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**STATE OF MICHIGAN
EMPLOYMENT RELATIONS COMMISSION
FACT FINDING**

SHEPHERD SCHOOL DISTRICT

And

MERC Case LO8-H-8006

MICHIGAN EDUCATION ASSOCIATION
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Report

A. Robert Stevenson, Fact Finder

July 18, 2010

FINDINGS, OPINION AND RECOMMENDATIONS

The Fact-Finding hearings on this matter were held April 26 & May 3, 2010, at the Gratiot-Isabella Intermediate School District office Ithaca, Michigan.

Present for the Michigan Education Association:

Kathleen Tucker	UniServ Director
John Folsom	UniServ Director
Ruth Beir	MEA Economist
Kirt Bascom	MESSA Field Representative
Larry Banek	MESSA Field Manager
Richard Ringstrom	MESSA
Delores Brock	President, Shepherd Education Association
Carol McCaul	Shepherd Education Association
Dabney Dusenbery	Shepherd Education Association
Sandy Pulaski	Shepherd Education Association
Jay Gross	Shepherd Education Association
Nicole Rethamel	UniServ Director

Present for the Shepherd School District:

Bruce Bigham	Consultant Shepherd School District
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Terry Baker
Kevin Kolb
Henry Bledsoe

Superintendent Shepherd School District
Asst. Superintendent Shepherd School District
Insurance Consultant

My findings, opinion and recommendations follow.

The aim of fact finding is to guide the parties as to the terms and conditions which, in the view of a neutral, can be the basis for resolving the parties' dispute so as to enable them to reach a collective bargaining agreement. Criteria can include the financial ability of the governmental unit to fund the award, and comparables both internally and with other similarly situated public and private employers in the geographical area.. The fundamental duty of the Fact Finder is to inquire fully into the facts involved and to issue non-binding recommendations regarding the matters in dispute.

INTRODUCTION

Shepherd Public Schools is a District with a student count of approximately 1659 students. The District currently employs 99 teachers who are members of the Shepherd Education Association bargaining unit. Shepherd is a rural community located about 50 miles north of Lansing . The last contract between the parties ran from July 1, 2004 through June 30, 2008 (District 1-2). The four year settlement in that contract contained a freeze in the salary schedule for the first two years and increases in the schedule in the third and fourth years which was nearly 100% funded by insurance concessions (District Brief p.1). The 2006-2007 schedule provided a 1.5% increase over the 2005-06 schedule and 2007-2008 schedule provided a 2.5% increase over the 2006-07 schedule (Association 22 p38,39).

Petitioner Shepherd School District filed for Fact Finding October 22, 2009, seeking to resolve the ongoing contract negotiations between the parties. The Employer in the petition cited many issues but at the hearing the issues raised were limited to the regular salary schedule and

insurance. A Pre-Hearing Conference (by phone) was held on January 5, 2010. Hearing on the petition was held April 26, 2010 and May 3, 2010 during which the Fact Finder heard evidence from both the Shepherd School District and the Michigan Education Association. Both parties had an opportunity to cross-examine witnesses for the other side and to explain their positions in written briefs.

The only issues to be decided are Wages and Health Insurance.

Wage Proposals

ASSOCIATION (Retroactivity including for all employed in each year)

2008-09 1% raise first semester; Additional 1% for second semester

2009-10 1% raise first semester; Additional 1% for second semester

2010-11 1.25% raise first semester; Additional 1.25% for second semester

DISTRICT:

2008-09 0%

2009-10 0%

2010-11 0%

(Association Brief p.5)

Insurance Proposals

	<u>Union-Downgrade to</u>	<u>District-Downgrade to</u>
Plan	MESSA Choice II	BC/BS PPO
Prescriptions	\$10/20 drug card	\$10/40 drug card
Deductible	add \$100/20 deductible	\$4000/8000 self funded
Office visit Co-pay	\$10	\$30
Urgent Care Co-pay	\$25	\$30
ER Visit Co-pay	\$50	\$100
Member Contribution	\$64.10/mo.	\$64.10 plus amount over:
		Caps FF\$632.24:2P \$495.43;SS \$184.59

Insurance includes health, vision, dental, long-term disability (LTD), life insurance, cash-in-lieu of insurance and the issue of vendor for 403(b) contributions.

(Association Brief p.10)

. The internal wage settlements within Shepherd Public Schools 2008/09, 2009/10 and 2010/11 are as follows:

<u>Employee Group</u>	<u>2008/09</u>	<u>2009/10</u>	<u>2010/11</u>
Administration	2% salary increase paid through concession in health insurance coverage	0% salary increase concessions in health insurance coverage to keep premium level	TBD
Support Staff	2% salary/wage increase paid through concessions in health insurance coverage	0% salary/wage increase and concessions in health insurance coverage to keep premium level	TBD
Custodial/Maintenance	2% wage increase paid through concession in health insurance coverage	0% wage increase and concessions in health insurance coverage to keep premium leve.	TBD
Bus Drivers (AFSCME) (District 4-3)	0% wage increase	2% increase and elimination of health insurance coverage.	TBD

In July of 2008 the Association was offered a 2.55% wage increase if they accepted the District's proposed insurance plans but rejected the offer (District Brief p.22).

