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STATE OF MICHIGAN

EMPLOYMENT RELATION COMMISSION

- - James McCormick 1-4-73 - - -

SAULT STE. MARIE AREA PUBLIC SCHOOLS,

Public Employer,

- and -

SAULT EDUCATION ASSOCIATION,

Public Employee Organization.

Sault Ste. Marie Area Public Schools

FACT FINDER'S REPORT

For the Public Employer: William Poppink, Superintendent; and Walter Jackson, Administrative Assistant.

For the Public Employee Organization: John McDonald, Chief Spokesman; Ann Speicher, President; David Gonyeau, Professional Negotiations Chairman.

The above-captioned matter came on for hearing at Sault Ste. Marie, Michigan, on August 20, 1969, before the undersigned fact finder, duly appointed by the Michigan Employment Relations Commission, pursuant to a joint petition for factfinding filed by the parties hereto.

On the basis of exhaustive evidence presented at the hearing, including comparative statistical data and other documentation, the undersigned submits to the respective parties and to the concerned public of Sault Ste. Marie the following findings of fact and recommendations for a fair and equitable resolution of the impasse which has developed in negotiations for a 1969-1970 master contract covering teacher salaries and working conditions.

SUMMARY OF FINDINGS AND RECOMMENDATIONS

Based upon my analysis of the Sault Ste. Marie dispute, I find that both parties have bargained in substantially good faith in a sincere effort to reach a workable solution. With regard to the overriding issue, that of salaries, my findings, concisely stated, are that:

(1) the Board of Education's (hereinafter referred to as the Board) last offer is not quite on a par with settlements in comparable school districts,

(2) the Board's offer at least keeps up with cost of living increases,

(3) the Sault is in a relatively poor economic position in relation to the State as a whole and in relation to the Upper Peninsula,

(4) both the City property taxes and the total school millage burden are high in the Sault as compared to the rest of the Upper Peninsula,

(5) taxes for school operation (15.5 mills), including salaries, are relatively low in the Sault, but debt reduction millage (6.94) is high and results in the high overall school tax rate of 22.44 mills,

(6) State equalized valuation (SEV) of taxable property in the Sault School District ($52,477,000.00 or $11,851.00 per pupil) is rising at a very slow rate when compared to either the State as a whole or the Upper Peninsula in particular,

(7) the Association's salary demands are not beyond what teachers ideally should be paid when compared to compensation received by other occupations in our economy,

(8) anticipated revenues from local, State and Federal sources are insufficient to provide any salary increase beyond that already offered by the Board unless program cuts are made,

(9) the cost of teacher salaries and fringe benefits as proposed by the Board ($1,625,000.00) and as proposed by the Association ($1,850,000.00) are $225,000.00 apart,

(10) the Board may not knowingly adopt a deficit budget, since such conduct is now a criminal misdemeanor under the State Aid Act,

(11) it is too late to schedule a millage election to raise more taxes for the school year now beginning,

(12) the parties ought to agree to a B.A. starting salary of $6,700.00 with a 4.5% base index, which will cost the Board an additional $25,000.00, to be financed primarily by a small reduction in teaching staff, and

(13) the parties ought to consider a two-year contract, with a substantial raise the second year, as an alternative to the solution proposed in paragraph number 12.

FINDINGS OF FACT

The Board expects a fourth Friday enrollment of 4,428 students, representing a slight decrease. There are 184.5 teaching positions in the system. In 1968-1969 the teacher salary schedule was based upon a starting salary (for a teacher with a Bachelor of Arts degree) of $6,400.00 with eleven annual steps (increments), each amounting to 4.5% of the $6,400.00 starting salary. At the eleventh step a B.A. teacher received $9,568.00. The salary schedule for teachers with the M.A. (Master of Arts) degree was somewhat higher, and was predicated upon the B.A. salary schedule, as is customary in public school systems.

The Board has offered a 1969-1970 salary schedule beginning at $6,600.00 for a B.A. teacher, retaining the 4.5% base index, resulting in a salary, at the eleventh step, of $9,867.00, or about $300.00 higher than the previous year. In addition, the Board has agreed to contribute $386.00 to the cost of group hospital-medical insurance for each teacher, at a total insurance cost of approximately $70,000.00. It should be stressed that the Board has provided no hospital-medical coverage up to the present time, and that such fully-paid insurance is a major goal of the Association in this year's bargaining. According to the tentative agreement on insurance, any teacher not desiring the coverage (as, for example, where a female teacher is covered by a group policy where her husband is employed) may elect to have the equivalent of the $386.00 premium added to the yearly salary. Thus, viewed realistically, the Board's offer would amount to $586.00 ($200.00 plus $386.00) for a beginning teacher, and approximately $686.00 ($300.00 plus $386.00) for a teacher at the eleventh annual step.

