STATE OF MICHIGAN
DEPARTMENT OF CONSUMER & INDUSTRY SERVICE
EMPLOYMENT RELATIONS COMMISSION

In the Matter of the Fact Finding between:

BENZIE COUNTY CENTRAL SCHOOLS

-and- **MERC Case No. L03 I-4002**

MICHIGAN EDUCATION ASSOCIATION

APPEARANCES:

FOR BENZIE COUNTY CENTRAL SCHOOLS:

David W. Hershey, Labor Consultant
David Micinski, Superintendent
Richard J. Hewer, Director of Finance

FOR MICHIGAN EDUCATION ASSOCIATION:

Kathleen Betts, Uniserv Director
Sue Cameron, MEA
Tad Carter, BCCEA
William Misner, BCCEA
Gary Waterson, BCCEA
Steve Cox, BCCEA
Carol Barrett, MESSA

FACT FINDER'S REPORT, FINDINGS OF FACT AND RECOMMENDATIONS

Background

The Benzie County Central School District is located at the base of the Leelanau Peninsula. The District has one high school, one middle school and four elementary schools. There are 2,200 students and 117 teachers. The District runs an extensive transportation system for its students as the District covers over 400 square miles. The Fact Finder observed that the District has an excellent education program for its students, including a broadened curriculum at the high school and an extensive special education program, as well as art and music programs in the elementary schools. By any standard, the District presents a mark of excellence in education. Both the administration, the Board and the teachers have strived hard to deliver excellent education services to the children of the District.

The Dispute

The last Collective Bargaining Agreement between the Benzie County Central School District and the Northern Michigan Education Association expired on August 31, 2003. Commencing prior to the expiration date of the contract, the parties began negotiations and have continued to negotiate until the present time, including being involved in three mediation sessions with a state-appointed mediator. The parties were not able to reach agreement and came to impasse.

As a result, the mediator declared an impasse, a petition for fact finding was filed, and the undersigned was appointed Fact Finder to find facts, issue a Report making recommendations for settling of the dispute.

When the Fact Finder arrived, he noted that there were approximately 14 issues in dispute between the parties. But he also recognized that the parties had reached a number of tentative agreements.

This Report and the Recommendations herein will address certain of the issues to be mentioned and, as to the other issues, the Recommendation will be that said issues be withdrawn by each of the parties. The reason for this is there is only so much that can be accomplished in one set of negotiations.

Two issues are key to the dispute between the parties, namely, the issue of health care insurance costs and salary, which will be addressed under separate paragraphs.

The Criteria

Fact finders, in making recommendations, base their recommendations on certain criteria to evaluate the facts as they impact on the dispute. These criteria include the District's financial ability to fund a settlement, comparables with other school districts, the bargaining history of the parties and the art of the possible. The Fact Finder will proceed to apply these criteria to the two main issues causing the dispute, namely, health care insurance and wages.

The Ability To Fund

The District is funded by 70% of local revenue, 30% from state foundation, plus some federal grants. The District receives $6,700 per student from state foundation. However, there have been two occasions in the immediate past where a portion of the state foundation has been retracted by Governor Executive Order to the District as well as all districts in Michigan.

In recent times, the District has experienced some grown in student enrollment. The student enrollment is modest, namely, around a ten student increase per year, meaning that student growth cannot be relied on for increased foundation in any substantial amounts.

The Board has prudently managed the District's finances. As a result, the District does have a fund equity balance which, of course, is not all cash – about 19% of budget. The problem that the District faces is increasing costs, particularly in health care and wages, which have impacted on the District's ability to maintain a fund balance viable to the continued operation of the District. Though the District has been promised an increase in state foundation aid, whether with the state's financial picture this would be forthcoming is a matter of speculation.

In the last four years, the health care costs for the teachers has risen as follows:

School Year	Health Ins. Cost/Mo.	Health Ins. Cost/Yr.	Annual Percent Increase
99/00	$ 643.65	$ 7,724	17.22%
00/01	$ 688.32	$ 8,260	6.94%
01/02	$ 704.21	$ 8,451	2.31%
02/03	$ 819.19	$ 9,830	16.33%
03/04	$ 989.32	$11,872	20.77%
04/05	$1,163.43	$13,973	17.70%

Total increase from 99/00 to 04/05 = 80.9%

This increase in health care costs plus wage increases has put pressure on the District's finances.

The Board has had prudent financial management, but must continue prudent management in order for the District to provide a viable educational program. Though the District is not claiming inability to fund, what the District is suggesting is that it must act prudently so as not to be in a position of no longer having a fund balance and becoming a District with an inability to fund. The Fact Finder recognizes this.

