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STATE OF MICHIGAN
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HEARING OFFICER'S REPORT

Van Buren Board of Education
and
Van Buren Education Association

Hearings Officer
Charles T. Schmidt, Jr.

Present for the Board of Education

John E. McDonald
James Egan
Harold Wetherall
Charles W. Bole
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Thomas Hopka

Present for the Education Association

Roland Wolfe
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LABOR MEDIATION BOARD
DETROIT OFFICE

Report Issued:
September 2, 1967

Van Buren Board of Education

FINDINGS OF FACT

The fact-finding hearing in the referenced dispute was conducted in Belleville, Michigan on August 25 and 26, 1967, from the hours of 9:00 a.m. on the 25th to 3:00 a.m. on the 26th. Midway through the formal fact-finding proceedings, the hearing was adjourned at the mutual request of the parties in dispute so that they might return to negotiations with the fact-finding hearings officer serving as mediator. During the course of these continuing negotiations, considerable progress was made due to intensive and constructive good faith bargaining by both parties. During this period the economic positions of the parties were reduced from a starting difference of approximately \$385,231 at 9:00 a.m. to an estimated \$19,000 difference at 3:00 a.m.; i.e., the initial Education Association demand totaled \$505,231; the initial Board of Education offer totaled \$120,000. The final Education Association demand totaled \$157,000; the final Board of Education offer totaled \$138,000.

Because of the present critical time limitations and because the positions of the parties changed radically after much of the testimony was presented during the formal hearing, it is not necessary in this report to dwell on issues that have been resolved or upon evidence or testimony that was presented to justify positions or issues that are no longer in dispute. Rather, it is the purpose of this report to focus directly upon the facts of the central issues still in dispute. These are:

- (1) The Board of Educations' ability to pay.

- (2) The Board of Educations' willingness to commit available funds.
- (3) The communities' willingness to pay as expressed by the funds made available to the Board of Education.
- (4) The competitiveness of the proposed salary structures and fringe benefit levels.
- (5) The reasonableness of including an increasing index to each step in the salary structure; the effect of this index is to compensate teachers with longer service at a progressively higher rate rather than a flat rate equal increase to all without regard to length of service.

1. Board of Educations' Ability to Pay and Districts' Willingness to Pay

Based upon Board exhibits #3 (Balance of General Operating Fund), #4 (Statement of Cash Receipts and Disbursements - July 1, 1966 to June 30, 1967), and #5 (Budget Estimate, 1967-68) and upon the testimony of Messrs. Curtis, C.P.A., and Egan, School District Business Manager, it is clear that the School Districts' financial position for the 1967-68 school year is highly restricted. Although the Education Association, both in cross-examination and in their formal brief, questioned the accuracy of the Boards' stated financial position, in general the Boards' position must be considered a reasonably accurate portrayal of the districts' financial picture. This financial picture indicates that a salary increase of about \$120,000 (the Boards' first offer) would be the maximum that the District could afford to pay in teacher salary increases.

Willingness to Pay

However, and more importantly, this is true only if the Boards'

Budget estimate, 1967-68 (Board Exhibit #3) is accepted as compiled. Hence, there are at least three questions that must be answered:

- (1) Is the budget accurate?
- (2) Has an attempt been made to tighten up budgeted expenditures (in areas other than teacher salaries); an action that would appear necessary to be consistent with the Boards' stated austerity position?
- (3) As a correlary to #2, are there areas in the budget that may possibly be temporarily reduced without serious consequences to the quality of the educational system?

The accuracy of the budget is questionable since 1) by its very nature, it is an estimate that may be subsequently revised, 2) Mr. Curtis (C.P.A.) testified that there may be errors in the budget of from \$2,000 - \$3,000, 3) the Sumpter tuition problem has not been resolved.

There is no evidence that a serious effort was made to prepare a budget estimate that would reflect a critical financial situation in the district. The suggested expenditures are almost all either equal to those of 1966-67 or higher. While some of these offer the Board no alternative either because they are fixed or are critical to the instructional program, others are acknowledged desirables but which could be either reduced, eliminated or perhaps stretched. Immediately visible is the \$14,000 allocated to conventions, etc., the \$15,000 allocated to furniture replacement, a \$61,000 capital outlay for new furniture and equipment and \$161,000 for supplies only \$98,000 of which is directly connected with

instruction. This latter category has already been recognized by the Board as the source from which they would draw the additional \$18,000 to meet the requirements of their present salary offer. I am not, however, suggesting that any of these categories and the amounts proposed are out of line with either experience or requirements. I am suggesting, however, that the proposed budget (excluding salaries) does not reflect the same degree of austerity that the Board is asking the professional staff to accept in their salary and fringe benefit offers.

