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

EAU CLAIRE EDUCATION ASSOCIATION,
MEA/NEA

Petitioner-Union,

-vs-

Case No. L05 I-7002
Fact Finder Kenneth M. Gonko

EAU CLAIRE PUBLIC SCHOOLS,

Respondent-Employer.

FINDINGS AND RECOMMENDATIONS

APPEARANCES:

FACT FINDER: KENNETH M. GONKO

FOR THE EMPLOYER: TIMOTHY GLADNEY, ESQ.
Post Office Box M
Lakeland, MI 48143

FOR THE UNION: PATRICK A. FURNER,
Uniserv Director
Michigan Education Association
Post Office Box 229
Berrien Springs, MI 49103

INTRODUCTION

Pursuant to Section 25 of Act 176, Public Acts of 1939, as amended, and the Commission's regulations, a Fact Finding hearing was held regarding matters in dispute between the above parties. The hearing commenced at 9:00 a.m. on September 8, 2006 at the Michigan Employment Relations Commission's offices in Lansing, Michigan. It was concluded that same

day. Both parties submitted post-hearing briefs; the Union's on September 13, 2006 and the Employer's on September 18, 2006. The matter is now ready for the Fact Finder's report and recommendations.

PRELIMINARY COMMENTS

This Fact Finding was initiated by a Petition filed by the Union on February 16, 2006. Prior to the filing of the Petition, three (3) mediation sessions were conducted by Mediator Lou Emmons; on December 1, 2005, January 25, 2006 and February 13, 2006. The parties have negotiated extensively and, but for the identified issues below, the remainder of the collective bargaining agreement has been tentatively resolved.

At the hearing, the only witness called was the School District's Superintendent, Stephan Jaggi. Indeed, most of the underlying facts surrounding this dispute are agreed upon by the parties or, at least, have not been seriously challenged. Both parties have supplied the Fact Finder with documentation in the form of extensive Exhibits and have supplemented the record with post-hearing briefs.

ISSUES

The following issues were identified and placed before the Fact Finder for review and recommendation:

1. Salary
2. Health Insurance

The Union raises a tangential issue involving longevity which it ties to its salary proposal. A review of the Petition for Fact Finding reveals that this issue was specifically identified as an "unresolved issue in dispute". The Fact Finder will address the issue as part of his Report and

Recommendations. The Petition for Fact Finding also identifies tuition reimbursement as an unsettled issue however this issue was resolved by the parties prior to the Fact Finding hearing.

BACKGROUND

The Eau Claire Public Schools (hereinafter “the District”) is located in Berrien County; in the southwest corner of the lower peninsula. The District is small and predominantly rural. The District’s major employer is local agriculture consisting primarily of fruit orchards. Presently, the District serves approximately 825 students and employs approximately 68 teachers. The per pupil foundation grant for each student is \$6,875 for the 2005/2006 school year; up 2.6% from the 2004/2005 level of \$6,700. According to the District, nearly two-thirds of the students are defined by federal standards as socio-economically disadvantaged. See *Employer Exhibit 1*. In this regard, Superintendent Jaggi testified that approximately 60% of the District’s students qualify for either free or reduced lunches. Superintendent Jaggi further testified that the District’s Title I funding (i.e. funding that is earmarked for “at risk” students) has doubled in recent years and that, consequently, the District offers more supplemental staff and Title I programs than its surrounding school districts.

Superintendent Jaggi also testified that of the 825 students enrolled in the District this year, approximately 430 students are from outside of the District and attend by choice. Approximately 130 students are what can be characterized as “migrant” due to the agricultural nature of the community. A significant number of students from outside the District are enrolled as a result of an earlier, though currently discontinued, desegregation plan in the Benton Harbor School District. On the other hand, Superintendent Jaggi testified that the District lost approximately 100 of its eligible students to outside school districts last year. As of the fourth

Friday count of 2005, the District had 426 students in its elementary school, 142 students in its middle school and 287 students in its high school. Superintendent Jaggi estimated that it appears that the District will be down by approximately 15 students for the 2006/2007 school year.

