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STATE OF MICHIGAN
DEPARTMENT OF LABOR & ECONOMIC GROWTH
EMPLOYMENT RELATIONS COMMISSION

In the Matter of the
Fact Finding Between:

FOREST PARK SCHOOL DISTRICT

-and-

MICHIGAN EDUCATION ASSOCIATION

MERC Fact Finding
Case No. L05 F-5001

FACT FINDER'S FINDINGS OF FACT, REPORT AND RECOMMENDATIONS

APPEARANCES:

FOR FOREST PARK SCHOOL DISTRICT:

John H. Gretzinger, Attorney

FOR MICHIGAN EDUCATION ASSOCIATION:

Denis Skoglund, Uniserv Director
Tom Taylor, Consultant
Terry LaJeunesse, MEA

Background

The Forest Park School District is located in Iron County in the western upper peninsula of Michigan. It is a Class D school district, having 38 teachers in the K-12 program.

The District's student enrollment has fluctuated in the past several years, but there has been a downward trend in the number of students, with the fluctuation being as follows:

September 2000	722
September 2001	648
September 2002	659
September 2003	617
September 2004	597

In preparing the budget for the 2005-2006 school year, the District anticipated an enrollment of 584 students. The September 2005 count showed 618 students, which was an unexpected increase over the previous school year. Based upon a blended count, the actual student enrollment for state aid purposes was 613.24 students.

The District is financed by both property tax and state aid. Of the District's total revenue for the 2005-2006 school year 94% comes from state aid, with the state aid being at the current rate of $6,875 per student, or an anticipated $4,216,025.

The District is one of seven school districts within the Dickinson-Iron Intermediate School Districts. The other six districts in the Dickinson-Iron Intermediate School District are Vulcan, Brietung Twp., Iron Mountain, West Iron County, North Dickinson and the Dickinson-Iron ISD. Forest Park and North Dickinson are the two Class D school districts in the district.

The District has two bargaining units, namely, the Michigan Education Association, which represents the teachers, and the American Federation of State, County and Municipal Employees, which represents support staff. The salary grid for teachers contains a BA, BA+12, BA+24, MA, MA+15 schedule. The grid for teachers hired beginning 2001 goes to 15 steps. For teachers hired before 2001 goes to 29 steps. However, the 29 step grid has a plateau at step 15, with no step increase until step 20, and then there is an increase at step 25. Between 15 and 20, the salary is the same; between 20 and 25 the pay is the same. Likewise, between 25 and 29, the salary is the same.

Since 1997, the parties have entered into three Collective Bargaining Agreements – the first covering the period 1997-2000, the second covering the 2000-2003 period, and the third covering school years 2003-2004 and 2004-2005, expiring on August 31, 2005.

The parties were not able to reach agreement for a successor to the 2005 contract, resulting in the Association filing a petition for fact finding culminating in a Fact Finding hearing on December 20, 2005.

The Criteria

The recommendations of the Fact Finder are not made in a vacuum. They are based upon certain recognized criteria which serve as guides to fact finders when formulating recommendations.

The statute providing for fact finding does not set forth the criteria. However, when the legislature enacted the provisions of binding arbitration in police and fire disputes, namely, Act 312 of Public Acts of 1969, the legislature provided in Section 9 (MCLA 423.239) the list of criteria that arbitrators under that Act are to apply, namely:

> Where there is no agreement between the parties, or where there is an agreement but the parties have begun negotiations or discussions looking to a new agreement or amendment of the existing agreement, and wage rates or other conditions of employment under the proposed new or amended agreement are in dispute, the arbitration panel shall base its findings, opinions and order upon the following factors, as applicable.
>
> (a) The lawful authority of the employer.
>
> (b) Stipulations of the parties.
>
> (c) The interests and welfare of the public and the financial ability of the unit of government to meet those costs.
>
> (d) Comparison of the wages, hours and conditions of employment of the employees involved in the arbitration proceeding with the wages, hours and conditions of employment of other employees performing similar services and with other employees generally.
>
> (i) in public employment in comparable communities.
>
> (ii) In private employment in comparable communities.
>
> (e) The average consumer prices for goods and services, commonly known as the cost of living.
>
> (f) The overall compensation presently received by the employees including direct wage compensation, vacations, holidays and other excused time, insurance and pensions, medical and

hospitalization benefits, the continuity and stability of employment, and all other benefits received.

(g) Changes in any of the foregoing circumstances during the pendency of the arbitration proceedings.

(h) Such other factors, not confined to the foregoing, which are normally or traditionally taken into consideration in the determination of wages, hours and conditions of employment through voluntary collective bargaining, mediation, fact finding, arbitration or otherwise between the parties, in the public service or in private employment.

Though these criteria were adopted specifically dealing with interest arbitration of police and fire disputes, the criteria represents common sense guidelines that should be followed by fact finders when making recommendations.