Health Care and Wages

As already indicated, health care insurance costs are putting pressure on the District's finances. With the escalating health insurance costs, the District's ability to pay wages is diminished. There are only so much funds to go around. And if health care premium takes up these funds, then there are limited funds left for wage increases. In evaluating the dispute between the parties as to both wages and health care, one must consider how the District's financial resources are to be allotted to address these competing financial impacting forces.

There are the comparables. The District and the Association have presented in some cases competitive comparables in the sense that the parties are in dispute as to what the comparables should be. The District comparables tend to emphasize Manistee County school districts where there are some cost constraints on health care and modest wages. The Association tends to emphasize districts near Traverse City where the wage increases seem to be higher and teachers are not contributing to health care premiums.

The use of competing comparables, depending on the view advocated by the party, whether it be the District or the Association, highlights the tension between health care costs and wages.

The teachers presently have MESSA Super Med which has resulted in substantial increases in premiums over the years, as already noted putting a strain on the District's ability to fund. The District has insisted on health care insurance premium cost constraints. One of the cost constraints is going to a new product of MESSA, referred to as MESSA Choices II, which is a form of a PPO. This program is designed to furnish a range of benefits to the teachers and yet provide some cost restraints. It would seem that switching to MESSA Choices II may moderate premium increases, and yet provide a satisfactory range of benefits for the teachers in insurance, including health care insurance, is prudent. This Report will so recommend.

The District also wants the teachers to contribute toward premiums. The teaches have resisted, maintaining that they should not contribute to health care premium sharing.

On the other hand, the teachers had on the bargaining table a 4% wage package for each of three years for the 2003-2004 school year, for the 2004-2005 school year, and for the 2005-2006 school year – for a three year contract. The teachers' fact finding exhibits suggest a 3% annual increase. The District responded with a wage package that included teachers assuming the premium costs above a 10% increase over any previous year.

The Art Of The Possible

And herein lies the art of the possible criteria.

The art of the possible is a criteria where, if the parties were left to their own devices, considering their respective positions, the parties, in lieu of a strike, would reach a given result.

The Fact Finder found that the teachers were adamant in continuing with MESSA, and adamant in not sharing in premium costs. The District was adamant that there be premium cost sharing. But at one point the District was willing to offer a higher wage package than what this Fact Finder will recommend, namely, 2% per year, but no retroactivity to the first year of the contract. The condition of this offer was that teachers would pay for the increase in health care premiums beyond a 10% increase. The teachers adamantly refused to do so, as represented by the bargaining committee, maintaining that the wages offered would be offset in part by premium payments.

So, where is the art of the possible in such a situation? The fact of the matter is for a year and one-half the parties had been bargaining. They have had the aid of an excellent mediator and, yet, they have not been able to reach agreement. There comes a time when agreement must be reached by the parties. It does not serve the District, the teachers, the children or the citizens to have a continuing labor dispute. This affects morale.

So, again, where is the art of the possible? The teachers have had a MESSA Super Med for a year and one-half into this contract with no cost containment and rapidly escalating premium costs. This escalating cost has, so to speak, "eaten into" the District's finances, along with other matters. Thus, it is not now possible to give a wage increase for the 2003-2004 school year. For two years (2003-2004 and 2004-2005), the teachers will continue to receive MESSA Super Med with its escalating insurance costs, as it is not feasible to change plans at this point in the 2004-2005 school year.

Yet, there comes a point where the teachers must receive a raise. Recognizing that there can be no retroactive health care insurance, a program that is being paid for entirely by the District, the best that can be recommended, consistent with the District's financial ability to pay, is a second year increase of 1½% at the beginning of the 2004-2005 school year and an additional 1½% increase on the first payroll period following ratification, so that the base wage will have been increased by the end of the 2004-2005 school year by 3%. During that year, teachers will have received MESSA Super Med benefits.

The Duration Of The Contract

Because the parties have been negotiating for 18 months, it would seem that this should be a four year contract to give the parties a "cooling off" period before going back to the bargaining table as well as to have some indication of the District's financial picture over the long haul. For this reason, the Fact Finder is recommending that the contract expire on August 31, 2007. Thus, the recommendation with MESSA Choices II be a 1½% increase for the 2005-2006 school year and a 1½% increase for the 2006-2007 school year.

The reason for these figures is that the teachers in this Report have obtained a goal of their bargaining team which follows the direction of the teachers that there be no contribution to health insurance premiums and also the insistence that MESSA be the insurance carrier. This being the case, then in order to be fiscally prudent there must be a balance. The wages cannot be increased beyond the point recommended herein if there is to be no premium sharing. There is only so much to go around – only so much money available. And there are two areas of money needs – the health care insurance premiums and wages. There must be an equitable balance. With spiraling insurance premium costs and the need to have monies to pay for same, there is an impact on the ability to give wage increases. The question is, where is the money being put – in insurance premiums or wages? This Recommendation attempts to balance these two questions consistent with the art of the possible.