Superintendent Jaggi testified that the District maintains small class sizes and continually seeks to improve the student/teacher ratio. He indicated that the District's students typically fall slightly below the state MEAP averages. Superintendent Jaggi also indicated that the District participates in a number of shared programs where students are provided with District transportation to out-of-District facilities. Superintendent Jaggi noted that not all of the surrounding school districts provide such an amenity.

Superintendent Jaggi characterized the District as "financially conservative". In 1996, the citizens approved a bond issue for improvements to the elementary school. At the time, the school board promised the citizens that it would exercise "fiscal responsibility". In 1999, the 1996 bond issue was renewed and expanded and, at that time, the Board established a fund where 5% of the annual state per pupil funding was set aside and deposited for physical plant maintenance and improvements. Both the 1996 and 1999 bond issues were approved by the voters by a 2 to 1 margin. Superintendent Jaggi testified that he could recall only one member of the public who criticized the District's use of its finances at recent School Board meetings.

Recently, the District has spent a substantial amount of money on acquiring, maintaining and improving its physical plant. Indeed, this appears to the Fact Finder as a source of considerable pride for the District. For example, Superintendent Jaggi testified that the first building seen when approaching the Village of Eau Claire is the Student Activity Center. The building was originally a K-12 school but was sold to the community several years ago.

However, recently the District required more space and purchased the building back from the community for \$150,000. After approximately \$400,000 in upgrades, the Student Activity Center presently houses the District's physical education and drama departments as well as other co-curricular programs.

The District's elementary school was upgraded as a result of the 1996 bond issue and six additional classrooms were added. As a result, the District was no longer required to use a number of portable classrooms. The District's middle school was also recently and substantially upgraded. As a wing of the high school, it is nevertheless a segregated facility except for the cafeteria and gymnasium which it shares with the high school. Superintendent Jaggi characterized the middle school as a "beautiful facility" after the upgrades which included sky lights and a green house. He indicated that the improvements to the middle school cost the District approximately \$220,000. Finally, the District's high school has also been recently improved with the addition of a student commons area, a school store and glass enclosed conference rooms.

As indicated, there appears no doubt that the improved academic and extracurricular facilities are a source of great pride to the District and, in particular, to the Superintendent. As Superintendent Jaggi testified, the District needs to attract students by presenting a good "product". Part of that product includes an attractive physical plant that the Superintendent characterized as the "appeal factor".

The following illustrates the District's revenue and expenses for the period between the 1999/2000 school year and the 2004/2005 school year:

| Year | Total Revenue | Total Expenditures | General Fund Balance | GFB% of Total Exp. | GFB% of Current Operating Expenses |
|-------|---------------|--------------------|----------------------|--------------------|------------------------------------|
| 99/00 | \$6,121,508 | \$6,394,880 | \$1,147,463 | 17.94% | 20.02% |
| 00/01 | \$6,585,314 | \$7,032,198 | \$700,579 | 9.96% | 11.70% |
| 01/02 | \$7,114,870 | \$6,868,776 | \$946,673 | 13.78% | 15.20% |
| 02/03 | \$7,094,741 | \$6,779,348 | \$1,262,066 | 18.62% | 20.06% |
| 03/04 | \$7,177,400 | \$7,255,967 | \$1,183,497 | 16.31% | 18.02% |
| 04/05 | \$7,131,920 | \$7,005,827 | \$1,309,591 | 18.69% | 19.92% |

See *Union Binder of Exhibits, (Union 1), tab 3.*

COMPARABILITY

The parties have presented the Fact Finder with their respective lists of proposed comparable school districts. The Union proposes that the following school districts are comparable:

1. Centreville
2. Climax-Scotts
3. Colon
4. Lawrence
5. Mendon
6. White Pigeon

The District, on the other hand, proposes that the following school districts are comparable:

1. Berrien Springs
2. Coloma
3. Dowagiac
4. Galien Township
5. Watervliet

For purpose of this Fact Finding, consideration will be given to both the Union’s and the District’s proposed comparable districts.

ISSUE 1 - SALARY SCHEDULE

The current collective bargaining agreement provides a comprehensive 6- to 16-step teacher salary schedule depending upon whether the teacher maintains a bachelors, bachelors + or masters degree. Bargaining unit members move vertically along the steps but also move horizontally across the grid on the basis of their educational experience. The horizontal steps contain categories of "BA", "BA+" and "MA". A teacher at step 1, BA received \$27,595 in the 2004-2005 year while a teacher at step 16, MA received \$49,809 in that same year. These two figures represent the ends of the teacher salary schedule spectrum.