Essentially, the Act 312 criteria address the cost of living, the financial ability of the employer to fund the award, and comparables, both internally and externally with other similarly situated public and private employees in the geographical area involved.

Seemingly to recognize the correlation between the enumerated statutory guidelines under Act 312 to be followed by arbitrators and guidelines followed by fact finders, the legislature, in 9(h) refers to criteria used by fact finders not otherwise enumerated in section 9. This means that in addition to the enumerated Section 9 criteria this Fact Finder has focused upon, other criteria used by fact finders can be a factor. It also recognizes that the application of a particular criteria depends upon the circumstances.

Among the criteria utilized by fact finders is the bargaining history of the parties, both past and current, as well as the "art of the possible," namely, what is a possible settlement between the parties recognizing the give-and-take of negotiations. The "art of the possible" in concept means that if the parties were left to their own devices and the public employees involved had the right to strike, as a strike deadline loomed the parties would attempt to compromise in order to avoid a disruption in public service and loss of employee income. The concept is that, in compromising, the parties would review their respective positions and attempt to reach a resolution based on the art of the possible, as the art of the possible is the essence of compromise.

In addition, fact finders do use the bargaining history of the parties, both the bargaining history in the past and the bargaining history during the current negotiations, in an attempt to ascertain, along with the art of the possible, what the parties may have settled upon on their own when faced with outside deadlines.

As enumerated in Section 9, there is the comparables criteria. This comparables criteria would include external comparables as well as internal comparables. The function of the comparables criteria is to ascertain the value the marketplace in the geographical area for similarly-situated public employees has placed on the type of employment involved.

It is this analysis of the applicable criteria that serves as a guide to this Fact Finder's recommendations for settlement of this dispute.

In applying the criteria in this case, the criteria that stands out as serving as a guide to resolving this dispute is the ability to pay, the comparable criteria, the bargaining history (both current and in the past) and the art of the possible.

The Comparable Criteria

As will be developed in this Report, depending on which party's viewpoint is followed, there are two aspects to the comparable criteria. The Association would suggest that the comparable criteria would include all the school districts throughout the upper peninsula. The

School District would suggest that the comparables should be within the seven districts comprising the Dickinson-Iron Intermediate School District.

As the Fact Finder reviewed the arguments, the Fact Finder concludes that the orientation of the bargaining was toward the comparables of the districts within the Dickinson-Iron Intermediate School District, particularly when it came to health care. It is the comparables within the Dickinson-Iron Intermediate School District that will guide the Fact Finder in making his Recommendations.

The Bargaining History

The 1997-2002 teacher Collective Bargaining Agreement provided for MESSA Super Care 1 coverage with a $5.00 drug co-pay and a $50/$100 deductible with the District paying the full amount of the health insurance premium and reimbursing employees for any amount paid pursuant to the $50/$100 deductible. This health insurance arrangement continued through the 2000-2003 contract. During the last year of the 2000-2003 contract (2002-2003), the cost for the insurance coverage was $9,966 per year, or $830.50 per month.

Effective July 1, 2003, the cost for MESSA Super Care 1 increased to $12,149 per year, or $1,102.41 per month. This change in cost became the focus of the bargaining between the parties for a successor contract to the 2000-2003 contract because of the District's concern over the impact of this increase on its finances and ability to pay.

After mediation, the parties did reach agreement for a successor to the contract expiring 2003 for an additional two year period. The Agreement was as follows:

> 2003-2004 School Year: Salary 1% in the first semester + an additional 1% in the second semester. No reimbursement on deductibles. Continue 50.00/100.00 deductible. Steps will be paid. Settlement is retroactive to expiration date of last contract.

2004-2005 School Year: 1.55% salary increase. Steps will be paid. Go to $100.00/$200.00 deductible

Fully paid insurance both year.
All previous TA's

As noted, this Agreement eliminated the reimbursement on deductibles. By the second year, the deductibles were increased to $100/$200. MESSA Super Care 2 was continued as the insurance being paid by the District.

On July 1, 2004, the MESSA Super Care 1 plan increased in cost to $14,143 per year ($1,178.58 per month), with the District, by contract, absorbing all of the insurance costs, including this increase. This rate was a blended rate as between single, two-person and family rates.

It is against this background of increasing insurance costs and anticipated declining student enrollment that the parties commenced negotiating for a successor contract to the contract expiring on August 31, 2005.

There were a number of bargaining sessions between the parties attempting to arrive at a successor Agreement. To the parties' credit, they did resolve all language issues although, as to one language issue, the Association did raise some concerns, namely, the issue of the payment for an opt out.

The parties had two mediation sessions – one on June 30, 2005 lasting six hours, a second on July 25, 2005 lasting five and one-half hours. The parties were not able to reach agreement, prompting the Association to file a petition for fact finding on August 10, 2005.

