STATE OF MICHIGAN
EMPLOYMENT RELATIONS COMMISSION

In the Matter of the Fact Finding Between:
RAVENNA PUBLIC SCHOOLS

AND

RAVENNA EDUCATION ASSOCIATION

Before:
Lawrence C. Root, Fact Finder
MERC Case No. L10 H-7015

APPEARANCES

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FACT-FINDERS' REPORT

1. INTRODUCTION

The most-recent Master Agreement between these Parties expired on June 30, 2010. They have been operating under the terms of that Agreement since then while trying to negotiate a new agreement. The 2010-2011 school year has passed with the 2011-2012 school year obviously approaching day-by-day. This fact-finding is tasked with presenting recommendations for the Parties to consider regarding contract terms in the two areas in which the Parties have not, to date, been able to reach agreement. The first addresses contract terms covering teacher salaries for the 2010-2011 and 2011-2012 budget years. The second is teacher health insurance benefits for the 2011-2012 budget year only because any such dispute regarding teacher health insurance benefits for the 2010-2011 budget year are now moot in that the teachers' health insurance benefits from the now-expired contract have been continued to date pending resolution of a new contract.

For ease of reference, the "Ravenna Public Schools" will be referred to herein as the "District" and the "Ravenna Education Association" will be referred to as the "Association".

Negotiations for a new Master Agreement between these Parties began on Nov.20, 2009. After a number of exchanges, tentative agreements (TAs) have been reached on all issues other than teacher salaries and teacher health-care insurance. The TAs, summarized in Exhibit 5 of the District's Exhibit Book, are understood not to be subjects for this Report. The final positions of the Parties on the two remaining contested issues are summarized in Exhibits 6 (salary and class size) and 7 (teacher health insurance) from the District's Exhibit Book.

It appears that the Parties last held actual negotiations on Oct. 5, 2010, the date of the last written proposal. Mediation was initiated, but was unsuccessful in resulting in an agreement on the remaining issues. The District initiated the fact-finding process by filing a petition for such with MERC on or about Dec. 8, 2010. A fact-finding hearing was held on May 20, 2011, with the last post-hearing written submission being received on or about June 8, 2011.

Analytically, the considerations in fact-finding in Michigan at the time of this fact-finding session were essentially the same as those in Michigan's statutory compulsory police and fire arbitration, obviously without the employer's "hammer". While legislative changes to ACT 312 have been adopted, effective on the date of this Report, the analytical considerations applied herein are under the statute prior to its modification and that *may* be utilized are, in summary form:

1. The lawful authority of the Employer. (Not raised).
2. Stipulations between the Parties. (The TAs and evidentiary agreements).
3. The interests and welfare of the public and the financial ability of the unit of government to meet those costs. (the District's Financial ability contested).
4. Comparison of the wages, hours, and conditions of employment of the Employees involved in the fact-finding proceeding with the wages, hours and conditions of employment of other employees performing similar services and with other employees generally:
    a. in public employment in comparable communities (Raised).
    b. in private employment in comparable communities (Raised).
5. The average consumer prices for goods and services, commonly known as the cost of living or the Consumer Price Index (CPI). (Not raised).
6. 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 and all other benefits received. (Raised, at least inferentially).
7. Changes in any of the foregoing circumstances during the pendency of the proceedings. (Raised, at least inferentially).
8. Such other factors, not confined to the foregoing, which as 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 public service or in private employment. (Not specifically raised but is virtually always "in play" as a catch-all for unspecified considerations).

As noted, in this fact-finding proceeding not all of the above were addressed, so this Report can only address the factors raised by these Parties. The parenthetical notations following each of the factors above indicate which issues were addressed/raised by the Parties either in their written submissions or orally at the public hearing or are simply logically inferred.

