

4/8/83

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RE: Springport Public Schools and Jackson County Education
Association/MERC
Case No: F82 E-388

REPORT and FINDING OF FACT FINDER

INTRODUCTION

Jack Burwell 4-8-83

Pursuant to a Petition for Fact Finding filed by the Jackson County Education Association (sometimes hereinafter referred to as the "Association") on or about November 16, 1982 and the Springport Public Schools Board of Education (sometimes hereinafter referred to as the "Board") response filed on or about December 30, 1982, the undersigned was appointed to make findings of fact, pursuant to the 81-82 Master Agreement (Exhibit "A") regarding the 82-83 Teachers' Salary Schedule; the parties having further agreed, that the fact finder is bound absolutely, to award either the proposal made by the Association on September 30, 1982, or the proposal made by the Board on December 6, 1982 which are as follows:

1. BOARD PROPOSAL "The schedule will remain the same for 1982-1983 as was in effect during 1981-1982, but teachers eligible for increment movement would receive the same; or, the alternative, the dollar amount equivalent of the increment movement cost could be spread equally among all teachers, but the schedule shall remain the same."
2. ASSOCIATION PROPOSAL 1982-83 Salary Schedule

	<u>BA</u>	<u>MA or BA+30</u>
0	\$13,343	\$14,179
1	13,851	14,732
2	14,243	15,269
3	14,907	15,839
4	15,635	16,614
5	16,152	17,160
6	16,943	18,043
7	17,663	18,803
8	18,649	19,846
9	19,379	20,611
10	20,389	21,677
11	21,257	22,776

Springport Public Schools

1. 1982-83 Salary schedule shown reflects a 4.0% increase at each step.
2. The Salary schedule would be deferred until January 21, 1983.
3. Pay-out on the salary schedule for the full 4.0% increase would be between January, 1983 and August, 1983. No adjustments in salary would be made until January, 1983.

A fact finding hearing was convened in the Administration Offices of the Springport Public Schools in Springport, Michigan on March 2, 1983.

Both parties made extremely professional, excellent presentations.

3. DISCUSSION Following brief opening remarks, the Association presented its case through some 31 exhibits or so, with supporting arguments.

The parties agreed upon costs of their respective proposals in terms of dollar amount, the Associations proposal being a 4% increase over the present base salary level rounded to the nearest dollar, or a \$55,391 increase over the present \$906,281 or a \$961,672 total payroll.

- x The Boards proposal amounts to an \$11,996 increase in cost, representing incremental movement to those teachers becoming entitled; or in the alternative, spread among each of the 47 teachers. Over the present \$906,281 this would make a total payroll of \$918,277. The Board, however, stressed that 5% of either increase would automatically be added to the basic proposal, either \$600 in the case of the Boards proposal or \$2,770 on the case of the Association proposal.

The Association stressed the fact that it was asking only for a modest 4% straight salary increase, but the Board emphasized that the 4% increase plus the increment and fringes, was well over 6%. The difference of the cost of the two proposals without fringes being \$43,395.

The Association's exhibits 1 through 5 basically compared the two proposals, their difference in cost, and showed the base salary figures for both BA and MA or BA+30, as they are, and as proposed by the Association with the number of teachers adjusted for movement at each salary step.

It was noted that 61% of the teachers are already at the maximum for 1982-1983.

Association exhibits 6 through 23, rank Springport BA and MA base and maximum salaries with other school districts in Jackson County for 1981-82, showing Springport to be at or next to the lowest among 14 school districts. This was not disputed by the Board. The exhibits also show the percentage increase of BA and MA based on maximum salaries over 1981-1982, for 1982-1983 according to other contracts currently in existence among the other Jackson County School Districts. Exhibits 10 and 11 were intended by the Association to illustrate the percentage increase in each of these contracts which were settled over the year 1981-1982, to an average of 6.41% for BA base, and BA maximum salaries. The exhibits show the same percentage increase over 1981-1982 for the MA base, and MA maximum salaries.