During the final mediation session, the School District had offered a three year contract with reopeners the second and third year as to wages and health care, and for the first year provided as to wages and health care as follows:

> **General Wage Increase.** In 2005-2006 there will be a 2.63% increase in the salary schedule. This wage increase will be paid effective 9-1-2005 or ratification, whichever is later.
>
> **Salary Steps.** In 2005-2006, employees shall not be eligible for step increases and shall be frozen on the step that they were on during the 2004-2005 school year.
>
> **Health Insurance Premium Payments.** Article XXIII, Medical-Hospital Benefits, Paragraph A(1) shall be revised to replace "During the term of the contract (2003-2005), the Employer will pay the full cost for the insurance program selected by the District (currently Super Care 1 with a $5.00 co-pay and a $100/$200 deductible. [$50/$100 in 2003-2004]" with "During the 2005-2006 school year, employees electing health care coverage shall pay $1,332.50 towards the insurance coverage and the Employer will pay the remaining portion of cost of the health insurance program selected by the Employer. The employee contribution shall be paid in equal payments determined by the payment plan (26 or 21 pays) selected by the employee."
>
> **Health Insurance Plan.** Effective September 1, 2005, the health insurance plan shall be changed from Super Care 1 with a $5.00 drug co-pay and a $50/$100 deductible to MESSA Choices 2.

The Board of Education of the Forest Park School District met in formal session in the evening of July 25, 2005 to review the last mediation session. The Board concluded that the parties were at an impasse. The Board took the following action:

> The Forest Park Board of Education declares that the parties are at impasse and directs that the provisions of Paragraph 2 (Tentative Agreements), Paragraph 4 (Salary Steps), Paragraph 5 (Health Insurance Premium Payments) and Paragraph 6 (Health Insurance Plan) be implemented. The other provisions of the Final Offer shall not be implemented until the Final Offer is ratified by the Association.

Th implementation, pursuant to the above resolution, was described by Superintendent Thomas A. Jayne in his July 27, 2005 letter in part as follows:

> After seven negotiation sessions between the two parties, two of which involved a mediator the two sides could not come to a common agreement on the two issues of salary and fringe benefits for the

upcoming school year(s). As a result the Board voted to implement its last best offer that was made to the teachers union on July 25, 2005 in these two areas. Those offers amounted to a 2.63% raise for all teachers and a $51.25 co-pay ($1,332.50 a year) per pay period for health care coverage as well as a switch to MESSA Choices 2 Health Care Coverage as opposed to the current MESSA Super Care. Teachers who are eligible to receive a step pay increase in addition to the 2.63% raise will be granted that increase if the contract is ratified by a certain date.

* * *

Pay increases for all FPEA members will commence with the 8-26-05 pay check distribution and the co-pay on insurance will commence with the 9-9-05 pay check distribution. The switch to MESSA Choices 2 will commence September 1, 2005. Step pay distributions are contingent on the contract being ratified by a certain date.

* * *

In addition, which was not objected to by the teachers, the health care plan was changed to MESSA Choice 2 as of September 1, 2005. The implementation provided that the teachers would have an annual cost sharing of $1,332.50 for the 2005-2006 school year of the health care insurance premiums.

In response to the implementation action on the part of the School District, the Association filed an unfair labor practice that is pending before an Administrative Law Judge of the Michigan Employment Relations Commission.

As already indicated, the parties have agreed to a change from the previous MESSA Super Care 1 insurance program to a MESSA Choice 2 program which is approximately 6% less in premium cost than the MESSA Super Care. Nevertheless, for the 2005-2006 school year, there was an increase in the rate. However, because of the change, the increase was not as great as it would have been if there had been no change in plan.

As a result of the District's implementation, the District commenced taking out of each pay toward the premium co-pay for teachers $51.25 beginning on September 1, 2005 or thereabouts. There are 26 pay periods during the year. The District did a recalculation so that, by apparently the second pay period in December 2005, with the District finding that its cost was not as great as originally calculated, the co-share amount being deducted from teachers' pay was reduced to $42 or thereabouts.

There were at least two subsequent attempts to reach agreement. On October 18, 2005:

> District proposed that they would go to a 2 year contract with the 2005-2006 the same as Implemented (2.63% raise & $51.25 per pay co-pay insurance) and the 2006-2007 school year as follows:
>
> 2.0% Raise with steps and will pay 5% of the insurance increase based on the 2005-06 cost to the district.
>
> The union counter proposed with the following:
>
> - 2.63% raise $5.91 ($153.66 a year) co-pay MESSA 2 per pay 2005-2006
> - 2.62% raise $11.82 ($307.32 a year) co-pay MESSA 2 pay per year 2006-2007
> - 2.61% raise $17.73 ($460.98 a year) co-pay MESSA 2 per pay 2007-2008.
>
> The parties could not agree on these proposals and as of 12-6-05 are scheduled to meet to negotiate once again on 12-8-05.