Since the matters between these Parties that remain unresolved are teacher salaries and health-care insurance benefits, this Report will address those issues, but in doing so the full range of non-salary compensation being received and sought by the members of the Association must be considered because fringe benefits are an important and expensive component of employee compensation in any employment relationship. For example, the District's Exhibits 17 and 18 show that in the time period from the 2009-2010 contract period to the 2011-2012 period the cost to the District for employee retirement benefits has rapidly increased, as a percentage of employee wages, from 16.94% to 24.46%, a much sharper increase than has been experienced in the earlier time periods covered by exhibit 17 which starts in 2001. In terms of the actual expense, this amounts to a $579,831.00 increase for the 2010-2011 period measured from the cost in contract year 2009-2010. The 2010-2011 contract year cost to the District was $1,035,085.00 with the 2011-2012 costs being $1,279,777.00. These costs are solely for the employer's contribution to the teachers' retirement plans, which plans are obviously tied to salary levels. While those facts are significant in themselves, they reflect clearly how increases in salary "drive" the cost of various fringe benefits that are tied to employee salaries.

All compensation issues in public school employee cases must be viewed in light of several key general factors. Not in any order of importance or weight, the school district's ability to pay must obviously be considered. The District is the steward of relevant public finances from whatever sources such are received, but it is also the entity with the responsibility for providing the best public educational experience possible to the students of the public schools in the District, a responsibility that includes getting and keeping the best teachers it can afford. The beginning point of any analyses such as this one is the revenue/resources available to the District for the payment of salaries and fringe benefits, some of which are tied to salaries.

2. REVENUE AVAILABLE TO THE DISTRICT

No one reading this Report will argue that Michigan, and thus the District, are in prosperous economic times. The harsh realities are that the District is faced with declining revenues at all levels as well as declining enrollments of students in the school district. Declining enrollment is important on two fronts: state funding is largely based on the District's student enrollment, and changes in enrollment, up or down, impact the number of teachers and staff necessary to do the job of educating the students that are in the District or at least impact the class-size ratio of students to teachers.

On the revenue side, the Ravenna District receives from the State of Michigan a "foundation allowance" per student. By law, other than nominal resources not in question here, such as "categoricals" and other miscellaneous funds, that foundation allowance is the sole source of revenue to the district to pay for the direct educational expenses of the District, such as the matters that are the subject of the contract between the District and the Association. That figure, for the Ravenna District, has for the past several years been at the lowest level paid to any and all public school districts in Michigan, $7,316.00 per student. The District, based on projections arising from budgetary discussions in Lansing, is budgeting for a reduction in the foundation allowance for budget year 2011-2012 to the amount of $6,846.00 per student. The "double-whammy", funding wise, is that enrollment in the District is continuing a downward trend according to data admitted at the hearing going back to 2001. In 2001 the enrollment was 1,206 students. By the 2010-2011 school year enrollment had dropped to 1,028. The District is projecting a modest increase in enrollment for 2011-2012 of five students, for a total of 1,033. Doing the math, the foundation allowance generated $7,520,848.00 for year 2010-2011. If the District's estimated drop in the foundation allowance is accurate (it could end up being more or less, more likely the latter), the 2011-2012 foundation allowance would be $7,071,918.00, which is $448,930.00 less than for 2010-2011. This is not a new development as the evidence established that the District has been facing revenue shortfalls for at least a decade, meaning that the District has been facing a running shortfall in income for many years. Thus, in looking only at the increasing cost of teacher retirement and the losses of funding covered in this paragraph, the District's financial resources are down $1,028,761.00 from the 2009-2010 budget year.

In estimating future foundation allowances, school districts must recognize and try to allow for the variables faced by the State of Michigan as it determines how much money it can allocate for school aid appropriations. For example, state fiscal years 2009 through 2011 included, for each year, between $450 million and $600 million in Federal ARRA and EdJobs funding (it was explained during the fact-finding hearing that the EdJobs money was sourced from what most people know as the recent federal stimulus spending, a program designed to be temporary). When, not if, the Federal Government cuts back on the support it provides to the state of Michigan those funds, obviously, will no longer be available for school district budgeting. Most readers of this Report are only too familiar with the budget "discussions" going on at the federal level. While it is unlikely that federal funds will be cut off completely, the likelihood of significant shortfalls from federal sources must be considered. This is particularly so for programs, such as the stimulus spending, that were designed as temporary programs. Such monies simply cannot be used in budgeting for the future, beyond their limited lifetimes.