ABILITY TO PAY

Mr. Kevin Kolb, Asst. Superintendent, served as a witness to the Districts financial condition. He testified that the District at the end of June 30, 2009 had a General Fund operating deficit of \$305,733 (District 2-1). The 2009/2010 Operating Budget shows an operating deficit of \$527,211 with a proposed actual loss of \$327,211. He testified that the budget has been cut to the point that only the bare necessities are budgeted (District 2-2). There is no money budgeted for curriculum updates. There is only \$47,601 for capital improvements to maintain over \$50,000,000 in facilities and equipment. And there is no money budgeted to replace any computer lab and they are getting very old (District2-2). The 2010-2011

General Fund Budget which has not been approved by the Board of Education assumes budget reductions of \$800,000 of which only \$150,000 have been identified (District 2-4). The Exhibit shows the Fund Equity for 2008/9 \$1,338,272; 2009/2010 \$811,061; Proposed 2010/11 \$235,750. The District claims the cost of the Association wage and benefit proposal is approx. \$800,000 with the Association claiming the cost of its proposal is only \$169,000 (testimony of Kevin Kolb, District 3-1). District 3-1 shows the Foundation Grant dropped \$342,996 in fiscal year 2008/09 ;increasing 2009/2010 \$30,897; decreased 2010/11 \$517,730.

Kolb testified that there have been many cuts in recent years and they are to the point where further cuts will impact the services that the public expects. Class sizes are getting excessively large, all buildings are not cleaned on a daily basis, no money is budgeted for the replacement of text books (and other curriculum materials) and 14 year old buses are not being replaced (District 3-2). It was noted that there has been an increase from 4/2005 to 2008/2009 Payroll and Benefits of Administration costs from 7.6% to 8.2% (District 3-4). The explanation for the increase is that 9 administrative positions were necessary and the Superintendents salary was adjusted at hire with further adjustment to bring it in line with area Districts.

Retirement is another expense factor which is expected to increase significantly each year for the next 5 years with a pension rate increase of 19.41% in 2010 in the employer's mandatory contribution (District 3-12). In addition Mr. Kolb testified that without a salary schedule increase teacher payroll will increase over 2009/10 by 2.47% in the coming year. Over all the future outlook for the State of Michigan and the School Aid Fund is uncertain at best (District 3-15).

According to District testimony in recent years the foundation grant amount per student has not only experienced slow growth but declined for 2009/10(District 3-9). District 3-9 cites a State Revenue Conference projected short fall of \$268 per student on top of a \$165 per student decline for 2009/10. Enrollment has also declined since 1996/97 and is projected to decrease for 2010 based upon Middle Cities Method#1 for projecting enrollment (District 2-10).

WAGES

Ruth Beier, Economist for the MEA testified on behalf of the Association. The Association claims the teacher salaries are at the bottom or near the bottom of its appropriate

comparables and their insurance proposal is line with the rest of the Districts in the Gratiot-Isabella RESD and the twenty-two similar sized districts (Association 1).

According to Kevin Kolb there are 63 teachers at the top step of the salary schedule 2009/10 and teachers move up the rails at a steady rate because of their continued education requirement (District 4-1). The District position is that even though the schedule is 2 years older than most of the other Districts it compares favorably on the maximum steps.

	BA Max	MA Max
Shepherd	\$53,187	\$57,100
Average	\$52,753	\$57,549

(District 4-2)

Shepherd does not compare favorably on the min. steps, however they argue that the difference between the min. step and the next lowest step on the salary schedule is very large (8%) (District 4-2)

HEALTH PLAN

According to the District health insurance rates have increased substantially over the last 16 years (District 2-11). During this time health insurance savings 06/07 and 07/08 were used to give the teachers pay increase of 1.5% and 2.5% respectively (District 3-11).

The District is proposing a Blue Cross Blue Shield health care plan (Community Blues PPO Plan 15) and other plans that cover all other employees of the District that are eligible for coverage (District Brief p14). These are self-funded in the instance of dental and certain portions of the health care (i.e. annual deductibles in network, in-network co-payments after the deductible is reached and portions of the emergency room charges, etc.) The District is proposing a “hard cap” limit on premiums like it has with its custodial/maintenance unit represented by the International Union of Operating Engineers. If the present language is left in effect, the teacher’s contribution on July 1, 2010 will increase from \$64.10 to \$130.55 (District Brief p.14, Joint 1 at page 1). Note the District assumes 100% of the liability for third party administrator charges and claims projections.