The Wage Scale

There was concern about the present wage grid in the contract. The Fact Finder considered this and determined that there be a committee formed within ten days of ratification of this agreement by the teachers, consisting of teacher members and administrators, to develop a wage grid based upon the money produced by the Recommendations here for the 2005-2006 school year which would be described as:

> The parties agree to exchange and consider alternative distribution of the settlement in this year only. Such adjustment shall be for this year only provided each cell of the salary schedule shall receive at least a one-half (½) percent increase and no more than two and one-half (2 ½) increase with the total of the readjusted monies to not exceed the original one and one-half (1 ½) percent.

This wage grid shall be agreed to no later than June 1, 2005. If the parties do not agree, then the matter of the wage grid should be submitted to the undersigned by June 15, 2005, who shall make a decision concerning same which shall be binding on the parties.

The wage grid that will be adopted will be the wage grid that will be applied for the 2005-2006 and 2006-2007 school years.

Health Care Premium Cost Containment

As already stated, this Fact Finder has recommended that for the 2005-2006 school year and the 2006-2007 school year the teachers be covered by the MESSA Choices II plan. This is a form of cost containment. As stated, it was represented that the MESSA Choices II plan is a PPO plan designed to contain premium costs as compared to the MESSA Super Med plan.

Practically, there could not be a conversion to this plan until the summer of 2005. This explains the reason for introducing the MESSA Choices II plan as soon as possible for the 2005-2006 and the following 2006-2007 school years. This does not mean that premiums will not continue to go up but, presumably, by adopting a plan that is a PPO plan, the rate of increase will be moderated. Furthermore, the MESSA Choices II plan is represented as providing excellent benefits for the teachers. But, as the Fact Finder has pointed out, there still will be premium cost increases, emphasizing the need for a balance in this situation and thereby explaining the basis for the Recommendation.

Other Matters

There were other issues in which the Fact Finder believed he should make Recommendations. The Recommendation as to these issues are:

> All tentative agreements reached prior to March 8, 2005 will become and be a part of the Agreement.
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> All other issues will be withdrawn by the party introducing the issue.
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> Any unfair labor practice charges filed will be withdrawn.
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> The parties agree that instructional time may be adjusted to meet state mandates up to 183 days per year without negotiations.

A Word To The Parties

Remember – it is the art of the possible. Neither party prevailed in their views. The District obtained some health care containment by a modest wage increase and a changed program. The Association's members, during the life of this contract, will not be paying toward health care premiums. But the price for this was a modest wage increase. This was the balance. Bargaining has occurred over a long period of time. There comes a time where there is only so much that can be done at the bargaining table. The end of bargaining must come at some time. It has now come to the parties. The parties are urged to accept this Recommendation. There must be a return to stable labor relations in the District for the benefit of all. It is that simple. There is just no more money. The District can get no more. The Association can get no more. To suggest otherwise would be mere folly and would prolong a dispute which would not be in the parties' best interest. As the Fact Finder used the term "parties," he refers to the students, the citizens of the community, the teachers, the administration and the Board.

RECOMMENDATIONS

The Fact Finder has summarized the Recommendations set forth above as follows:

Contract Year 2003-2004

0% increase

Contract Year 2004-2005

Effective September 1, 2004, one and one-half (1 ½%) percent increase across-the-board.

Effective on the first full payroll period beginning on or after ratification by the Association, one and one-half (1 ½%).

Contract Year 2005-2006

Effective September 1, 2005, health care coverage changed to MESSA Choices II.

Effective September 1, 2005, one and one-half (1 ½%) percent increase across-the-board.

The parties agree to exchange and consider alternative distribution of the settlement in this year only. Such adjustment shall be for this year only, provided each cell of the salary schedule shall receive at least a one-half (½%) percent increase and no more than two and one-half (2 ½%) percent increase with the total of the readjusted monies to not exceed the original one and one-half (1 ½%) percent.

Contract Year 2006-2007

Effective September 1, 2006, one and one-half (1 ½%) percent increase across-the-board.

Miscellaneous

All tentative agreements reached prior to March 8, 2005 will become and be a part of the agreement.

All other issues will be withdrawn by the party introducing the issue.

Any unfair labor practice charges filed will be withdrawn.

The parties agree that instructional time may be adjusted to meet state mandates up to 183 days per year without negotiations.

George T. Roumell, Jr.

GEORGE T. ROUMELL, JR.
Fact Finder

March 10, 2005