

## **MICHIGAN EMPLOYMENT RELATIONS COMMISSION**

**WILLOW RUN COMMUNITY SCHOOLS,**

Fact Finding Case No. D03 B-0208

Employer,

**WILLOW RUN EDUCATION ASSOCIATION,  
WASHTENAW-LIVINGSTON EDUCATION  
ASSOCIATION, MEA, NEA,**

Kathleen R. Opperwall,  
MERC Fact-Finder

Union.

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### **FACT FINDING REPORT AND RECOMMENDATIONS**

A fact-finding hearing was held on February 19, 2004 in Ypsilanti, Michigan, under the provisions of Michigan's Labor Relations and Mediation Act (MCLA 423.25). The purpose of the fact-finding procedure is to provide factual findings and non-binding recommendations, in an effort to assist the parties in resolving contract issues. The following persons attended the fact-finding hearing:

On behalf of the Union:

Gezelle Oliver, MEA Uniserv Director  
Kathleen Miller, WREA Unit Director  
Debbie Swanson, WREA Bargaining Member  
Jan Tombeau, MEA Uniserv Director  
Sherri Cummings, MESSA Representative

On behalf of the Employer:

Donald Bonato, Attorney  
Peter Silveri, Director of Human Resources  
John Nickel, Director of Business Services  
Jim Anthony, District Consultant

The parties' previous collective bargaining agreement was a three year agreement which expired on August 31, 2002. After many bargaining sessions and sessions with the State-appointed mediator, both parties filed petitions for fact finding in July of 2003. On October 22, 2003 the Michigan Employment Relations Commission (MERC) appointed Kathleen R. Oppewall as the fact finder. The fact-finding hearing was originally scheduled for January 28 and 29, 2004, but was adjourned to February 19, 2004 to allow the parties time to consider revised settlement proposals.

A full day of hearing was held on February 19, 2004. Both parties submitted extensive exhibits concerning the issues in dispute. The parties' written closing arguments were filed on March 22, 2004.

The main issues in dispute are: (1) medical insurance benefits, and (2) salary increases for each of the three school years: 2002-2003, 2003-2004, and 2004-2005. The parties did resolve the issue of contract duration, by agreeing that the duration of the new collective bargaining agreement should be three years. The parties had also previously reached a tentative agreement on several dozen other issues.

### **FINDINGS OF FACT**

The following findings of fact are based upon the exhibits and testimony offered at the fact-finding hearing.

1. The School District has experienced a significant drop in enrollment over the last five years, from 3,182 students for the 1999-2000 school year, to 2,672 students for the 2003-2004 school year. Over this same time period, the School District has experienced a slight decrease in State Aid, from \$19,989,929 for the 1999-2000 school year to \$19,211,536 for the 2003-2004 school year.

2. The School District has made staff reductions as a result of the falling enrollment, including reducing the teaching staff by 23 teachers during the 2002-2003 school year.

3. At the end of the 2002-2003 school year, the School District had an unreserved fund balance of \$3,657,563. This is approximately 11.8% of the general fund and grants fund expenditures for the 2002-2003 school year. This is below the 15% cushion which is generally recommended.

4. Because of State budget deficits, the amount of per pupil State Aid received by the School District was \$84 less for the 2003-2004 school year than it had been for the 2002-2003 school year. This State Aid provides approximately two-thirds of the general fund revenues available for operating purposes. It is unlikely that there will be any significant increase in these funds for the 2004-2005 school years.

5. Employee benefits are a significant portion of the School District's total expenses. Overall, 84% of the School District's expenses are for salaries and benefits, with 58% being for salaries and 26% being for benefits.

6. The annual premium cost for full family medical coverage for teachers has increased 34% in the last three years, from \$10,654 during the 2000-2001 school year, to \$14,311 for the 2003-2004 school year.

7. Many employers are requiring employees to contribute increasing amounts toward their health insurance premiums. Another common trend is an increase in the required co-payments and deductibles.

8. The other employee groups at the School District agreed to an increase in their prescription drug co-pays to \$5.00/\$10.00, effective for the 2002-2003 school year. The prescription drug co-pay for the teachers has remained at 50¢ while the contract negotiations

have continued. The Union did agree in December of 2002 that the prescription drug co-pay could be increased to \$2.00, but that was offered in conjunction with other contract changes which were not ultimately agreed upon.

9. With the present makeup of the bargaining unit, increasing the prescription drug co-pay to \$5.00/\$10.00, and instituting a deductible of \$50 per person/\$100 per family, would result in a significant savings in insurance premiums. The annual savings is calculated at \$219,035, based upon the October 6, 2003 memo from MESSA which was included as part of Union Exhibit C.

10. The Employer proposed replacing the current MESSA Super Care 1 medical coverage with a choice between a partially self-funded plan which would track MESSA benefits, and an HMO option with Care Choices HMO. This proposal was made on or about January 13, 2004. The partially self-funded option would include a group insurance policy with Blue Cross Blue Shield of Michigan with a high deductible amount, coupled with self-insurance for claims under the deductible amount. A third party administrator would be used to administer the self-insured portion.

11. According to Jim Anthony, the District's consultant on this issue, nine or ten school districts have switched to this type of arrangement with his company. A summary plan description would be prepared after the health insurance package was finalized, but was not available at the time of the fact-finding hearing.