The effect of this ongoing revenue shortfall is particularly troubling given the terms of the contracts negotiated in the past that include annual step increases for each teacher every year, "bumps up" in such salary scales based on the teachers' personal educational advancements, such as hours toward a masters degree, upon earning a masters degree and hours of education beyond a masters degree. Additionally, the teachers receive longevity pay for service beyond 15 years of service up to 40 years of service. Such contract provisions are certainly not unusual in teacher contracts, or in public employment contracts generally, but they build in an automatic institutional system of cost increases based solely on the passage of the time the teachers remain teaching in the District and their educational accomplishments (which are laudable and presumptively beneficial to the students in the form of having a better educated teaching staff teaching them).

In addition to the ever-escalating cost structure addressed in the preceding paragraphs, the contracts in the past have provided the Teachers fully-paid health insurance as well as the legally-required retirement benefits through the Michigan Public Employee Retirement Act (MCL 38.1301 *et seq*) with no contributions from the teachers. Again, while this is not unusual in education, at least to date, but the increasing costs of such programs further erode the decreasing annual revenues the District receives which also must pay the teachers' salaries as well as the employment costs of the District's other employees such as bus drivers, maintenance staff, secretarial staff, administrators, food-service workers, para-professionals, etc. The District obviously also incurs non-staffing expenses which account for the 19% of the District's budget not consumed by staffing expenses.

Unfortunately for all involved, the District has no way to increase its revenue stream. Bond issuances for capital improvements and non-homestead property tax revenues are not available for employee compensation as they are legally designated for other uses. Certainly, school districts are labor-intensive since education is a "service industry", with the Ravenna District's employment costs for all employees (not just teachers) being 81% of its entire budget. Like many states, but unlike the federal government, the District is legally prohibited from operating with a deficit, budgeted or unanticipated, each year pursuant to Michigan Compiled Law Sec. 388.1702. Unfortunately, it has gotten to the point that some of Michigan's school districts are being compelled to violate the law and, hopefully only occasionally and temporarily, are operating with deficits, a situation the Ravenna District is soon about to face.

Mention should be made regarding the "fund balance" that every school district, including Ravenna, should and does maintain. First of all, it must be made clear that a "fund balance" is not just cash being withheld from being included in "the pot" that should be treated as available for outlay to any particular employee bargaining unit(s). Rather, the fund balance is an accounting term applied to the difference between a District's total assets and its total liabilities. Included may be accounts receivable, assets not yet fully depreciated, supplies inventories, etc. and some cash on hand. Professional advisors to schools often advise that the fund balance be in the neighborhood of 15-20% of a district's total expenditures and operating-transfers budget. The Ravenna District's CPA recommends a fund balance of 15% of such. The Ravenna District's fund balance has, like virtually all of its other financial aspects, been in a strong downward trend for the past decade, with the District actually projecting a deficit in its fund balance for year 2011-2012 of nearly $1.3 million.

It should be noted that there were no claims made during the fact-finding process that the District has been guilty of mismanagement or other inappropriate uses of the District's financial resources, a factor that, when raised, ratchets up the "heat" of any proceeding like this one.

The Association's representatives in the fact-finding process did not roll over and play dead regarding these negative financial projections. They did offer counter arguments regarding the data. However, the Fact-Finder is convinced that the Ravenna School District is facing truly dire financial realities that all involved must recognize and take part in dealing with. This situation is not unique with the Ravenna District, but it is a reality that must be recognized and dealt with locally.

3. ISSUES OF FAIRNESS AND COMPARISONS WITH "COMPARABLE" SCHOOL DISTRICTS

In any employment contract negotiation in the public sector fairness to the members of the unit being negotiated with is a proper point of analysis. Certainly, fairness does not exist in a vacuum, but is most often measured against what "comparable" school districts are doing. In this regard, each side submitted their lists of districts they felt are comparable to the Ravenna District, with there being little difference between the lists.

