent that both sides would like to conclude a three year contract but only they can determine the dollar value to themselves of extended labor peace. What I suggest is simply this: if the parties are unable to come to terms for a third year (and their last proposals are farther apart for 1986-87 than for the preceding years), they should content themselves with a two year pact.

Fringes

At the last hearing the Association pronounced itself satisfied with the fringe benefit components of the Board's September 24th proposal (enumerated on page 8 of this report). I recommend that those items be accepted by both parties in the context of the suggested 3-4-4% salary package.

Comments

It will be noted that the fact finder does not endorse the Association proposal for longevity raises in addition to regular salary improvements. Since 96 of the 118 teachers in the bargaining unit would qualify immediately for longevity payments, the proposal is tantamount to a general pay raise beyond the across-the-board increases sought by the union or recommended in this report. The Association did not attempt to justify its demand through comparisons with other school districts. The fact finder was not informed of other teacher contracts that provide these add-ons. This is a striking omission when virtually every other Association demand was the subject of extensive comparison with agreements in other districts. The claim for internal parity (custodians and secretaries in River Rouge receive longevity pay, therefore the teachers should) is an unpersuasive apples-and-oranges argument. Whatever the wisdom of longevity bonuses in a school system whose teaching staff covers the gamut of age and experience, it does not fit the current situation. When all the younger teachers have been lost through deep staffing cuts -- indeed, when a district has a score of teachers on layoff who have already reached maximum salary -- longevity commands no special reward. One might say that in today's straitened circumstances, the value of lengthy service is being amply recognized in the seniority and layoff articles.

With respect to my 1983-84 recommendation, I believe that a salary increase is in order. Some of the reasons have already been mentioned in this report. Teachers in no other comparison district accepted a two-year wage freeze running through 1983-84. Whatever its special problems and characteristics, River Rouge does have the financial capacity to grant a wage increase for last year, and to do that is not at all incompatible with program restoration and upgraded maintenance. On the other hand, the recommended increase is below the 5% average settlement county-wide for last year. Part of the reason is fiscal: the benefit of the 1983 new millage has been reduced by the district's recent loss of SEV. Also, River Rouge salaries were at a comparatively high point when the freeze took effect. Consequently the sacrifice, though real, was not as profound as in many of the other districts whose teachers also accepted a freeze.

These considerations also serve to moderate the size of the raises recommended for 1984-85 and 1985-86. The 4% improvement factor is below the average settlement of 5.21% for the current year in 14 other MEA districts in the county, but is as much as this employer can responsibly be asked to concede. The fact finder's recommendation elevates the MA maximum salary to $34,720 in the current year and to $36,109 next year. It raises the BA maximum to $29,539 for 1984-85 and $30,720 for 1985-86. This level of compensation, combined with improved fringe benefits, is substantial on any comparisons. It is fair to the teachers, yet sustainable by the district.

In closing, I express my appreciation to the representatives of the Association and the Board for the excellence of their presentations. My sincere hope is that this report will help the parties to achieve an amicable settlement.

Maurice Kelman

MAURICE KELMAN, Fact Finder

Dated: October 5, 1984