The Union's wage proposal calls for an across-the-board increase of 2.6% for 2005-2006. The Union further proposes a 2.5% across-the-board wage increase for the 2006-2007 year or the percentage increase in the per pupil foundation grant whichever is greater but not more than 5%. The Union proposes the same 2.5% across-the-board wage increase or the percentage increase in the per pupil foundation grant whichever is greater but not more than 5% for 2007/2008. Additionally, the Union proposes longevity payments of \$750 each year for teachers with 18-22 years of service to the District, \$1,000 each year for teachers with 23-27 years of service and \$1,250 each year for teachers with 28 years of service and up.

The District's wage proposal calls for a 2.25% across-the-board increase for 2005-2006, a 2.25% increase for 2006-2007 and a percentage increase of whatever the percentage increase in per pupil funding occurs in 2007-2008 (without any apparent cap). See *District Exhibit 14*. The District objects to the introduction of any form of longevity payment.

One may readily observe how close the parties are on this particular issue.

The District claims that the community's conservative fiscal nature compels it to spend its money wisely while, at the same time, maintain a competitive academic product. It argues that if it were to agree to the Union's salary proposal, cuts in personnel and service would have to be made. Last year, for example, the District claims it eliminated one teaching position, postponed the purchase of a new school bus and reduced field trips. "Anything more will reduce student safety, reduce competitiveness, and adversely effect federal and state measured outcomes". See *Employer Exhibit 1*.

The District further notes that unlike mid- and larger-sized school districts, a general fund balance of 15-20% is critical because of the reduced size of its general fund. For example, the District indicates that at the beginning of the 2004-2005 school year, it discovered that the roof of its largest building failed and had to be replaced at a cost of \$331,000. Immediate repair of the facility was required in order for classes to begin classes on time. The District argues that a cost of this proportion, while more easily assumed by mid- and large-sized school districts, substantially reduced its general fund balance yet it was an expense that nevertheless had to be incurred. Similarly, the District claims it will be required to spend an additional \$150,000 this year on parking lot and sidewalk repairs. Finally, the District argues that its insurance costs have increased 100%, its fuel costs for heating and transportation have increased 75% in the last year alone, and the District's contributions to the state retirement fund have increased 50%. For these reasons, the District argues that it cannot agree to the Union's salary proposal.

The Union, on the other hand, argues that the teachers in the District are among the lowest paid in the entire state including not only its comparable districts but even when compared to those districts selected by the District as comparable. In its set of Exhibits, the Union notes

that out of its 6 comparable school districts (7 including the District), teachers on the BA scale were last or, at best, sixth in terms of compensation for all but one step. Teachers on the BA+ scale were, at worst, last and, at best, fourth in compensation among its comparable districts. Finally, teachers on the MA salary scale ranked last on 12 out of the 18 steps and ranked sixth in the remaining steps. Teachers on the BA salary schedule earned anywhere from 2.8% to 16.54% less than the average salary of similar teachers in the Union's comparable districts. Teachers on the BA+ salary schedule earned anywhere from 1.96% to 9.03% less than the average salary of similar teachers in the Union's comparable districts. Finally, teachers on the MA salary schedule earned anywhere between 4.12% to 6.19% less than the average salary of similar teachers in the Union's comparable districts.

Compellingly, the Union further argues that even if one were to consider the District's chosen comparable districts, teachers in the District ranked last in compensation, without exception, regardless of the salary schedule or the steps within each schedule. See *Union Exhibit A*.

This Fact Finder understands the District's desire, as a fiduciary of the taxpayer's money, to maintain a fiscally conservative approach to its finances. It is indeed admirable that the District does not wish to go back to the voters for additional bond money or tax increases. It is also understandable that the District desires to present a competitive and attractive academic alternative to students in its surrounding school districts. Yet, this Fact Finder cannot ignore that under either set of *self-chosen* comparable school districts, the District's teachers rank at the bottom or virtually at the bottom of each and every salary schedule and step.