A. SALARIES

The first comparison properly looks at the districts in the Muskegon Area Intermediate School District (ISD), the ISD that the Ravenna District is in. Preliminarily, it should be noted that the Association's Exhibit No. 23 shows that, as of this fact-finding hearing, of the 12 districts in the Muskegon Area ISD, six had not yet settled their contracts for 2010-2011, including the Ravenna District. In the same ISD, eight of the 12 districts had not yet settled their contracts for 2011-2012, including the Ravenna District. In light of this high number of unsettled contracts for the contract years in question in this fact-finding both sides chose to look at the contracts in this ISD for contract year 2009-2010. Interestingly, but not surprisingly, each side elected to compare teacher salaries from different levels of the various districts' pay scales. The District here chose to present the salaries for first year, tenth year and total average teachers' salaries. In those classifications Ravenna ranked second in all comparisons from a field of twelve. The Association presented, for the same twelve districts in this ISD, salary data for teachers with a masters degree, those with a masters plus five hours toward an advanced degree and new teachers' base salary. In that order, Ravenna, out of twelve districts, ranked sixth, fifth and second respectively. The conclusion to reach from all this ranking is that the Ravenna teachers are compensated, salary-wise, well into the top range of compensation for this ISD, never below average.

Turning to the districts from around the state of Michigan that were presented as comparable to Ravenna based on size and revenue, the District presented its comparable districts based those criteria. In that comparison Ravenna ranked in first place in salary level for new teachers and overall teacher salary levels and ranking second with those teachers with ten years seniority and a masters degree. The Association presented no comparables in this analytical area.

The conclusion from the analysis of the comparables leads to the conclusion that the teaching staff at the Ravenna District are at the top of most of the salary comparisons, with them being in the above-mid-range for apparently only a few. Well above average would be a fair way to characterize their overall salary ranking. Certainly, the Ravenna School District has treated its teaching staff well, financially, in the time periods presented. Further, this evidence from comparable districts indicates that there is no "catching-up" that needs to be done, salary-wise, in the contract years in question in this fact-finding. It should be noted that the Ravenna teachers apparently appreciate, and they would say earned, their comparative salary status in that, as shown in the Association's Exhibit 24, Ravenna students ranked very well in the "School Report Cards" for 2009-2010, a reflection on teaching jobs well done.

B. HEALTH INSURANCE

Regarding comparables for analyzing health insurance the two sides took different approaches. The Association used the Muskegon Area ISD districts while the Ravenna District used data from the non-public employment market. The Association's comparisons show that, in this ISD, all of the districts provided their teachers with MESSA Choices II health insurance in one form or another. Eleven of the twelve districts provide prescription coverage with a \$10/\$20 co-pay with the one providing a \$5/\$10 co-pay. In this data, Ravenna falls into the majority with a \$10/\$20 co-pay. As for deductibles (in/out) network, ten of the districts, including Ravenna, provide deductibles of \$0/\$250/\$500 with two districts providing deductibles of either \$100/\$200/\$250/\$500 or \$200/\$400/\$400/\$800. The Association is presenting this data to support its position for keeping its members in a MESSA program similar to those used elsewhere in the ISD.

It should be noted that, in the Association's comparables regarding health insurance, of the twelve districts in this ISD, three of them do require employee financial contribution toward their health insurance in contract year 2010-2011, while the other nine do not. It is also observed that, as noted in the Association's Exhibit No. 23, of the twelve districts in this ISD, six of them, including Ravenna, did not have contracts settled for 2010-2011, so it must be presumed that the Exhibit 23 information presents a continuation of the most-recently expired contracts in those districts. However, it has been shown that some districts in this ISD are requiring teacher contribution toward their health-insurance coverage costs.

The District's approach shows, quite convincingly, that private-sector employees who receive health insurance as a benefit of employment receive much more modest coverage, pay significantly higher deductibles and virtually always contribute substantially toward the premium for such insurance. The District highlights that employees from the private sector generally pay in the range of mid-twenty percent to thirty percent of their health insurance benefit premiums, while the Ravenna teachers in particular pay nothing for superior coverage. The District here has also shown, via its exhibit 45, that its non-teaching employees receive a lesser non-MESSA health insurance plan and either all or virtually all contributing toward the premium for their health-insurance benefit.