The Association pointed out that Springport salary minimums and maximums would rank 12th out of 12 districts according to the Boards proposal, except as to the MA Minimum which would rank 11th, and even if the Association proposal were accepted, Springport would remain 12th as to a BA and MA Maximums, 11th as to the BA and MA Minimums, and 13th among K-12 and intermediate districts (BAMinimums) as a percentage of lead salary for 1981-1982 at 87.2%. The Association emphasized that it had been in 10th position at 92.6% during fact finding in 1975-1976. In terms of BA Maximums, for 1981-1982 as a percentage of lead salary in Jackson County, Springport is shown as 14th (last) of 81.8% (Career Center Included) and it was 13th (also last), Career Center Not Included, at 84% during fact finding in 1976.

As to MA Minimums, Springport is shown as 13th out of 14 districts at 86.5% of lead salary, having been 11th out of 13 at 90.6% (Career Center Not Included) in 1975-1976. As to MA Maximums, Springport is shown as 14 out of 14 for 1981-1982 at 79.6% and was 13 out of 13 (Career Center Not Included) at 80% in 1975-1976.

The Association offered exhibits to show that Springport would be considerably below average of the 8 contiguous school districts in all categories according to the Boards proposal, and would remain somewhat below in all categories, with the Associations proposal.

The School Board disputed the reliability of the Associations exhibits and salary shown, contending that many of these figures were the result of multiple year contracts, insisting that the most recent settlements during the current depressed economic climate have been at a freeze, or slightly above existing salary levels, and in about 5 Michigan communities the settlements involved roll-backs and concessions, with 20% (100 school districts) of the districts not yet settled.

The Board did not dispute the fact that Springport is at the bottom in terms of salaries, and has always been at the bottom compared to contiguous districts and other districts in the county.

The Association exhibits 24 and 25 show a comparison in the proposals as a percentage of General Fund Revenue, which according to the latest budget and financial report for the fiscal year ended June 30, 1982, shows general revenues in the amount of \$2,208,395.00. The teachers salaries for 1981-1982 were approximately 41%. The Boards proposal would be about 41.5%, and the Associations proposal approximately 42%. Going back 10 years, in 1971-1972, teachers salaries were 50.48% of revenue, and 50.41% of expenditures. In 1981-1982, teachers salaries are about 41.03% of revenues and 40.95% of expenditures; however, the School Board emphasizes the fact that during this period the number of bargaining unit positions has also decreased from 53 to 47, a difference in salary of \$111,015.00, (1980-1981 to 1981-1982).

Through Association exhibits 27 and 28, the Consumer Price Index is used to show loss in purchasing power of both BA and MA Maximums, which for 1981-1982 are \$20,493.00 and \$21,900 respectively, shown as equivalent to \$7,275 and \$7,774 in constant dollars. Further, the Association illustrates, based upon an estimated 6% inflation rate, that if these Maximums remain the same according to the Boards offer (although by the Boards alternative they could increase by some \$255 each), they will be equivalent during 1982-1983 to \$6,865, and \$7,336 respectively. This would be a loss in purchasing power of about 14.45% & 14.46% since 1975-1976. Given the Associations proposal, the BA Maximum with the 6% inflation rate becomes \$7,140, and the MA Maximum \$7,629 or an 11.03% and 11.04% from 1975-1976, respectively. Loss

The Association made a strong equitable appeal, for adoption of its proposal.

Although the Board disputed the Associations exhibits in certain respects, it indicated that although teachers may well be deserving of an increase, the money simply is not there, and there is no place to get it. The Board offered a booklet of some 31 unnumbered exhibits, also addressing the Boards finances. Again without discussing each exhibit in great detail, the Board offered its financial statements with supplemental information and DS-4169 revised form B which, as of June 30 1982 showed a General Fund Equity of only \$2,992 pointing out that because of the Department of Education accounting principles, this does not necessarily represent

cash, but includes bus amortization values, and at that point in time there was really a negative cash equity of \$42,533. Comparing Springport with other districts in the county, Springport was at the bottom, the other districts ranging from \$52,477 to \$620,819, except for Jackson Public Schools which had a deficit of \$113,590. However, the Jefferson Budget is approximately 10 times the size of Springport's.