The last demands of the Association are for a schedule beginning at $6,800.00 for a B.A. and moving through eleven annual steps to a B.A. top salary of $11,630.00. While the first step is only $200.00 more than the Board's $6,600.00 offer, the eleventh step is $1,763.00 ($11,630.00 minus $9,867.00) above the Board's last offer. In order to understand this extraordinary rise, it is necessary to consider the method proposed by the Association for computing annual step increments. The Association is proposing adoption of compound annual increases of 5% of the preceding step, referred to by the Board as the "galloping index". Under this system a second year teacher receives the starting salary ($6,800.00) plus 5% of the preceding step (5% of $6,800.00) or a total of $7,140.00; a third year teacher receives $7,140.00 (the preceding step) plus 5% of the preceding step (5% of $7,140.00) or a total of $7,497.00. Thus, as anyone familiar with compound interest knows, each annual increment is larger than the one before, resulting in disproportionately high annual step increases for veteran teachers. This proposal would add an additional $225,000.00 to the already overextended budget of the system. This represents an average of in excess of $1,000.00 per teacher for the 184.5 teaching positions. I conclude that the Association demands can not possibly be met this year, even though statistics produced by the Association do justify such salaries for persons with the educational background and professional responsibilities of teachers. Such comparisons of teacher salaries with earnings of skilled tradesmen and certain semi-skilled occupations are so well-known as not to require citation. Nevertheless, the determination of a fair and equitable salary scale can not ignore the realities of governmental finance, including the heavy burden of existing property taxes.

I find and conclude that the salary scale proposed by the Board at least keeps pace with the inflationery cost-of-living rise of 6% or 6½% during the last year. The Association presented figures purporting to show that the $6,600.00 offer does not keep pace. I have reviewed those figures and do not wholly concur in the method of calculating employed by the Association. Still, I find from statistical data covering (1) Chippewa County, (2) the Tri-County Area, (3) the entire Upper Peninsula, (4) school districts of comparable size, and (5) the entire State, that the $6,600.00 offer with a 4½% base index is slightly below what should be expected from an area like Sault Ste. Marie. I find that a fair and equitable salary scale would require $6,700.00 B.A. Base, retaining the present 4½% base index. This would cost the Board an additional $24,000.00, based upon the agreed-on assumption that the average teacher in the system is at the 6½ step level.

The critical question, of course, is whether and how, this amount of money can be raised, since deficit budgeting is clearly made a misdemeanor under Section 36 of the State Aid Act, as amended. A quick millage election is out of the question, since it is now too late to vote millage in time to affect the levy for the ensuing fiscal and school year. The only remaining alternative is to reduce the cost of existing programs. This can be accomplished by reducing teaching faculty by perhaps four teachers, or by reducing custodial or other non-teaching personnel, or by eliminating purchases of equipment and supplies. An examination of the budget working papers points to the faculty cut as being the most practical. I note that the working papers already provide very little for equipment and supplies, and that the non-teaching staff is relatively small, making it very difficult to reduce staff in that direction. A reduction by four in the number of teachers might require that certain classes be enlarged and/or that some students be put on a reduced class schedule. However, there appears to be no practical alternative, if the salary scale is to be brought up to the recommended $6,700.00 base at this time.

The undersigned is advised that the eight voted mills will expire during the course of this school year unless revoted by the taxpayers. The Superintendent advises that, with the opening of a new vocational high school next year, operational costs will increase to the point where the Board will have to ask the people not only to replace the expiring eight mills, but to increase the voted millage to as much as 14 mills. This set of circumstances prompts the undersigned to propose an alternative solution to the present impasse.

The parties, to my knowledge, have not considered the possibility of entering into a two-year contract, providing for substantial increases in the second year, with $6,600.00 for the first year. Such a formula would permit the schools to operate without program cuts this year, while rewarding the teachers in the second year by guaranteeing a highly competitive salary. This avenue would be predicated upon a decision of the Board to call a millage election and sell to the voters the necessity of increasing operational millage substantially. In the event the voters rejected millage increases, the teachers would still have an enforceable two year contract, so that cuts would have to be made in other areas in order to provide the contractual salaries. In the event this two year contract alternative is agreeable to the parties, I recommend that allowance be made for either party to reopen next year for negotiation of clauses which are not of a directly economic nature.

Dated: August 26, 1969.

Respectfully submitted,

James R. McCormick, Fact Finder