On December 8, 2005:

> Parties met as the FPEA has indicated they have new proposals to offer the district. The district as of todoay has no new offers. **Proposals were rejected by both sides.**
>
> **FPEA New Proposals:**
>
> 1) 2005-06: 2.99% raise no co-pay MESSA 2
>
> 2) 2006-07: 2.5% raise $30 a pay period co-pay MESSA 2
>
> 3) 2007-08: 2.0% raise $50 a pay period co-pay MESSA 2
>
> **District's new Proposals:**
>
> 1) 2005-06: 2.63% raise and $42 (**REDUCED BY $9.25**) a pay

period co-pay MESSA 2

2) 2006-07: 2% raise and $495,248 for insurance costs and or a 5% increase from 2005-06

(Emphasis in original.)

The Fact Finding is conducted against the background of this bargaining history.

The Issues

A review of the bargaining history suggests that the central issues between the parties are wages and health care insurance issues, namely, the question of premium co-pay and the cost of health care insurance. Underlying this dispute is the length of the contract. There is also a language issue concerning payment for an opt out.

The Comparables Revisited

For the year 2004-2005, the comparable wages in the Dickinson-Iron ISD were as follows:

B.A. Starting Salary

District	Salary	Rank
Norway Vulcan	31,834	1
Brietung Twp.	30,980	2
Dickinson-Iron ISD	30,492	3
Iron Mt	28,579	4
West Iron Co.	27,948	5
North Dickinson	27,449	6
FOREST PARK	27,165	7

M.A. Starting Salary

District	Salary	Rank
Norway Vulcan	34,864	1
Brietung Twp.	33,872	2
Dickinson-Iron ISD	33,750	3
West Iron Co.	30,743	4
Iron Mt.	30,498	5
FOREST PARK	30,118	6
North Dickinson	27,449	7

B.A.+ 20 or less

District	Salary	Rank
Norway Vulcan	51,685	1
Brietung Twp.	47,920	2
Dickinson-Iron ISD	47,332	3
West Iron Co.	45,133	4
Iron Mt.	39,909	5
FOREST PARK	38,319	6
North Dickinson	36,744	7

M.A. + Salary (Highest Attainable)

District	Salary	Rank
Brietung Twp.	66,186	1
Iron Mt.	59,484	2
Norway Vulcan	58,966	3
Dickinson-Iron ISD	57,294	4
North Dickinson	54,801	5
West Iron Co.	54,708	6
FOREST PARK	50,459	7

It is true that these comparables do not include the 2.63 that the District has implemented for the 2005-2006 school year.

As to health care, the District produced the following exhibit as to comparisons:

Local ISD Schools With Co-Payments on Insurance 2005-2006:
Revised to include ISD on 12-13-05

1) **North Dickinson: Class D 395 Students:**
13% Co-Pay = $164.76 a Month or $1,977.12 a Year or $76.04 a Pay

2) **Forest Park: Class D 618 Students:**
8.9% Co-Pay = $93.55 a Month or $1,122.42 a Year or $43.17 a Pay

3) **West Iron County: Class C 1,149 Students:**
6.52% Co-Pay = $80 a Month or $960 a Year or $39.92 a Pay

4) **Iron Mountain: Class C 1,306 Students:**
0% Co-Pay 2005-06: 6.09% Co-Pay or $744.75 a Month or $897 a Year or $34.50 a Pay for the **2006-07 School Year**

5) **Norway: Class C 900 Students:**
0% Co-Pay 2005-2007 with an incentive on salary to switch to MESSA 2

6) **Kingsford: Class B 2,110 Students**
15% Co-Pay since 1990: $184.01 a Month or $2,208.15 a Year or $84.92 a Pay

7) **ISD: 100 Plus employees:**
13% Co-Pay or $164.76 a Month or $1,977.12 a Year or $76.04 a Pay

Totals:
Average Co-Pay Per District 2005-06 = $45.72 a Pay o4r $1,188.90 a Year or $99.07 a Month

2006-07 (Iron Mtn. Included) at this year's rate = $50.64 a Pay or $1,316.86 a Year or $109.73 a Month

This chart refers to Kingsford, whereas the chart produced by the Association does not include Kingsford, but does refer to Brietung Twp. Whether this is one and the same was not made clear to the Fact Finder. The evidence also indicates that North Dickinson, West Iron County and Iron Mountain all have switched to MESSA Choice 2 from MESSA Super Care, as has Norway. The evidence is not clear as to Kingsford or the ISD. This chart also includes a suggestion that Forest Park, based upon the implemented proposal, is paying an 8.9% co-pay at $43.17[1] a pay, which was a reduction from the original payroll deduction as noted above.

As a Class D school district relying for 94% of its revenue from state aid, it is clear that the District has limited funds and, as such, the wage comparisons may not be a true gauge. But it is interesting to note that the two Class D districts are relatively close to each other except at the MA+. It is also interesting to note that, according to the evidence, the teacher salary schedule at North Dickinson for 2005-2006 represents a 2% negotiated wage increase. In West Iron County, there is a wage freeze for both the 2004-2005 and 2005-2006 school years and limited step increases. In Iron Mountain, which is a Class C school district, for 2005-2006 there is a 2% salary increase, wherein in 2006-2007 there is a 2.5% increase. In Norway, the 2005-2006 base shall be increased by .5% "if 75% of the membership electing health insurance coverage choose the MESSA Choice 2 plan." The second year of the contract provides for a 2.25% increase based upon the 2005-2006 schedule.