Districts' Willingness to Pay

The Education Associations' exhibits #19 (in five parts) and #20 and associated testimony is persuasive. The information compares the Van Buren District with 17 other neighboring districts on the basis of SEV, Operational Expense Per Child, Millage for Operation in Excess of 15 Mills, Grand Total Millage and the Ranking of Average Teachers Salaries. The basis upon which the Association made the comparisons is fair and legitimate and although the absolute rankings of the VanBuren district might be altered slightly by adding other districts to the comparison, the general low level of voted millage, total millage and average salaries would not materially change. The impact of the testimony and data reported is that the community and the board is maintaining a relatively high operational expenditure per child (some of which is caused by above average transportation expense) but a low average teacher salary; i.e., other proposed operating expenditures are assuming budget priorities over teacher salary considerations.

Further, no operating millage election has been held in the district since June of 1965. The testimony indicated that it was the Boards' opinion that a millage election during the period would have been unsuccessful. This impression was re-stated in an August 28, 1967 communication from the Board of Education to all teachers.

The conclusion is clear. The willingness of the district to pay, as reflected by levels of self-taxation, is low. Whether this is a true reflection of the Districts' attitude or simply that of the Board of Education, is not apparent. However, it is equally apparent that the Districts' ability to pay is severely restricted at the present time. The only possible, legal source of additional funds for teacher economic demands would have to come from funds released by budget cuts in other non-instructional areas.

Competitiveness of Salary Structures and Fringe Benefit Levels

The basis for comparing the competitiveness of the VanBuren salary structures and fringe benefit levels as presented by the Education Association are in line with acceptable research methodology and is persuasive. (Education Association exhibits #16, 17, 18, 21, 22, 23, 24, 25, 29 and 30). Further, the basis for the comparisons was not meaningfully challenged by the Board of Education either by testimony or by the presentation of data. Board exhibit #6 (1967-68 Salary Schedules of Surrounding School Districts) was presented without any justification of why it should be considered more than a carefully selected sample that may or may not reflect a legitimate comparison with the VanBuren District.

The uncontested summary of the Associations' analysis of their data is stated on page 4 of the Associations' final brief. I have reviewed the data in detail and generally support the following Associations' summation:

A study of the salary schedules of the 18 surrounding districts for the years 1965, 1966 and 1967 demonstrated that...the Van Buren teachers were able to maintain a median position in BA starting salaries and improve the above median position for teachers at the maxima. The position of the teachers with a masters degree was lifted from its depressed position of 1965-66 to a position near the top in 1966-67...

In comparison with the 1967 agreements signed, the EA admits that although the Board's offer would maintain starting salaries at or above the median, the maxima would show a drastic reduction in both position and status. The EA exhibits further demonstrate that there has not been an across the board increase in the area, and further, there has not been an across the board increase in this school district for 6 years.

Through comparisons and specific examples, the EA demonstrated (that the)...fringe benefits package is...equitable. It demonstrated that...the medical insurance contribution is below the average of surrounding districts; that the life insurance average is less than the average of the surrounding districts; and that the terminal leave provision is below the average of surrounding districts.

The Reasonableness of Including An Increasing Index to Each Step in the Salary Structure

The question of reasonableness is obviously an issue that can only be effectively resolved through the process of bargaining rather than the determination of fact. However, certain general statements can be made.

1. The intent of the index proposed by the Education Association is to reward the longer service teacher with a progressively

higher dollar increase. This is at variance with the Boards' proposal that, with the exception of teachers on the first two steps of the schedule, every other teacher would receive an equal flat rate increase without regard to years of service or experience.

The Board's position is a departure from the experience in the district over the past 6 years, nor have other settlements in the immediate geographic area reflected this practice. Further, this philosophy of salary administration (flat-rate increase) is at variance with generally accepted salary administration practices for the compensation of executives, administrators and professional personnel in private industry.

2. It is also important to understand the reasoning behind the Associations' position and the potential long term effects of this proposal.

The reasoning behind the proposal reflects the Associations' interest in retaining long service teachers as a highly desirable influence on the quality of the professional staff and the quality of education within the District. Further, since the District is "plagued" with an unusually high turnover of teachers each year, many of whom are residing in the University Communities of Ann Arbor and Ypsilanti on a short-term basis, it is the intent of the Associations' proposal not only to retain long service teachers by tying the economic reward to years of service, but further, to enhance the recruitment potential of the district so that it would not have to rely

as heavily upon the acknowledged short service teacher labor market in the University Communities.