12. On or about February 12, 2004, the Union proposed a number of enhancements to the medical insurance coverage. The proposal included enhanced vision insurance coverage, enhanced dental insurance coverage, and adding a hearing rider and a preventive care rider to the current MESSA Super Care 1 insurance. The Employer presented calculations which showed

that these enhancements would add \$143,697 to the annual cost of the health insurance, with most of this amount being attributed to the enhanced vision coverage.

13. Data presented by the Union showed that over the past 10 years the salaries paid to teachers in the School District have been in the mid-range of salaries paid by other school districts in Washtenaw County (excluding Ann Arbor). For the 2001-2002 school years, a first year teacher in the School District with a bachelor's degree received a salary of \$32,991. The range in Washtenaw County was between \$30,319 and \$37,287, with the average being \$33,340. At the other end of the scale, the 2001-2002 salary for a Willow Run teacher with a master's degree at the top of the step scale was \$62,981. The range in Washtenaw County was between \$57,008 and \$65,513, with the average being \$61,006.

14. The average teacher salary in the district was \$58,113 for the 2001-2002 school year. This is above the \$54,500 average for Washtenaw County, mainly because more of the Districts' teachers have greater seniority.

### **RECOMMENDATIONS**

The following are my recommendations concerning the issues in dispute.

1. Medical Insurance Coverage. It is my recommendation that the parties continue with the MESSA Super Care 1 coverage for this contract, but increase the drug co-payment to \$5.00/\$10.00, and increase the deductible to \$50.00/\$100.00.

Reasoning: The proposals for more significant changes in medical benefits were made recently, within the month before the fact finding hearing. Changes of this nature would better be presented early during negotiations, so that there is more time for considering proposals and addressing legitimate concerns.

The cost of the MESSA medical coverage has increased significantly during the last few years. The annual premium for full family coverage increased \$1,661 for the 2002-2003 school years, and another \$1,283 for the 2003-2004 school years. These were increases of 14.61% and 9.8% respectively. Switching to the higher drug co-pay and higher deductible will effectively offset one year of premium increases. The medical coverage which is provided for the teachers is a very expensive benefit. Adding enhancements such as those proposed by the Union would make it even more expensive. Even without any enhancements, the cost to the Employer will increase significantly during the life of the contract.

It is also my recommendation that the parties recognize now that more significant changes in medical coverage will need to be on the agenda for their next contract. The parties should begin now with seriously considering other alternatives, including premium cost-sharing under a Section 125 cafeteria plan arrangement. It is not clear to me that switching to a partially self-funded arrangement would generate substantial savings. If the medical benefits match the MESSA benefits, and another layer of administration is added, there is no obvious place for savings. Nonetheless, the parties need to find a solution which provides relief from the very high expenses for medical coverage. My recommendation is that this be done in an orderly manner in connection with the parties' next contract, instead of being a source of further delay in achieving a contract now.

2. Salary Increases.

2002-2003 School Year: The salary schedule should be increased by 2% retroactive to the beginning of the second half of the 2002-2003 school year.

2003-2004 School Year: The salary schedule should be increased by 1%, retroactive to the beginning of the second half of the 2003-2004 school year.

2004-2005 School Year: The salary schedule should be increased by 1%.

Reasoning: For 2002-2003, the other employee groups in the District received 2% salary increases, but also had their prescription drug co-pays increased to \$5.00/\$10.00 for that year. The teachers continued to have the benefit of the 50¢ drug co-pay throughout that school year, which resulted in an additional cost to the Employer of over \$200,000 compared to what the cost would have been if the drug co-pays had been increased to \$5.00/\$10.00. This expense is partially offset by making the salary increases retroactive for half the year, which lowers the Employer's cost by \$118,306.

For 2003-2004, the other employee groups in the District received no across-the-board increases. However, three of the other units did have steps added to their step scales. The teachers have continued to receive the benefit of the lower drug co-pay for most of the 2003-2004 school year. A 1% increase which is only retroactive for half of the school year would balance these considerations. A 1% increase would be below the average of what other school districts in Washtenaw County have granted, but the Willow Run salaries would stay within the mid-range for the various salary steps.

For 2004-2005, bargaining has not yet commenced with the other units in the District, nor are there figures available for most of the other school districts in Washtenaw County. The District is facing serious financial constraints due to falling enrollment, lack of increases in State Aid, and escalating costs of benefits. Even with a 1% increase, the District will likely need to face making additional staff reductions. A 2% increase, as proposed by the Union, would increase the financial strain on the District.

The salary increases recommended here would keep the Willow Run teachers within the mid-range of the salaries for Washtenaw County, although at a somewhat lower point within that

range. The overall cost to the District will be significantly more than the salary percentage increases, because the District is also bearing the cost of significant increases in employee benefits costs. As an example, over the past three years the annual cost for full family medical coverage has increased from \$10,654 to \$14,311. This \$3,657 increase is the equivalent of a 6.2% increase for a teacher at the average salary figure of \$58,113. Other benefit costs including retirement contribution costs are also increasing for the District.

The recommendations made here assume that the parties also incorporate the other issues on which they previously reached tentative agreement as listed at Employer Exhibit 3, and also including the increase in elementary planning time from 230 to 240 minutes per week, and the increase in the extra-curricular stipend to \$125 per point effective for the 2004-2005 school year.

Dated: April 6, 2004

  
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Kathleen R. Opperwall, Fact Finder