

STATE OF MICHIGAN  
DEPARTMENT OF LABOR  
MICHIGAN EMPLOYMENT RELATIONS COMMISSION

In the Matter of:  
ST. IGNACE AREA SCHOOLS  
and  
ST. IGNACE EDUCATION ASSOCIATION

Case No. G80 L-1738

John Reed 3-16-81

Appearances:

James J. Brown, for St. Ignace Area Schools  
Dennis Zyskowski, for St. Ignace Education Association  
Before John W. Reed, Fact Finder

FACT FINDER'S REPORT

I. INTRODUCTION

These fact finding proceedings arise out of collective bargaining negotiations between the Board of Education of the St. Ignace Area Schools (the Board) and the St. Ignace Education Association (the Association). The Association is the bargaining representative for the more than forty teachers in the district. There are more than eight hundred students in the system, including Adult Education students; in addition, there are more than fifty tuition students from Moran Township.

On November 6, 1980, the Association filed with the Michigan

ST. IGNACE AREA SCHOOLS

Employment Relations Commission a petition for fact finding in its contract dispute with the Board. On January 28, 1981, the Commission appointed John W. Reed as its fact finder and agent to conduct a fact finding hearing pursuant to Section 25 of Act 176 of the Public Acts of 1939, as amended, and the Commission's Regulations, and to issue a report with recommendations with respect to the matters in disagreement.

A fact finding hearing was held in the library of La Salle High School, St. Ignace, on Monday, March 16, 1981, from 1:45 to 7:30 p.m. Representing the Association was Dennis Zyskowski, Negotiator; also present from the Association were Jacquelyn Wroblewski, Richard Soczek, Patrick Duflo, and Thomas Olson, teachers. Representing St. Ignace Area Schools was James Brown, President of the Board; also present on behalf of the Board were David Walker, Treasurer, and Jerry Gallagher, Superintendent. The Board presented as witnesses Mr. Gallagher and Mr. William Schroderous, the Board's auditor. The Association presented no witnesses formally, but virtually all persons listed above made statements at various times during the informal hearing. Well-organized and indexed exhibits were submitted and explained by each party. On request of the Association, the Fact Finder ruled that a limited number of teachers could observe the hearing, and approximately a half dozen were present for portions of the session.

## II. FACT FINDER'S POWERS

Section D.2 of Article XVIII of the existing contract between the parties provides for "binding fact finding," and states

that the Fact Finder "shall have the power to select (1) the total last offer by the Board, (2) the total last offer by the Association or (3) a compromise between the two last best offers." Thus, the Fact Finder's "recommendations" are binding on the parties, as awards; and the parties expressly so agreed at the hearing.

### III. ISSUES

The parties stipulated that tentative agreement had been reached on all contract issues except four:

1. Length of the contract
2. Salary scale (B.A.; M.A. to be derived from B.A. schedule)
3. Dental insurance
4. Length of school day

This report, then, deals with those four issues.

### IV. DISCUSSION

#### 1. Length of Contract

The Association seeks a contract for the two years 1980-81 and 1981-82. The Board proposes a one-year contract covering only 1980-81, offering neither a salary scale nor other terms with respect to 1981-82. The Association believes that a two-year contract which would provide a somewhat larger pay increase in the second year (Association Exhibit I-4) would be reasonable in that it would offset what the Association regards as its offer of a marginally adequate scale in the current year and would

afford the Board more time in which to assemble the resources with which to meet the costs of the higher scale the Association seeks in the second year. The Board, on the other hand, believes that economic and program uncertainties make a two-year contract improvident.

Multi-year contracts are, of course, not uncommon. Of the 48 settlements listed in the Board's Exhibit 8 (M.E.A. contract settlement reports), approximately half (25) are multi-year, and the Fact Finder feels free therefore to choose either pattern. Of the 25 reported settlements that are multi-year, however, only seven appear now to be in the first year of the contract, which suggests that long-term arrangements are somewhat disfavored in this particular era.

The record amply supports the proposition that the district's 1981-82 revenues are more difficult to predict than usual. State aid is vulnerable to Michigan's continuing economic crisis. Adult education revenues are based on an unstable student count. Federal funds will be diminished to an extent yet unknown. And, though of debatable magnitude, local tax collection problems seem likely to increase because of the extraordinarily high unemployment in the area. The Fact Finder believes that, under these circumstances, the Board cannot make a realistic 1981-82 offer.

Concededly it will be necessary for the parties to move quite soon to the negotiation of a 1981-82 contract. Indeed, in a more predictable environment, the parties would, ideally,

have commenced negotiations for 1981-82. This, however, is not a normal year for the parties. One might estimate the teachers' economic needs in relation to an assumed inflation rate, but large fluctuations in the actual rate and differing assessments of the probable future rates would make such a determination little more than guesswork. In any event, the level of the Board's ability to pay is, as observed above, unusually unpredictable, with large economic and governmental uncertainties. The Fact Finder believes it would be unwise to saddle the parties now with a 1981-82 pay scale which might quickly prove unrealistic, necessitating emergency measures that would be against the best interests of both parties and of the community which they serve.

