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MICHIGAN DEPARTMENT CONSUMER AND INDUSTRY SERVICES
EMPLOYMENT RELATIONS COMMISSION
FACT FINDING PURSUANT TO PUBLIC ACT 176 OF 1939, AS AMENDED

In the Matter of The Fact Finding Between:

CASEVILLE PUBLIC SCHOOLS
Employer,

-and-

TRI-COUNTY BARGAINING ASSOCIATION
CASEVILLE EDUCATION ASSOCIATION
MEA/NEA
Labor Organization.
_____________________________________/

MERC Fact Finding
Case No.: L05 L-8017

APPEARANCES

For the Employer:

Dr. Dan Tighe, Superintendent

For the Association:

John M. Folsom, Jr.,
UniServ Director

A Fact Finding hearing concerning the contract dispute between the parties was held on August 16, 2007, at the offices of the Caseville Public Schools, before Fact Finder Martin L. Kotch.

BACKGROUND

Caseville is located in the thumb of Michigan. This bargaining dispute between the Caseville Public Schools (Caseville) and the MEA (Association) has resulted in a Fact Finding, initiated by the Association on January 26,2007. There are, at present, eighteen members of the bargaining unit.

ISSUES

The unresolved issues are: Health Benefits and Salary.

Caseville proposes that its health insurance liability be limited to the premiums it paid in 2005-2006. All increases beyond that are to be the responsibility of the employees. The Association proposes *status quo*, *i.e.*, Caseville fully funding the health benefits for each member of the bargaining unit.

The second issue is salary. Caseville has put forward no specific dollar or percentage proposal. Rather, it has made any salary proposal dependent on whatever will be the cost of a bargained-for health benefit. The Association seeks 1.5% per year, over three years.

COMPARABLES

The parties have agreed on eight comparable districts. Caseville has taken the position that there is really no comparability between it and any other district, but has accepted those districts proposed by the Association which are in Huron County.. Thus, it does not dispute the comparability of these districts, for purposes of this Fact Finding. Additionally, it does not dispute the figures presented by the Association.

The following are the districts agreed upon:

Bad Axe

Elton-Pigeon-Bay Port

Harbor Beach

North Huron Public Schools

Owendale-Gagetown

Port Hope

Ubly

Huron Intermediate School District (with respect to health benefits only)

POSITIONS OF THE PARTIES

Caseville

The premise underlying Caseville's position regarding health benefits and salary is that it is constrained in its ability to be flexible by economic forces outside of its control. It argues that its taxation level is already at the maximum permitted it by law, while conceding that all comparable districts are likewise at their maximum taxing ability. Caseville argues that health care costs have risen so rapidly as to be beyond the ability of most communities to keep up without limiting the scope of benefits offered, and/or limiting their exposure with respect to future increases. This, of necessity, entails shifting the burden of increases in premiums to employees.

Caseville has presented its picture of the fund balance and its significance: The 2005-2006 ending balance was $581,820. Designated funds were $389,000. Undesignated cash estimated for 2007-2008 was $190,000. This last figure was 7.6% of an expected 2.5 million dollar operating budget. The Michigan Association of School Business Officials and the Michigan Association of School Boards recommend 10-15% of the operating budget in fund balance. In its present financial condition, Caseville argues, it is not building a fund balance; virtually all of its revenue goes to education expenses. Fund balance size does not meet annual cash flow requirements, requiring borrowing at high rates of interest. Caseville rejects using fund balance or borrowed monies to manage cash flow problems, as this leads, it contends, to fiscal unsoundness and ultimately closure.

Over six years, staff has been reduced 25%. An additional small reduction is planned for 2007-2008. Additional funding has been achieved through the awarding of competitive grants. Among new costs are the increase in Office of Retirement Services, from 11.6% to 17.4% since 2000.

As to salaries, Caseville receives no money from the outside to adjust for student body size or wage market conditions. Caseville is in a declining revenue and growing costs predicament. The District's assets consist largely of a 10 acre parcel of limited market value at this time. It has attempted to answer financial stresses by eliminating one of three administrative positions, while at the same time, the burden on administrative staff has increased, as the state has reduced its staff (MDEA), with work devolving to the school districts. Caseville rejects the choice made by some in Huron County to operate schools with partially staffed administrative positions. It rejects this as causing a diminution of its policy making authority. As another cost saving device, consolidation of services is already underway at Caseville.