While it may be true that the District, according to Superintendent Jaggi, agreed to 2.5% wage increases for the 2003-2004 and 2004-2005 school years, the result has left the District's teachers at or near the bottom of the salary scale regardless of one's choice of comparable districts. In other words, the District's teachers have not made little or no headway in terms of compensation recently.

In this regard, a comment is in order. The Fact Finder is impressed with improvements made to the District's buildings and grounds over the last several years. Obviously, an attractive physical plant is conducive to attracting and maintaining students; particularly students of choice. However, bricks and mortar, while attractive "window-dressing", must be tempered with the maintenance of a competitive and sound academic program. This, of course, equates, at least in part, with the retention of dedicated and professionally compensated teachers. As part of its presentation, the Union noted that as recently as the week before the commencement of the 2006-2007 school year, two mathematics teachers left the District to take employment in neighboring school districts. The retention of competent instructional staff is, in the Fact Finder's opinion, just as critical as the maintenance or improvement of a school district's physical plant.

This Fact Finder is convinced that both parties appreciate, and advocate for, the implementation of an equitable compensation structure. The degree of difference in their respective salary proposals illustrates this fact. Accordingly, based upon all of the evidence and arguments presented, the Fact Finder makes the following recommendation:

2005-2006: 2.60% across-the-board wage increase.

2006-2007: 2.50% across-the-board wage increase.

2007-2008: 2.50% across-the-board wage increase.

This recommendation takes into consideration the certainty of future wage increases and does not rely upon the vagaries of uncertain per-pupil funding in the years to come.

However, based upon the evidence and arguments presented, the Fact Finder does not recommend that longevity increases be introduced into the salary schedule. The Fact Finder is faced with inconclusive evidence concerning the impact this will have on the members of the Union’s bargaining unit and the District’s finances. While this may be an issue that is equitable or even desirable, the record in this case does not support the introduction of longevity increases into the compensation schedule for this particular collective bargaining agreement.

ISSUE 2: HEALTH CARE INSURANCE

Presently, the collective bargaining agreement provides all full-time teachers “group life insurance, medical and hospitalization insurance, and designated options and MESSA-PAK”.

See Article 15(A). Article 15(B) provides the following levels of insurance benefits:

Plan A **For Employees Needing Health Insurance**

Super Care 1 (with the MESSA Care Rider)

| | |
|----------------------|--|
| Long Term Disability | 66 2/3% \$3,000 maximum 90 calendar days - modified fill Freeze on offsets Alcoholism/drug addiction 2 year Mental/Nervous 2 year |
|----------------------|--|

| | |
|--------------|--------------------------|
| Delta Dental | C 03 (50/50/40: \$1,000) |
|--------------|--------------------------|

| | |
|-----------------|---------------|
| Negotiated Life | \$25,000 AD&D |
|-----------------|---------------|

| | |
|--------|-------|
| Vision | VSP-3 |
|--------|-------|

Plan B

For Employees Not Needing Health Insurance

| | |
|------------------------|---------------------------------|
| Delta Dental Vision | 80/80/80: \$1,000 VSP-3 Plus |
| Negotiated Life | \$50,000 |
| Long Term Disability | 66 2/3% Same as above |
| Annuity | \$200 |

Currently, teachers who maintain health care insurance under Plan A are required to pay 10% of the premium.

The parties both agree that the Super Care 1 plan is, as described by Superintendent Jaggi, the “Cadillac” of health care plans. In its Post-Hearing Brief, the District notes that the Super Care 1 plan “is the best and most expensive health care insurance offered by the Union’s own company”. Those employees who do not receive health care insurance are, instead, paid a \$200 per month annuity.

The Union proposes that the Super Care 1 be replaced with a less costly plan but that certain improvements be made to the dental and vision care plans. In this regard, the Union proposes:

In Plan (PAK) A:

Change to MESSA Choices II

Improve dental to 70/70/70: \$1200;
70:1200

Improve vision to VSP-3 plus

Decrease premium co-pay -

2005-2006: 8%

2006-2007: 6%

2007-2008: 5%

In Plan (PAK) B:

Improve dental to 80/80/80:1200;
80:1200

Increase annuity \$50 each year.