The point as to the wages would suggest that, with the wage increase in 2003-2004 of 1% the first semester and 1% the second semester, and a 1.55% salary increase in 2004-2005, along with the 2.63% increase in 2005-2006, the Forest Park School District has provided wages

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[1] In the document presented to both parties, there were varied figures as to the amount being presently deducted, with one figure being cited as low as $40.19. The point is that the current deduction is around $40, as compared to the previous $51.25.

consistent with the trend in the Dickinson-Iron ISD where the districts, with perhaps one exception, namely, Norway, are faced with financial constraints.

The observation can also be made that premium sharing and the movement to MESSA Choice 2 is a pattern in the Dickinson-Iron ISD. Norway does not have premium sharing. The Iron Mountain co-pay does not begin until the 2006-2007 school year, but it is moving in this direction. There are at least two districts below 8% toward co-pay, but there are also three districts at 13% or more.

The conclusion, therefore, would seem that the District's request for premium co-pay is realistic, given the comparables, and that the District's approach to wages is realistic.

<u>The Ability To Pay</u>

As already indicated, the District has had the experience of a declining student enrollment going from 722 students in September 2000 to 597 students in September 2004. However, there was a September 2005 count showing an increase to 618 students, which resulted in a blended count of 613.24 students. As noted, state aid is 94% of the District's income, with the state aid for 2005-2006 being $6,875 per student or an anticipated $4,216,025. State aid was increased this year by $175. However, for the previous three years, state aid was the same, even though costs were rising.

The Budget Projection Summary is as follows:

	PRIOR	CURRENT				
DESCRIPTION	2004-05	2005-06	2006-07	2007-06[2]	2007-08	2008-09
Fund Balance July 1	$ 612,912	$ 402,461	$ 119,372	$(207,797)	$ (622,185)	$(1,143,762)
Revenues	$4,599,838	$4,552,324	$4,465,590	$4,378,371	$4,271,181	$4,158,957
Expenditures	$4,810,289	$4,835,413	$4,792,759	$4,792,758	$4,792,758	$4,808,893
Budget Adjustments & Reductions			[redacted]	[redacted]	[redacted]	[redacted]
Annual Surplus(Deficit)	($210,461)	($283,089)	($327,169)	($414,387)	($521,577)	($649,936)
Fund Balance June 30	$402,461	$119,372	($207,797)	($622,185)	($1,143,762)	($1,793,697)
Reserved Fund Balance		$0	$0	$0	$0	$0
Unrestricted Fund Balance	$402,461	$119,372	($207,797)	($622,185)	($1,143,762)	($1,793,697)
Fund Balance as % of GF Expenses	8.4%	2.5%	(4.3%)	(13.0%)	(23.9%)	(37.3%)
Fund Balance Per Student	$670	$193	($346)	($1,065)	($2,017)	($3,261)

Thee assumptions are that the retirement factor for the years 2006 through 2008-2009 would be 8.99%. The enrollment projection was as follows:

2006-2007	601
2007-2006[2]	584
2007-2008	567
2008-2009	550

This projection was on the assumption that there will be no change in the amount of state aid amount until 2007-06[2] and then an anticipation that it would go up $50 to $6,925 in 2007-2008 to an increase of $25 to $6,950 and in 2008-2009 go up another $25 to $6,975.

The Fact Finder appreciates that budgets are projections, depending on many factors, including in this case the number of students that may enroll and the experience of the teachers

[2] The Fact Finder has copied the dates given in the Projection, but obviously the reference to "2007-06" is an error and it may mean that the projections were intended to go to 2009-2010.

on the salary scale, as well as the foundation allowance from the state.

In a memorandum dated December 8, 2005, Thomas A. Jayne, Superintendent, noted that the General Fund Equity at $402,461 is enough reserve to run the District for 31 business days. In his memorandum, Superintendent Jayne wrote:

> The current level of fund equity is about the lowest the district wishes to go as it is barely enough to pay the monthly bills, hence the need for the teachers to contribute with a contribution on the insurance/benefits portion of their total compensation.
>
> If one looks at the history of the district in the enclosed Ken Drenth report they will see that the district has experienced severe declining enrollment (104 Students o4 14.4% of the student body since 2000) and as a result has had to undertake many cost cutting measures just to maintain its current status. Furthermore, the High School building is 35 years old and has needed substantial repair the past 3 years and is going to continue to need additional repair and upkeep the next few years, which in return will require a great deal of capital projects money. These needs and the continual rise in health care and the retirement system as well as heating and electrical bills pose a real and constant challenge to the district. I feel the Administration and Board have taken the necessary steps to address these challenges but can ill afford any further financial challenges especially in area of health care and energy costs.
>
> In closing I feel the district is currently stable but can not afford to fall below the level of fund equity it has entering the 2005-2006 school year. ...