Anyone following this issue on the national scene realizes that this is one of the "hot-button" issues of the day. Most taxpayers who even have employer-provided health insurance as a benefit of employment are receiving benefits generally of lesser value than those in the public sector. Additionally they are also contributing significantly toward the premiums for such insurance. As such, there is much support for a shift in settling contracts in the public sector, such as the one in question here, from doing so based on comparisons made within a closed system, such as public education, to one that utilizes, at least in part, comparisons with the private sector. Noting that insurance is the only issue the District here has argued non-public education comparables for, this fact-finder feels that such comparisons will be the norm in the near future. Contract negotiations in the public sector are between public managers and public employees, none of which have any "skin in the game" on the cost side of the anulysis. On the other hand, those negotiating employment contracts in the private sector either do have "skin in the game" or are responsible directly to those who do. It is recognized that private-sector comparisons may not serve as well when applied to all public education issues, such as those regarding wages, given the nature of education and its many differences from most private-sector non-teaching jobs. However, fringe benefits seem, at least to this fact-finder, to be a hetter "fit" in making comparisons to the private sector since they are not so directly tied to the peculiarities of education vs. private-sector employment. The one exception to such a distinction may be in the area of privately funded and operated educational institutions.

Another issue raised by the District is the close relationship between the Michigan Education Association (MEA)-affiliated bargaining units, such as the Association here, and the MEA-controlled-and-sponsored (owned?) health-insurance "company", MESSA. The District presented evidence of the MEA's connection with MESSA, a point not contested by the Association in the fact-finding process. The District's Exhibit No. 43 shows that the MEA reports to the federal government, as it must, that it paid sums ranging from \$4.7 million in 2007 to over \$5 million in 2010 to its local affiliates to "encourage" them to negotiate for MESSA health insurance coverage in their collective-bargaining efforts. The Association and the MEA may argue that this is just funding for direct marketing, but in the world of public employment contract negotiations I doubt they'd take such a position if faced with a private insurer closely tied to the school districts spending anywhere near that amount with school districts to encourage them to negotiate insurance coverage from it into all of their labor contracts.

There is no doubt that MESSA coverage is excellent (the phrase "Cadillac Plan" from the recent national-level health-care debate comes to mind), likely better than that available to most employees in the private sector, but that is not the problem. The real issue is the cost for MESSA coverage to this District and the lack of employee cost-sharing for it. None of the private-sector comparables presented by the District provide health insurance without cost to the employee, but rather all of them involve employee contribution toward the premiums. As for the coverage, the record here does not provide a detailed comparison of benefits between the MESSA coverage presently enjoyed by the District's teachers and that proposed by the District as a less-expensive substitute for MESSA, so the Fact-Finder has no basis on which to make a benefits-based analysis. The District, in its Exhibit 42, does set out plainly the cost to it for continuation of the existing MESSA coverage with no contribution from the teachers. That exhibit also indicates the 18.1% increase it experienced in budget year 2010-2011 over the prior year to provide the present MESSA coverage which translates to $136,356.00 in additional expense just to retain that coverage.

In short, the comparables analysis presented here regarding health insurance is not the traditional public-employees-only comparables analysis, but is rather an example of the clash many expect to see in public-employee contract negotiations and conflicts in which comparisons with the private sector will be more common, at least regarding employment benefits. This fact-finder feels that such a shift is inevitable given the high profile of public financing generally in popular discourse, with the tax-paying (and voting) citizenry being more aware of the differences between the funding of and compensation in public endeavors, such as education.

4. THE PARTIES LAST PROPOSALS

As noted above, as to contract year 2010-2011, the issue of health insurance is moot as the District's teachers have retained the health insurance benefits from the now-expired contract, leaving the issue of health insurance unmodified from that contract for that year. However, the issue of health insurance coverage is "in play" for budget year 2011-2012. Additionally, the issue of salaries for both contract years is very much in contention.