Accordingly, the Fact Finder concludes that determination of 1981-82 contract terms is premature, and he therefore deals with the remaining issues in the context of 1980-81 only.

## 2. Salary Scale

The parties' last best salary offers for 1980-81 (for teachers with Bachelor's degrees) were as follows:

STEP	BOARD OFFER	ASSOCIATION OFFER
1	\$11,087	\$11,475
2	11,697	12,106
3	12,341	12,773
4	13,019	13,474
5	13,735	14,214
6	14,443	14,946
7	15,237	15,768
8	16,075	16,637
9	16,959	17,553
10	17,892	18,516
10+	19,397	19,599

The Board's offer represents rate increases over 1979-80 salaries of 2.5% in Steps 1 to 10 and 6.5% in Step 10+. The Association's offer provides rate increases of 6.1% in Steps 1 to 10 and 7.6% in Step 10+.

The salary scale for staff members with Master's degrees is derived from the scale for those with Bachelor's degrees according to a formula on which the parties have tentative agreement.

Teachers on Steps 1 to 10 receive increased income, even without rate increases, by virtue of moving up one step each year. That increase on both the Board's and the Association's scales is at the rate of 5.5%. Because the teaching staff is mature in point of service, only 53% of the staff are entitled to step increases; 47% are already at Step 10+ and receive no step increases.

The parties are in agreement that the salary costs under the Board's offer will be \$781,356, and under the Association's offer \$798,407. Thus the difference is \$17,051.

At the threshold, the Board earnestly contends that the step increases for teachers below 10+ provide 5.5% increases in the pay of all such teachers and should be taken into account in determining the reasonableness of the Board's offer, producing for each such person an aggregate increase of 8%. It also notes that the step increases require new money, in addition to any money required for rate increases. The Association responds that it is inappropriate to allow the step increases already in

place to substitute for increases in rates in response to inflation.

With regard to the contention that the step increases for teachers below 10+ require new money, in addition to any money required for rate increases, the Board is of course correct because there is so little change in personnel. In a much larger system, normal staff turnover would tend to neutralize the cost impact of step increases. But St. Ignace has the educational benefits of a relatively stable staff, with the accompanying expense of step increases. Of course the Fact Finder must take those costs into account in determining the Board's ability to pay. He does not, however, consider existing step increases an improvement in the teachers' compensation package. Rather, the Fact Finder concludes that the step increases are designed to provide compensation for the added value of prior experience. Essentially, they represent advancements in rank, entitlements reflecting experience and maturity. They should not be treated as substitutes for cost of living adjustments. Accordingly, the Fact Finder rejects the Board's position on that issue.

The heart of the Association's argument for the increases sought is the current high cost of living and the severe erosion of teachers' real wages that has resulted from rampant inflation. The Association suggests that even its offer would leave the Bachelor's degree teachers with a loss in real income of 4.6% at Step 10+ and 6.0% at Step 1, and that the Board's offer would produce declines of 5.6% and 9.2% respectively (Association

Exhibits III-1, III-2).

In addition, the Association points to increases in the compensation rates of other teachers and of other public employees, arguing that its offer is supported by increases granted in comparable school districts. It also calls attention to Board financial policies which it believes unwise, including a planned transfer of \$35,000 to the Building and Site Fund to restore the amount taken therefrom when needed in an earlier year. It argues that the Board has given increases to administrators in recent years and to non-certified employees in the current year significantly larger than those being offered the teachers. Finally, the Association argues that the Board's income and General Fund Balance are sufficient to permit it to meet the Association's demands.

The Board maintains that its scale is one of the highest among comparable schools and that this has been accomplished despite the fact that the district's state equalized valuation per pupil is one of the lowest among the Upper Peninsula and northern Lower Peninsula districts (Board Exhibit 21). It disputes the Association's figures with respect to the size of increases in the compensation of its other employees. It states that the restoration of the amount "borrowed" from the Building and Site Fund has not taken place and is not likely to occur in the current year; but it avers that when the most recent millage renewal was passed, it was with the understanding that the Board would in due course replace the transferred funds and make cer-



tain program improvements, which will be difficult if the Association's offer is accepted. Finally, the Board argues that its General Fund Balance is not, in fact, available for expenditure, that it has plant and equipment needs, and that its income is uncertain because of a rising rate of tax delinquencies.

The Fact Finder agrees with the Association that the cost of living is a factor that should be taken into account in setting an equitable salary scale. At the same time, he agrees with the Board that the cost of living cannot be controlling; inflation is a common affliction in 1981, and no group can be guaranteed immunity.