There is no question that the District is facing financial constraints. The District has adopted cost cutting measures. It was represented that there have been changes in the configuration of its support staff; that there have been changes in the support staff health care program by adopting an HMS. There have been line item reductions and there have been situations of not replacing certain retiring faculty. There is no question that financial ability, particularly when faced with increasing health care costs, has placed a severe strain on the negotiation process, with the teachers desiring to improve their economic condition and the

District attempting to maintain economic stability in order to deliver educational services to the community. These two concerns must be balanced.

The Art of the Possible

At the time the Fact Finder arrived at the hearing, he was advised that there had been some informal discussion concerning the issues between the parties. But the Association's position was for a three year contract with a 2.9% increase for 2005-2006, a 2.5% increase for 2006-2007, and a 2% increase for 2007-2008. In the 2006-2007 contract year, the teachers indicated a willingness to pay $30 per pay toward premium sharing, and in 2007-2008 a $50 premium sharing.

The District, on the other hand, was reluctant to make an economic commitment beyond 2005-2006 because of concerns over state aid, declining enrollment and a projected decreasing fund balance. The District, as to its implemented impasse offer, noted:

> When adopting the 2.63% increase for 2005-2006, the District considered that it would be better to increase salaries and then have employees pay a portion of the insurance costs than to freeze salaries and keep fully paid health insurance. This increase would help keep the District salaries competitive and insure that the higher salaries factor into final retirement figures. ...

But the District also pointed out that, by providing the 2.63%, it was hoping to recoup payment toward the increased costs in health insurance, including part of the increase that occurred in the 2004-2005 school year by teacher premium sharing; that this was the only way the District could finance the increase in wages, including the step increases.

The District was also attempting to cap its cost of insurance at $495,000, even though its insurance cost was $508,000 in 2004-2005. During fact finding, it was suggested that this cap could be increased to $498,000.

As to wages, at one point the Association believed that it received an offer from the District for a wage increase for 2006-2007 of 2%. Just how firm this offer was is open to question simply because the District was concerned about the impact on the implemented 2.63% and the index plus the premium co-pay on its fund balance for 2005-2006. After a long and hard bargaining, the teachers recognized that, reluctantly, the group would have to share premiums. This is a trend in the Dickinson-Iron ISD. The financial condition of the District makes this a realistic approach. Going from a $9,966 per year blended rate in 2002-2003 to a blended rate in 2004-2005 of $14,143 is certainly a dramatic jump. The insurance rates for 2004-2005 for MESSA Super Care, as compared with 2005-2006, and compared with the 2005-2006 rate for Choice 2 are as follows:

Super Care:	2004-2005 = 14,143 divide by 12 - $1,178.58 2005-2006 = 15,813 divide by 12 = $1,317.75
Choices 2:	2005-2006 - 14,721.72 divide by 12 = $1,226.81

The rates for MESSA Super Care jumped 10.6% from 2004 to 2005. By going to MESSA Choice 2, which is about 6% less in cost than Super Care, there was still an increase in the rate as compared to Super Care 2004-2005, but the increase was not as great if the parties had stayed with Super Care, namely, a difference of $1,091.28.

According to the statement made to the Fact Finder, in the year 2004-2005, the total cost for health insurance for the District was $508,000; that the cost for 2005-2006 would be $513,000. The teachers thus maintained that, instead of taking the $51.25 every payday, or apparently now the $43.17 a month (the Fact Finder was not clear as to the specific amount) the amount that should have been taken out should have been somewhere around $5.32 per pay period to cover the $5,000 difference in total cost. The District's position is that it should have a cap as to total health insurance costs; that it needs to recoup some of the costs of the increase that was absorbed in 2004-2005.

Indeed, the District does argue that it has an insurance cap with the non-support group. This is true. But this cap was arrived through negotiations. And negotiations here with the teachers have not produced a cap. So, as a practical matter, another approach must be initiated.

The approach that should be followed is the trend in the Dickinson-Iron ISD, namely, the movement to MESSA Choice 2 and the sharing in the premiums. This contract will not be settled without the recognition of these two points. Furthermore, what is clear is that the wage increases are modest and, in some cases non-existent in the Dickinson-Iron ISD, depending on the finances of the individual School District involved. The Fact Finder recognizes that in 2003-2004 and 2004-2005 the School District presented a modest wage increase and assumed the total cost of the health care premiums.

It also should be recognized that the language of the contract seemed to be satisfactory for both parties and should be in place for three years. There is the problem of the opt out but, in the view of the Fact Finder, this is not the contract to address the opt out as it was proposed because there are more fundamental issues to be addressed.