All employees in the District except the teachers are enrolled in the District’s suggested health plan. Full details of the current and proposed plans are contained in District Exhibits Book Two . It is estimated by the District that had the teachers agreed to the plan there would

have been a \$360,00 saving in 2008/09 and a \$300,000 saving in 2009/10 (District 5-1). As with any insurance plans there are differences in coverage (District 6-1, 6-2). The District argues that the health care differences are minimal in their estimation (District Brief p.15).

Teachers currently pay \$64.10 per month if enrolled in MESSA A. If the teachers according to the District were to pay the entire difference to retain the current Choice II plan, it would require an increase to approx \$272 per month and approx. \$242 under the Choice II amended plan (District 5-15). Independent of the Policy Holder status issue the District argues the MESSA offerings are limited in number and are high end cost plans and far more options exist in dealing direct with BC/BC for example (District 5-15). The Association plan as proposed has a cost savings of \$53,158 where the District plan has a cost savings of \$298,032(District 5-15).

Ms. Beier priced the Association's wage and insurance proposal at \$169.704 (Association 9). She estimates the cost of the Association wage proposal at \$221,059 and a savings of \$51,355 the difference between the current plan of \$1,290,714 and the proposed plan for 2009/10 of \$1,239,359. Her conclusion is that this cost is well within the District ability to pay (Association 10). She further pointed out that the BA starting and top MA salary have not kept up with the cost of living over the last 5 years (Association 11). She also notes that as a percent of total expenditures Shepherd Administration compensation is the second highest paid out of the 22 similar sized school districts (Association 12). Further, in total Capital Outlay dollar amount for the past 6 years, Shepherd is number 1 when compared to similar size school districts (Association 14). In addition in 7 out of the 10 GIRESD districts, teachers have a MESSA product for health insurance. (Association 17).

The Association also questioned the District's accounting practices. For example, in rebuttal to the Districts claim of an operating deficit of \$305,733 in 2008/9 it ended up with a \$1.3 million general fund surplus (Association 25 Last year the District lost 71 students, making an annual deficit nearly unavoidable. This year, the District gained 44 students. Last year, the District chose to have an operating deficit by using \$466,479 in operating revenue for capital outlay.

The Association points out that 19 teachers are retiring and the savings between those teachers and new hires should be credited toward the wage settlement proposed by the Association (Association Brief p23). According to the Association this will provide a substantial saving of \$690,319 to the District (Association Brief p.23-27).

Mr. Kirk Bascom, from MESSA testified that MESSA benefits have been in the Shepherd collective bargaining agreement since at least 1976. Teachers in 5 of the 10 GIRESD's pay or have the possibility of paying a portion of the premium at some time. It was noted that the building/RESA chose to come back to MESSA after experiencing high increase in premiums. The Association proposes to increase the cash-in-lieu of from \$100 to \$200. Larry Banek from MESSA stated that MESSA's state wide pool is better than the experience rating of 99 teachers. Mr. Ringstrom from MESSA talked about the problems with high deductible plans. The MESSA PAK A increase to the medical premium (composite is 10.56% which is guaranteed through June 30, 2011. Mr. Bledsoe and MCAI cannot provide rates for 2010-11 until September 2010.

RECOMMENDATIONS

The last contract July 1, 2004 through June 30, 2008 was a four year settlement that contained a freeze in the salary schedule for the first two years and increases in the schedule for the third and fourth years, nearly 100% funded by insurance concessions. Since then student enrollment projections remains uncertain, the foundation grant is going down and the cost of insurance is going up. Weighing against that is the savings from teacher retirements and the cost saving if the Districts insurance plan is accepted.

Wages and benefits are 85% of the District's expenditures in 2008/9(District 3-2) so that any increased changes in these economic times has to be carefully considered. Without ruling on the jurisdictional issue and given the economic constraints it makes sense to convert to plans outside of MESSA and I would recommend the health insurance plan offered by the District.

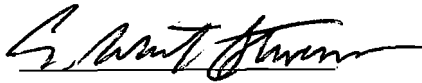
As to salary increases I feel the Association is entitled to an increase in the salary schedule of 2.5% for the 2010/2011 year with no retroactivity. The Associations bargaining position on health benefits delayed the negotiations on wages and lost the opportunity for cost savings that could have been applied to wage increases.

SUMMARY

These recommendations are being issued with the hope that they will be utilized by the parties to resolve the issues in dispute.

June 18, 2010

Respectfully submitted,

A handwritten signature in black ink, appearing to read "A. Robert Stevenson". The signature is written in a cursive style with a horizontal line underneath.

A. Robert Stevenson

Fact Finder