The Boards' revised 1982-1983 budget as of the date of hearing predicted in estimated \$37,145 in revenues over expenditures.

X However, the Board pointed out that if its proposal were adopted, this stated equity would be reduced by \$11,996 to \$25,149; but if the Associations proposal were adopted, it would be reduced by \$55,391 to negative or deficit balance of \$18,246. In addition, the Board strongly emphasized that it should have received \$46,369 in state aid during the month of June, payment of which has been deferred by the Governor, and another \$116,253 in February, which has also not been paid. If the Association's proposal is adopted the district will already by \$18,246 in the red; and if these additional monies are not received, the district could be as much as \$180,868 in the red. The Board strongly emphasized the fact that state law (MCLA 388.1206; and M.S.R. 15.1919 (602) prohibits a district receiving state aid from either adopting or operating under a deficit budget, and if a deficit is incurred state aid is cut off entirely until a modified budget and plan is adopted and approved which insures that the deficit will be eliminated no later than the second fiscal year after the deficit was incurred.

The Board also points to an Attorney General's opinion indicating that while there is some authority that a school board may agree to binding arbitration provision regarding an employee grievance, there is no statutory authority for binding arbitration to resolve an impasse in collective bargaining, and in particular with regard to deficit spending. The Attorney General's opinion No. 4946 indicates that a Board of Education may not, inspite of an arbitration award, establish economic terms of a collective bargaining agreement, which results in an operating deficit, and to ignore the situation now could make matters much much worse in the future. The Board also refers to a letter date April 1st of 1983 by Philip Runkel, Superintendent of Public Instruction, State Department of Education, highlighting the state's deficit cash flow problems well in excess of \$700,000,000 and indicating the Department's present policy to release state aid funds only to those districts unable to meet their payrolls after March 25, 1983, and who document

their inability to borrow against anticipated state aid and property tax revenues. The Springport district was one of the 54 districts that did not have adequate cash to meet February payroll needs. Having a low general fund equity makes it not only difficult to borrow and necessitates payment of higher interest rates, but the declining investment interest rates make it now impossible to make money on money borrowed.

X The Association on the other hand, stresses the fact that the law also provides [State Aid Payment Schedule Section 17 (2)] that the payment scheduled shall be adjusted so that in addition to their regular entitlement, districts and intermediate districts will receive during their 1982-83 school year, those amounts by which their 1982-83 aid payments were reduced due to Executive Order No. 1982-13. The exhibits do not show precisely whether the executive reductions suffered by Springport in 1982 are covered by Executive Order No. 1982-13. The Association takes the position that because X of the later provisions of the law, there is no doubt that the State will reimburse the \$46,369 and will pay the \$116,253 February aid payment deferred also by executive order. The School Board replies that even though the law provides for payments, they are not being made and both the legislature and the governor retain the power to change the law and to make further deep cuts in aid to education. Even if the proposed increase in income tax alleviates some of the cash flow problems, it remains highly speculative both if, and when, these payments will be made. A The School Board points to the declining state share of support for pupil from 1977 through 1982 from 50% to 37% while local support through the milage has had to increase from 48% to 59% (the federal share being up from 2% to 3%). Any further executive order cuts will further reduce the state share. While the formula varies somewhat each year and while state support is up to \$1,948 per pupil from \$1,062 in 1977, there has been a continuing loss in student enrollment. From 1982 to 1983, there was a loss of 55 pupils or \$107,140 in state and local revenues. The Board continues to predict a loss during this year of no less than 25 of its present 975 enrolled, an estimated loss of something like \$92,224 in the estimated 1983-84 budget. In fact, the School Board states that it has averaged a loss of about 40 students per year.

The district is large (125 sq. miles) but being mostly farmland, has a sparse student population which is actually drawn from 4 counties and the cost of transportation is high. The school operates 14 buses, morning and afternoon, and the cost is \$153.40 per pupil or \$.91 per mile, a total of \$157,982 for 1980-81. While 29% of transportation costs are currently reimbursible by the state including driver salaries, the money is not received until 2 years after the cost is incurred.