With respect to health insurance, annual rate increases moved from approximately 8% in 2000 to 14.7% in 2002. Rates then moved to 15% and 17% until 2006, when rates were held by MESSA to 5%. Over one five year period, the health care bill to Caseville has doubled. Bankruptcy or wholly inadequate schooling looms within five years.

Caseville asserts that Health Savings Accounts and Health Reimbursement Accounts, with their high deductible possibilities, are ways to curb the rising health cost crisis.

MESSA offers neither. Another method is to change insurance providers, or cap MESSA premiums at the rates extant on June 30, 2006.

Caseville notes that has the second lowest student enrollment among the comparable districts. It argues that it does not, therefore, enjoy the economies of scale that the districts with greater enrollment have.

Association

With respect to overall ability to pay, the Association contends that Caseville's document (Governmental Funds – Statement of Revenues, Expenditures, and Changes in Fund Balance) shows a 21% general fund balance at the end of 2006. However, Caseville has chosen to place 67% of their general fund into "designated accounts." Money from these accounts may be moved to "undesignated" by the Board. By designating the money in this manner, Caseville has artificially created a general fund budget equity of 7%. This permits it to claim that they do not have the ability to pay recurring cost items such as health insurance and reasonable salary increases. All the comparable districts have that ability.

As to salary, the Association notes that Caseville has linked its salary proposal to the cost of the bargained-for health benefit. Caseville, it contends, has never addressed the "lost" salary which the employees would incur if the Caseville's health proposal were to be accepted. The Association proposes a 1.5% increase for each of the next 3 years. Current salary is 1.75% below the average of comparable districts.

The Association contends that its exhibits demonstrate that Caseville has the ability to fund the Association's proposals on both issues. Moreover, it says, the exhibits show that the current contract puts Association members well below the standard in the county.

Indeed, they would still be below average if the Association's proposals were implemented. The Association notes that not only did Caseville present no exhibits to refute the Association's assertions, at the hearing it accepted the Association' figures as accurate.

The Association asserts that the unrebutted evidence it presented at the hearing demonstrated that Caseville is at or near the bottom of the comparable rankings. In comparing Caseville with the seven other districts, (Huron ISD is a comparable as to health benefits only) Caseville's ranking is as follows:

<u>BA minimum</u>: Caseville rank: 7/8.

<u>BA maximum</u>: Caseville rank: 8/8.

<u>MA minimum:</u> Caseville rank: 7/8.

<u>MA maximum</u>: Caseville rank: 6/8

From the foregoing, the Association argues it is apparent that Caseville does not keep pace with comparable districts in the matter of salary. Its minimum, while not dramatically different from the others in both BA and MA categories, is, nonetheless, at or near the bottom. As to the maximum in both categories, Caseville is substantially lower.

The Association has proffered evidence regarding percentage increases. Consistent with the gap in salary, the average salary increase received through bargaining by the Association over a three year period (2003-2006) was more than 1.6% below the average of comparables. The Association concedes that local conditions, job satisfaction, and the priority to the Association of the fully paid MESSA health program might account for some of the disparity.

The Association argues that in light of the data with respect to comparable districts, its bargaining position, if adopted, would do no more than maintain Caseville's position, at or near the bottom of the salary range. Moreover, Caseville receives the second highest foundation grant per student, and its superintendent's salary, as a percentage of revenue, ranks second. Given all of the foregoing, the Association contends that Caseville has the financial ability to meet the Association's salary proposal.

As to health benefits, the Association has proposed maintenance of their current level of benefits for the duration of the contract: Messa Choices II (PPO) with no employee contribution. That level is comparable to the health benefits of the comparable districts. The Association has presented the following data: The first three districts listed below *do* have employee contribution:

1. Huron ISD: MESSA Choices II. The Board pays 90% of premium; a salary increase for each salary step was added in 2006 which, in effect covered the 10% paid by the employee; this was on top of a bargained for across the board 2.5% increase.
2. Harbor Beach: A change was made from Messa Super Care I to Messa Choices II. Savings from this change go into an escrow account to help pay for any increase above 15%. Thus, the employer pays increase up to 15%, then escrowed monies are used to a maximum of 20%. The employee pays $50 per month toward the health premium. To date, no additional employee contribution has been needed.
3. North Huron Education Associations. MESSA Choices II. Employees pay $50 per month toward the premium.

The following have *no* employee contribution:

4. Port Hope: MESSA Choices II. 100% paid by employer.[1]
5. Bad Axe: MESSA ChoicesII – 100% paid by employer.
6. Elton-Pigeon-Bay Port: HSA Blue Cross/Blue Shield Flex Blue 2 - 100% paid by employer. (Effective January 1, 2008.)
7. Ubly: MESSA Choices II. 100% paid by employer.
8. Owendale-Gagetown: MESSA-PAK #4 Plan A - 100% paid by employer.