The District has recognized that there should be a wage increase the first year, for reasons already stated, at 2.63% plus the step increases. The District has also recognized, provided it received relief as to insurance costs, that it might be willing to give a 2% increase with steps in the second year of the Agreement although, in fact finding, the District may not have been willing to do this after considering its financial condition.

As indicated, the District would like to obtain a cap on its insurance premiums. The problem with a cap is that, based upon the comparables in the Dickinson-Iron Intermediate School District, there was no evidence that any of the districts had caps. But the districts, with the exception of Norway, do have a form of caps, namely, a percentage of premium sharing although the Association representatives suggests that if there is going to be a premium sharing, the sharing should be a fixed dollar amount. But the trend in the Dickinson-Iron Intermediate School District is for a percentage premium share, although these percentages do, as a practical matter, translate into dollar amounts. The advantage of percentages from the District's standpoint is that, as premiums increase, the amount that is recouped by premium sharing goes up. Though not a cap, percentage premium sharing serves as somewhat of a safety valve and could very well encourage the teachers in the future to review the plans and perhaps negotiate changes that might contain the costs.

Applying the art of the possible, it would seem that the Forest Park teachers should be sharing in premiums based on a percentage. Though the District, by virtue of its implementation, was seeking to recoup some of its increased insurance costs experienced in 2004-2005, the fact is there should be an "easing" into the premium sharing concept because it is new to the District. The concept has been difficult to negotiate. If this was not the case, there would not have been an impasse nor the need for fact finding. And there is the precedent for "easing in" as, for example, in Iron Mountain where there is no premium sharing for 2005-2006, but there is premium sharing beginning with the 2006-2007 school year.

Nevertheless, the financial condition of the District does not, in the view of the Fact Finder, permit an easing into the co-pay as in Iron Mountain. Furthermore, in Iron Mountain, the pay increase for 2005-2006 was 2.5%, whereas in Forest Park it is 2.63%. Yet, since this is a new concept for Forest Park and continues to be resisted, there is an argument that there should be an easing in. The Fact Finder recognizes the District's argument that it cannot be limited to just the approximately $5,000 difference in cost between what it paid for health care in 2004-2005 and what it projected premiums will be for 2005-2006 and its actual cost since one teacher is not taking health insurance. There has to be a balance.

The balance would be that if this Fact Finding Report is accepted by both parties, and there is a ratification by the teachers and by the Board, that commencing the second pay period in January 2006, the co-pay will be reduced to $10 per pay period. However, the amounts that have already been paid in by the teachers shall remain paid in for, as indicated, given the fact that the teachers did receive a 2.63% increase, the District is entitled to some contribution for past insurance costs to help defray the expense of the wage increase which, as noted, is higher than some districts.

This will mean that for the total year teachers will have paid about 4% of the cost of health care. They will have received a pay raise of 2.63% plus step increases. And, to their credit, they have assisted the District by agreeing to go to MESSA Choice 2. But this seems to be a reasonable art of the possible. It is part of the give and take of bargaining.

The Fact Finder also agrees that there cannot be a third year of this contract because the finances of the District are fragile and rely on student enrollment, state foundation amounts, and the difficulty in cutting expenses in a rather small school district. What impressed this Fact Finder is the District's concern about these factors and the fact that other nearby districts are having similar problems and are following a very modest course of economic conduct.

Yet, in the view of the Fact Finder, following the art of the possible and the financial contingencies, two things should happen in the second year of the contract. In the second year of the contract, there should be a pay increase because it was offered by the District subject, however, to a premium sharing.

In view of this, the pay increase should be tied in to the percentage increase in health insurance. Though the Fact Finder recognizes the concern over the decreasing fund equity, as well as the statutory prohibition on operating a school district with a deficit which would require a deficit elimination plan, there is the need to remain competitive. Though the Fact Finder is not convinced that a firm 2% offer was made for wage increases in the second year of the contract, it would seem that a 2% increase would be appropriate, provided that there be an 8% on the cost of the District's total health care, based upon the blended premium in 2006-2007. The 8% is consistent with the averages in the Dickinson-Iron Intermediate School District. The 2% is not necessarily prevalent in the compared districts because some districts have had zero increases, some, as in Iron Mountain, have had a 2% and a 2.5% increase. But the caveat to the 2% increase is that, if the premium increases for health insurance between 2005-2006 and 2006-2007 increased more than 10%, then the wage increase for an insurance increase of 10.1% to 11% will be 1.75%. With an insurance increase of 11.1% to 12%, the increase will be 1.5%. If the increase is 12.1% to 13%, the increase will be 1.25%. If the increase is more than 13%, the increase will be 1%. This is an index as to wages. It serves as a safety valve for the Board. Yet, the teachers will receive a 2% wage increase if the increase in health insurance in the blended premium is no more than 10% in 2005-2006.

As a further safety valve, the parties, by March 1st, will know the February 2006 count as well as the projected premiums for MESSA Choice 2 for 2006-2007. The Recommendation will provide that, if the student count falls below three students over the current count, or the insurance premiums are projected to be more than 5% increase, either party can, after March 1, 2006, by written notice to the other party, reopen for negotiations the issue of health care plan and will be obliged to negotiate.