In dealing with economic issues, the Fact Finder believes in trying to arrive at a settlement in line with what he thinks the parties themselves would have concluded had their negotiations been successful. In his view, the best guide to what the parties might eventually have agreed upon is the type of settlement reached in comparable districts. Occasionally, of course, this approach must be tempered by a recognition of the peculiar needs or limitations of one or both of the parties to the proceedings.

The parties presented the Fact Finder with a range of teachers' salary figures for comparative purposes. In addition, the Association submitted information on the salaries of some non-teacher groups in the public sector. While the parties did not agree on any particular grouping of districts as controllingly comparable, the figures presented have a sufficiently con-

sistent pattern to make them useful to the Fact Finder.

In the Board's favor, it may be noted that the dollar amounts paid St. Ignace teachers rank well in comparison with teachers in comparable districts. Even if the Board's offer for 1980-81 were implemented, the teachers would still be relatively well paid. For example, of the twelve districts listed by the Board in its Exhibit 4, none has a higher figure at Step 10+, and only Munising has a higher figure at the top, after more steps. Even among the Association's list of fifty comparable schools (Exhibit II-10), St. Ignace's Step 10+ salary ranked sixth in 1979-80 and would be seventh in 1980-81 whether the Board's or the Association's figure be chosen; in amount it would be 96.1% or 97.0% of the lead salary in the group. The existing step increases and the speed of movement to the top step are among the best in any list of comparable districts; and with a staff with low turnover, step increases require "new money" from the Board. Surely the Association cannot fault the Board for the earnestness of its attempt over the years to pay its teachers well in comparison with similar districts and so to provide the community with a superior school system. Especially is that remarkable when, as noted above, the district's state equalized valuation per pupil is one of the lowest in the area. It is a remarkable record of stewardship by the Board and support by the community.

There are, however, overriding considerations in support of the Association's position on this matter. First, the strong

salary schedule just noted is in fact in place and has been for a number of years (Association Exhibits II-10, II-12), which creates a kind of equitable claim in a group of teachers who could reasonably have anticipated from past bargaining history that St. Ignace would try to maintain a relatively high scale among comparable districts.

Second, as reported in excerpts from the 1980-81 M.E.A. Contract Settlement Report (Board Exhibit 8), the increases in B.A. maximums, in the 48 districts listed, range from 3.86% (Detour) to 18.75% (Marquette City). With the districts divided into three groups, the average increases are, respectively, 7.49%, 7.75%, and 6.90%. In the 1980-81 MASB/MASA Contract Settlement Report (Board Exhibit 7), the average increase in B.A. maximums for 18 schools ranging from 751 to 1,000 students averaged 7.7%. Allegedly comparable districts cited by the Association have median increases at approximately 8% (Association Exhibits II-4, II-5). Although the Board and the Association disagree as to the amounts of the percentage increases in the pay of the Board's administrators and non-certified staff (compare the Association's Exhibits II-15 to II-20 with Board Exhibit 13), even the Board's Exhibit reports increases for its non-certified staff of 6.84%; and it lists increases of 7% or more for other public employees in the area.

Having rejected the inclusion of step increases in determining the reasonable salary figures, the Fact Finder concludes that the Association's proposed rate increases of 6.1% (Steps

1 to 10) and 7.6% (Step 10+) are more appropriate than the Board's offer of 2.5% and 6.5% respectively. In the light of inflation, even the Association's figures represent losses in real income of 4.6% to 6.0%; under the Board's offer, the declines would be even greater. Teachers are not unique in their loss of buying power to the ravages of inflation, and they cannot be immunized from it; nor will they be immunized by either of the proposals here considered. But one should not choose less than the Association's offer here unless it is beyond the Board's reasonable capacity to pay.

On the issue of the Board's financial capacity, there was considerable discussion of the true value of the Board's general fund balance. Nominally the balance is \$98,717, but two-thirds of that represents the amortized value of buses. Included also is a large amount of delinquent taxes (\$146,222), and delinquencies are increasing because of depressed economic conditions in the district. By the Board's calculations, the fund equity is illiquid and it would be unwise to deplete non-cash fund equity. On the other hand, most of the taxes receivable in any year are ultimately paid (see Form B Supplement in Board's Exhibit 18), and, to date at least, delinquencies represent primarily a cash flow problem. Indeed, short term borrowing by the Board appears to be standard operating procedure. Further, the Board's adjusted budget for 1980-81 (dated February, 1981) predicts an excess of revenues over expenses in the amount of \$27,772 (Board Exhibit 19), and that budget already takes into

account the step increases for teachers on Steps 1 to 10 at the 1979-80 rate.

The Fact Finder concludes therefore that the Board has sufficient resources with which to pay 1980-81 salaries at the rates proposed by the Association and that it is reasonable to require it to do so.