The District, on the other hand, while agreeing with the Union on the dental and vision improvements, nevertheless proposes a retention of the current Super Care 1 health care plan and the continuation of the 10% premium co-pay by the teachers. The District further proposes that the annuity be adjusted for those employees who participate in Plan B but suggests a \$50, \$25, \$25 increase for the ensuing three years.

Accordingly, the only matters for consideration on this particular issue is (a) whether the status quo on health insurance be maintained or whether the MESSA Choices II plan be adopted, (b) whether the employee premium co-pays should be modified and (c) whether the annuities for those teachers in Plan B be adjusted.

The Fact Finder finds it curious that the District did, at one time, propose a substitution of the MESSA Choices II for the Super Care 1 health care plan. On January 25, 2006, the District proposed “As soon as possible, change the employee health plan in PAK A to MESSA Choices II.” See *Employer Exhibit 13*. However, on August 31, 2006, the District apparently changed its position and proposed “Keep the employee health plan at MESSA PAK A. In Plan B increase the cash annuity amount in 2006-2007 to \$275 a month and \$300 a month in 2007-2008.” See *Employer Exhibit 14*.

The Union notes that a change to the MESSA Choices II health care plan coupled with a reduction of the employees’ co-pay to 5% would still save the District approximately \$15,000 over a twelve month period. Although other teachers in comparable school districts may

contribute more toward the cost of their health care insurance, the Union argues that the 10% co-pay is felt more keenly by the teachers in the District because of their correspondingly lower wages. The Union points out that even a 2% reduction in the co-pay would result in a \$300 per year savings to the employee.

This case presents a rather interesting twist on bargaining dynamics. While both parties propose identical improvements in the dental and vision care coverage, the District, and not the Union, desires to retain the “Cadillac” of health insurance plans. Yet, the Fact Finder is struck by a comment made by Superintendent Jaggi when he testified that “If you can save on premiums, you can give more in base wage. If we don’t have MESSA, more can go into compensation”.

It seems to this Fact Finder that both parties desire an equitable health care plan that is affordable to both the District and its teachers. For this reason, the Fact Finder is persuaded that the Union makes a more persuasive case for the adoption of its proposal. A change in the health care insurance from the Super Care 1 plan to Choices II appears reasonable and will result in cost savings to the District.

The Fact Finder is also persuaded by the Union’s argument for a reduction in employee co-pay though not to the extent proposed. In this regard, there is merit to the District’s argument that teachers in other surrounding school districts bear a larger portion of the employee co-pay than those in the Eau Claire School District.

Finally, the parties are close to an agreement on increased monthly annuities for employees in Plan B. However, the Fact Finder is persuaded that the District’s proposal is more reasonable in light of the evidence presented.

Accordingly, the Fact Finder makes the following recommendation on the issue of Health

Care Insurance:

In Plan (PAK) A:

Change to MESSA Choices II

Improve dental to 70/70/70: \$1200;
70:1200

Improve vision to VSP-3 plus

Premium co-pay -

2005-2006: 10%

2006-2007: 8%

2007-2008: 6%

In Plan (PAK) B:

Improve dental to 80/80/80:1200;
80:1200

Increase annuity by \$50, \$25, \$25.

CONCLUSION

ISSUE 1: Salary

2005-2006: 2.60% across-the-board wage increase.

2006-2007: 2.50% across-the-board wage increase.

2007-2008: 2.50% across-the-board wage increase.

ISSUE 2: Health Care Insurance

In Plan (PAK) A:

Change to MESSA Choices II

**Improve dental to 70/70/70: \$1200;
70:1200**

Improve vision to VSP-3 plus

Premium co-pay -

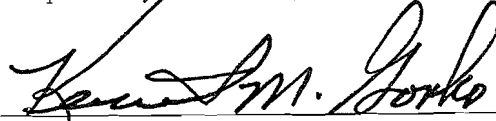
| | |
|------------|-----|
| 2005-2006: | 10% |
| 2006-2007: | 8% |
| 2007-2008: | 6% |

In Plan (PAK) B:

Improve dental to 80/80/80:1200;
80:1200

Increase annuity by \$50, \$25, \$25.

Respectfully submitted,



Kenneth M. Gonko, Fact Finder

Dated: October 10, 2006