So that all will understand, there will be a two year contract. The terms are set. The reopener is only to discuss possible health care plan changes. It may be that the proposed projections for rate increases are such that same could impact the wage increase on the index. For this reason, the teachers may want to negotiate some modifications in the insurance plan, whatever they may be. This is another way of giving some protection to both parties. So that all will be clear, the Recommendation as to wages and premium sharing for each of the two years are there to be read. The only purpose of the reopener and the conditions of same is not for the purpose of setting aside the provisions, but to give the parties the opportunity to modify the provisions as to health care if either party deems it would be helpful to do so such as, as pointed out, if the teachers' 2% wage increase is being affected by the increase in MESSA Choice 2.

The teachers will have an incentive to negotiate on the change of a plan because, if MESSA Choice 2 premiums escalate, the teachers stand to receive less of a pay increase than originally negotiated, *i.e.*, 2%, based upon the index set forth above. Furthermore, 8% of "X" is one thing, 8% of "X2" is another. So, the teachers may have an incentive if there is unanticipated escalation to modify the plan as the teachers once did by adopting MESSA Choice 2. This Fact Finder will not suggest how the plan can be modified, but the whole point of the reopener is to protect both the teachers and the District.

In the end, it is to the teachers' advantage to keep the District financially healthy because there will be future negotiations. And, for this reason, there is an incentive that the District be kept financially healthy. On the other hand, even the District recognized that it must be competitive.

The Fact Finder is most concerned about the District's finances. The Fact Finder is led to believe there may be some retirements at some point during the life of this contract, which may be a factor that may assist in the District's financial concerns.

It should be pointed out that, from the District's standpoint, the District does join the trend of teachers sharing in premium costs on a percentage basis. The teachers, by this Fact Finding Report, do obtain a modification in the premium sharing for the remainder of the 2005-2006 school year which adds approximately $300 to their pocket. From the District's standpoint, though not getting as much for recoupment in the first year of the contract, there is about a 4% recoupment. And then there is almost the recoupment that the District expected with the 8% in the second year. Finally, this is a matter that, if not settled, will involve the cost of litigating the unfair labor practice plus the cost of further negotiations. The District can avoid these costs by accepting the Fact Finding Report. Likewise, the Association can avoid these costs. There must be labor peace in the District. This is the way to do it. Any other suggestion will not accomplish this purpose.

The Recommendation also provides that all unfair labor practice charges will be dismissed with prejudice.

A Final Word

This Fact Finding Report establishes four points:

1. A two year contract;

2. Pay increases for each of the two years, but the second year pay increase is subject to an index tied in to the amount of increase in the blended premium rate;

3. There will be premium sharing the first year of the contract which will be increased in the second year, consistent with the increases in the Dickinson-Iron Intermediate School District;

4. There will be an opportunity to negotiate on the health care plan if the plan premium increases more than 5%, with the recognition that the contract is as it is, but there would be an incentive for the teachers to modify the plan if the cost of MESSA Choice 2 escalates.

5. The dismissal of the unfair labor practice with prejudice.

RECOMMENDATIONS

1. It is hereby recommended that there be a two year contract beginning September 1, 2005 and expiring August 31, 2007.

2. The wage increase effective September 1, 2005 shall be 2.63% across-the-board plus the step increases.

3. The wage increase shall be 2% effective the first pay period with the beginning of the 2006-2007 school year across-the-board with the applicable step increases; provided, however, if the blended insurance premiums increase over the 2005-2006 rate for MESSA Choice 2, 10% to 11%, this wage increase will be reduced to 1.75%. If the increase is 11.1% to 12%, this wage increase will be reduced to 1.5%. If the increase is 12.1% to 13%, this increase will be reduced to 1.25%. If the increase in the MESSA Choice 2 blended premiums increases more than 13% over the 2005-2006 blended rate, then the wage increase will be 1% across-the-board. The step increases in any event will be instituted.

4. The amount taken out for insurance premium sharing through the first pay period

of January 2006 shall be as they are; that effective with the second pay period in January 2006, the amount to be deducted for each pay period shall be $10.00 per pay toward insurance premiums.

5. Effective with the first pay period beginning in the 2006-2007 school year, the amount deducted in each pay period for premium co-pay shall be at the rate of 8% of the cost of the blended premium rate.

6. If, following March 1, 2006, the projected premiums for health care are more than 5% over the cost premiums for 2005-2006, or there is a drop of three or more students, either party, upon written notice to the other, may reopen the contract for the purpose of negotiating changes in the health care plan.

7. The Forest Park EA and the Michigan Education Association will dismiss with prejudice all unfair labor practices that have been brought against the District.

George T. Roumell, Jr.

GEORGE T. ROUMELL, JR.
Fact Finder

December 22, 2005