[The Fact Finder notes that the decline in the district's enrollment in the past five years (25%) has not been matched by the decline in the number of certified staff (13%) (Board Exhibit 14). The Board's concern about the scope of its program (Board Exhibit 24) is understandable, and both the Board and the Association must come to grips in future collective bargaining with the program and personnel consequences of the almost inevitably conflicting trends in enrollments and salaries.]

### 3. Dental Insurance

The Association proposes inclusion of a provision for dental insurance ("Delta Dental Plan Auto+, Single Subscriber Rate"), at an estimated cost of \$8,595. The Board, arguing adequacy of the existing insurance benefits, includes no dental insurance in its offer.

Dental insurance is an increasingly common fringe benefit. Eight of the fourteen schools in Region 16A now provide it in some form (Association Exhibit II-24). Like most fringes it tends, because of tax treatment, to provide employees with greater value per dollar paid by an employer than do equivalent salary increases.

The cost of dental insurance, however, as calculated by the Association, would represent approximately a 1% increase in the compensation element of the budget. The Fact Finder believes that the 6.1% (Steps 1-10) and 7.6% (Step 10+) increases in the salary scale already determined are a fair improvement in the teachers' compensation in the light of Board resources, and that another percentage point improvement in the contract is warranted neither by comparable contracts nor by the resources available. Even without dental insurance, St. Ignace remains a leader among comparable districts in its compensation package.

If it be suggested that the 1980-81 year is nearly over and that the premium for the remaining period would in fact be very small, which the Board could easily afford, the response is that a second reason for rejecting the Association's offer is that adoption of a dental insurance plan at this point would create assumptions with respect to 1981-82 that are inconsistent with the Fact Finder's decision to award a one-year contract. Though not in form a 1981-82 provision, there would be a natural tendency to so regard it.

This, of course, implies no suggestion whatsoever that dental insurance is not an appropriate subject for future bargaining between the parties. The Fact Finder is unwilling, however, to adopt a proposal that is of relatively little consequence in the contract year under discussion and which likely would have most of its practical impact in a year as to which the Fact Finder has decided not to impose a contract.

#### 4. Length of School Day

The parties agreed to a shortened school day for the 1979-80 school year. The time lost was to be charged to lunch hours, with no change in the length of class periods. It proved not possible to feed the students in the shorter periods; and when the lunch hours were necessarily lengthened, class periods were slightly shortened. The Board seeks to extend the school day for all teachers by ten minutes, permitting restoration of the instructional time lost. It offers contract language that would achieve that end (Board Exhibit 10).

The Association proposes retention of the current schedule, arguing somewhat inconsistently, first, that the instructional time lost is essentially insignificant and, second, that restoring the earlier schedule would add the equivalent of 4 days (secondary) and 4.6 days (elementary) to the teachers' working time, representing a 2.2% or 2.6% increase in their work (Association Exhibits V-1, V-2).

Clearly it is not possible to change the 1980-81 schedule retroactively, and the issue becomes whether to direct a change for the balance of the current year. The parties did not address themselves to the feasibility or wisdom of a schedule change in mid-second semester. The Fact Finder assumes that a change is feasible but doubts its wisdom once school and community have adjusted to a particular semester's patterns. Moreover, the shortness of the time remaining suggests that a change would be more symbolic than substantial. As noted above in the discussion

of the dental insurance issue, the Fact Finder is reluctant to adopt a provision the primary practical effect of which is likely to appear in the 1981-82 year. Again the Fact Finder's decision in no way suggests that the matter should not be the subject of future bargaining between the parties, but he is unwilling to adopt a proposal likely to have its principal effect in a year not covered by this contract.

#### V. AWARDS

The Fact Finder hereby recommends:

1. The parties' contract shall be for the year 1980-81.
2. The salary scale for teachers holding Bachelor's degrees shall be:

STEP	SALARY
1	\$11,475
2	12,106
3	12,773
4	13,474
5	14,214
6	14,946
7	15,768
8	16,637
9	17,553
10	18,516
10+	19,599

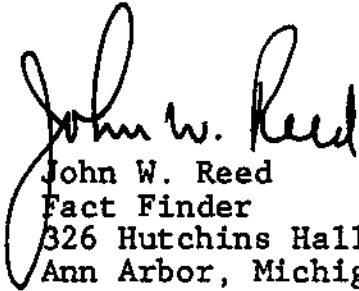
The scale for teachers with Master's degrees is derived from the foregoing scale by a formula already agreed upon by the parties.

3. There shall be no dental insurance provision in the contract.

4. There shall be no change in the length of the school day in the contract.



The Fact Finder retains jurisdiction to resolve any disputes that may arise concerning the interpretation or implementation of this report and award.

  
John W. Reed  
Fact Finder  
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Ann Arbor, Michigan 48109

April 6, 1981