The Board did not contest either the facts or the policy positions of the Association, but rather based their objections to the "index" entirely on the economic arguments previously detailed.

I find the Associations' justification for the "index" completely satisfactory and well in line with legitimate educational standards and compensation practices. However, the Boards' position that the "indexed" salary structure is substantially more costly than a structure based upon a "flat-rate" increase is unquestionably supported by the facts. Further, the revenues available to the Board cannot reasonably be construed to be able to support the proposed "indexed" salary structure at the proposed index percentages and minimum salaries.

Conclusions:Findings of Fact - Hearing Officer's Recommendation

1. The following is a capsule approximation of the economic positions of the parties at the conclusion of the hearing and as stated in their concluding briefs:

<u>Board Offer</u>		<u>Association Demand</u>	
	<u>Additional Cost Over 1966-67</u>		<u>Additional Cost Over 1966-67</u>
Salary Increase (Flat-rate Structure except steps #1 & 2; \$6,000 BA. Min.)	\$123,000	Salary Increase (Indexed Structure; \$5950 BA Min.)	\$135,000 (est)
Duty Free Lunch	10,000 (est)	Duty Free Lunch	10,000 (est)
Additional Fringes (BC/EC-Extra Curr.)	5,050 (est)	Additional Fringes (BC/BS, Extra Curr., Term Life Ins., Term Leave)	12,000 (est)
<u>Total</u> (1)	<u>\$138,050</u>	<u>Total</u> (2)	<u>\$157,000</u>

Approximate Difference - (2 - 1) = \$18,950

2. The financial "ability to pay" position of the Board of Education is extremely restricted and it cannot reasonably be expected that substantial reductions in the estimated budget can be made beyond the \$18,000 presently offered. However, minor adjustments appear to be possible.
3. The Board of Educations' and the School Districts' "willingness to pay" have been shown to be less than necessary to continue to maintain all aspects of a quality educational system. Additional self-taxation and/or restrictions in non-instructional line item expenditures will be absolutely mandatory in the future.

4. The salary structure and fringe benefit proposals of the Association are shown to be reasonable statements of necessary adjustments to remain competitive; particularly at the higher steps in the structure.
5. The proposed Association "index" is shown to be a potentially highly desirable procedure for the retention of an experienced and motivated professional staff. However, it is also shown that the salary proposal tied to the indexed structure, is considerably more expensive and is impossible within the current revenue expectations of the Board unless adjustments are made elsewhere in the Association's demands.

Estimated Additional Cost over
1966-67 levels

Recommendations:

\$123,000

1. a) That the parties negotiate a salary schedule with a total additional cost not to exceed \$123,000. b) That this salary structure be based upon the Associations' progressive "index". c) In no case, should the minimum starting B.A. salary be less than \$5,900. d) If the calculations do not allow an equitable structure to fit within the limitations above (a+c), a reduced progressive index must be developed.

\$ 12,000

2. That the parties agree to a total fringe benefit package not to exceed \$12,000. The items to be included within this package would include:
 - a) Improvements to BC/BS, b) Improvements in terminal leave pay, c) Consideration of term life insurance, and d) Improvements in extra curricula activity pay practices.

However, the ultimate determination of the distribution of the fringe "package" should be negotiated by the parties who should not feel unduly restricted by (a-d) above as long as the total estimated cost does not exceed \$12,000.

\$ 5,000

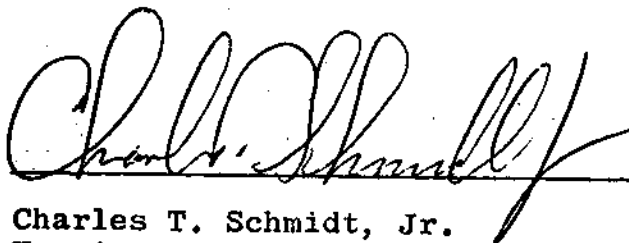
3. The parties agree in "principal" to the concept of a duty free lunch period for all teachers and that agreement be reached that \$5,000 be allocated to defray the expense of this program.

Further, that a joint Association- School District committee be established for the exclusive purpose of studying and implementing the duty free lunch period "principal" within the limitations of the \$5,000 allocation; this committee to report and effectuate the duty free lunch hour "principal" by October 1, 1967.

4. The parties recognize that all other issues that have previously been agreed upon will be accepted as stated in their final briefs.

TOTAL

\$140,000

A handwritten signature in dark ink, appearing to read "Charles T. Schmidt, Jr.", is written over a horizontal line.

Charles T. Schmidt, Jr.
Hearings Officer
September 2, 1967