The school's planning budget for 1983-84 continues to predict some \$61,369 in executive order cuts and reductions and incidently without any other planned increases for teachers during 1983-84, shows an excess in expenditures over revenues in the amount of \$126,594, a deficit which would require 2.47 additional mills to balance, at \$51,300 per mill. It further predicts, however, that if the Association proposal were adopted for the two years 1982-83 and 1983-84 an additional \$55,391 per year or \$110.782 would require an additional 2.16 mills or a total of 4.63 mills would be needed. The school is already at 30 mills, with 6 mills up for a renewal vote this year. While the millage is about average, a disproportionate share is taken up by transportation and maintenance.

The Board offered a history of millage elections from 1972 through 1982, tending to show that renewals are more likely to be approved, and new millage proposals are not (10 approvals to 15 rejections). The Board refers to the fact that although the district is a rural farm area, most of its residents are regularly employed as blue collar workers, among whom the unemployment rate in January was reported by the MESOC according to a newspaper article, as 19.6%, the highest increase in the state, and the third highest rate in the state behind Flint and the Upper Penninsula.

Indicative of the economic situation of the current student population of 975, 246 or 25% are receiving free or reduced price lunches, which means that they are proven to be at or near the poverty level. The Board therefore, feels that the residents could not afford and are in no mood, to favor a millage increase above the 6 mill renewal. The Board sums up by saying that the Associations proposal would put the district in deficit. If the state fails to pay back the \$162,622.00, the situation is even worse. A deficit created by other than an executive order could trigger a denial of state aid, creating a disasterous halt in cash flow. Although the law might say the school aid will be paid, the school board has not received it. The board cannot count on the state. Although the legislature can change the law, the school board cannot. Unemployment is a fact, and the school board cannot count on a local millage increase either. The school district is in economic distress, and that is a fact.

Even if the salaries in the district should be higher, there is simply no way to pay them. Even the Boards proposal for movement increment is a cost that has to be paid for in cash; and although bus amortization can be accounted for as a part of general fund equity, the Board cannot spend its buses. There is simply no place to find the money to pay the Associations proposal without cutting educational programs. What is reasonable and factual under the circumstances is what is possible. It is necessary to deal with reality, and with things as

they are now, and not as we wish or speculate that they might be. It is not possible to find the cash to meet the Associations demand.

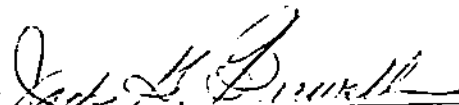
X The Association counters that the fact is, the schools budget variance and comparative analysis are also speculative. The fact is the state law requires that the Board be reimbursed for cuts and deferral. The fact is, the Associations proposal is realistic and very modest compared to the existing market, and as to those districts who may have agreed to freeze this or roll backs, it is impossible to know what their fiscal situation was, the salary and fringe benefit levels, as well as the other trade-offs that might have been involved. Comparing fund equities does not show how much the other school districts had to spend. The Board speculates that a millage increase would not pass, but does not even know if an increase will be asked for. The Board should take a more active roll in leading the community. Being consistantly lowest and last may be indirectly teaching the public that it does not have to support its schools. Perhaps certain maintenance and other costs could be eliminated or deferred, and perhaps transportation or some programs should be eliminated or reduced. If the fact finder adopts the Boards proposal, this means that the Springport teachers will get no increase for 2 years and not just 1, when they have already borne more than their fair share of the negative economy. The teachers should not have to bear the entire burden while the Boards budget continues bussing and a full athletic program. If these were eliminated, the Board could save many thousands of dollars.

FINDING

From all the foregoing the fact finder makes the following penultimate findings of fact:

1. While the Springport teachers may be deserving of an increase, the board cannot afford it.
2. While there are certain uncertainties in every budget, to adopt the Associations proposal would be to purposely create a certain deficit and be fiscally irresponsible.
3. That since the fact finder has no authority to fashion any other relief, and is obliged to adopt either the Association or the Boards proposal, the Boards proposal is hereby adopted.

Dated: April 8, 1983


Burwell