As to other health benefits, vision, dental, LTD and life insurance, the Association lags significantly behind other districts. Dental is better only than Port Hope. There is no orthodontic coverage at all. The vision benefit VSP-2, is inferior than VSP II Silver VSP III, SET Vision III, and VSP+3. Even Port Hope has a better vision plan.

An examination of the Association's Exhibit 2 shows that only Elkton-Pigeon Bay-Bay Port has a plan other than a MESSA plan. All the others have MESSA Choices II. Caseville has MESSA Choices II as well.

Discussion

The Association proposed eight comparable districts. Caseville has accepted these without further examination. With no data regarding tax base, the Fact Finder is constrained to operate on the understanding that the comparable districts are comparable in all respects, including ability to pay, without evidence to the contrary by Caseville. Although Caseville has argued that it does not have the ability to pay, its claim to uniqueness is undermined by two factors: the virtual absence of hard data demonstrating

[1]The Association, in its brief, designates Port Hope as having employees pay a portion of the premium. The data provided in exhibits apparently do not reflect this, though the error may be that of the Fact Finder.

this uniqueness, and its acceptance of the comparable districts proposed by the Association. Moreover, the Association's contention that the fund balance equity has been artificially lowered has gone unrebutted.

Caseville does make an argument with respect to size of enrollment, noting the lack of economies of scale which accrue to districts with greater enrollment. While conceding this to a point, the Association notes that these districts have commensurately higher expenses in every category of expenditure. With no further data supporting Caseville's assertion that enrollment equals uniqueness, at best it appears that economies of scale and increased expenses balance one another out. Caseville's acceptance of comparables is not negated by the issue of enrollment size.

The record, as delineated above, shows that salary in Caseville trails almost all the comparable districts, marginally in some brackets, significantly in others. Since Caseville has argued that all the districts are at their maximum taxing power, with a similarity as to other sources of funding (Caseville has some sources that others do not, with the reverse also true), no substantial argument has been made as to why Caseville's employees should not enjoy at least parity, or close to it, with the *average* compensation paid by comparable districts.

As to health benefits, all but one of the comparable districts has the same MESSA Choice II plan as does Caseville. Thus, a reduction in level of plan would put Caseville below virtually *all* the comparable districts. With Caseville's salary schedule already trailing, a reduction in health coverage or an increase in cost to employees would place it behind its comparables in both categories. Moreover, the "secondary" coverage in the health benefits package noticeably trails those provided by comparables.

Caseville points to the rapid increase in health costs. Rates *are* going up. But, so they are for all the comparable districts as well. Clearly, the economic reality of the rising cost of health insurance cannot be ignored. (Indeed, legislative action may have rendered this discussion moot.) As a consequence of these rising rates, Casevile has made the argument (p.3), reiterated below,[2] that health care costs have risen so rapidly that most communities are incapable of providing health care at present levels without shifting the burden to their employees. This argument must be placed in context. If "most communities" can be encapsulated in the eight comparable districts, it is clear that Caseville's assertion is without foundation. Of the seven with the same plan as Caseville's, three collective bargaining agreements require some employee contribution, four require no contribution. Of those that do, none has anything as open-ended as that sought by Caseville.

On the record before him, both exhibits and oral and written arguments, Caseville has not presented the Fact Finder with sufficient basis to warrant a further departure from the salary/benefit levels provided by comparable districts. Caseville has pointed to no particular economic circumstance, that it alone suffers, which would justify it not keeping pace with comparable districts. The Fact Finder must endorse the Association's positions.[3]

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[2] "health care costs have risen so rapidly as to be beyond the ability of most communities to keep up without limiting the scope of benefits offered, and/or limiting their exposure with respect to future increases. This, of necessity, entails shifting the burden of increases in premiums to employees."

[3] The Fact Finder is, unfortunately, left with a feeling of incompleteness, in terms of the bargaining history of the parties. He is unsure whether they have truly mutually engaged on wage-health interdependence. They appear, rather, to be performing an Alphonse/Gaston minuet, awaiting the other's first move. There is no suggestion, for example, that the creativity of e.g.,the Harbor Beach solution was ever explored. Again, however, the extant record provides the basis for the finding made herein.

Respectfully submitted,

November 16, 2007

Martin L. Kotch
Fact Finder