A. SALARIES

For contract year 2010-2011 the Parties' most recent positions (all dated April 26, 2011) are as follows (quoted from the District's Exhibit No. 6, except that the bullet points have been given numerical and alphabetical identifiers):

(1) The District's position, stated in relationship to the expired contract:
"(a) Step increases paid
(b) Longevity increases paid
(c) No increases on scale"

(2) The Association's position, also stated in relationship to the expired contract:
"(a) Step increases paid

(b) Longevity increases paid
(c) 0.5% increases on scale
(d) for every increase of $100 per child in state aid (including EduJobs funds), 0.5% increase on scale
(e) If fund balance rises above 7.5% of revenues for the prior year, 40% of the amount over 7.5% paid to teachers
(f) For every increase of 12 pupil FTE over the budgeted 2010-2011 count, 0.5% increase on scale
[NOTE: Given current state aid, fund balance, and pupil FTE, this proposal would result in a 0.5% increase on the salary scale, increasing 2010-2011 expenditures by $21,370]"

For contract year 2011-2012, the Parties positions are as follows (again quoted from the District's Exhibit No. 6, and again except that the bullet points have been given numerical and alphabetical identifiers):

(1) The District's position, stated in relationship to contract year 2010-2011 (again quoted from the District's Exhibit No. 6):
"(a) 6% decrease on scale
(b) No step increases paid
(c) Longevity payment language eliminated

(2) The Association's position, also stated in relationship to contract year 2010-2011:
"(a) Step increases paid
(b) Longevity increases paid
(c) 0.5 % increase on scale"

Thus, for 2010-2011, the District proposed a "freeze" on teacher compensation while the Association proposed relatively modest increases on scale and otherwise, some tied to uncertainties in District revenues.

B. HEALTH INSURANCE

For contract year 2010-2011 the Parties' most recent positions (all dated April 26, 2011) are as follows (quoted from the District's Exhibit No. 7, except that the bullet points have been given numerical and alphabetical identifiers):

(1) The District's position, stated in relationship to the expired contract:
"(a) No change in insurance"

(2) The Association's position, also stated in relationship to the expired contract:
"(a) Continue with MESSA insurance
(b) $300/$600 deductable paid by employee
(c) $10/$20 Rx co-pay

(d) Current language re monthly employee contribution to premium payment (employee responsible for half of any increase in monthly insurance premium above 15%; this year's contributions = $0)"

For contract year 2011-2012, the Parties' most recent positions (all dated April 26, 2011) are as follows (quoted from the District's Exhibit No. 7, except that the bullet points have been given numerical and alphabetical identifiers):

(1) The District's position (stated to be the same as under the expired contract, as continued to date by the District:

"(a) District Responsible for maximum premium payments of $12,000 per year per teacher for total insurance package

(b) Premium payments in excess of district's responsibilities to be paid by employees through payroll deduction

(c) Cash in lieu of health insurance = $325/month + dental, vision, & life insurance"

(2) The Association's position, stated in relationship to the expired contract and, apparently, the *status quo* to date:

"(a) (no change from 2010-11)"

As noted above, in the 2010-2011 contract year the health insurance benefits received by the teachers was the same as under the expired contract, a situation that the District wants to change and the Association wants to preserve for contract year 2011-2012.

5. ANALYSIS AND RECOMMENDATIONS

A. SALARIES

Beginning with an observation, the Fact-Finder is of the opinion that, in the abstract, wage modifications tied to outcomes in uncertainties seem like a creative and "fair" way to address such uncertainties. However, it also seems that the wage modifications that may be tied to such uncertainties should "go both ways", meaning that wages should be geared to go down as well as up in response to the outcome of such uncertainties. In these mercurial times changes can whipsaw rapidly and without much notice. Additionally, while measuring such changes may appear to be a relatively simple matter, it strikes the Fact-Finder that the calculations necessary to invoke such changes are likely fraught with challenges and opportunities for discord such that they should be very carefully thought through and adopted only if all exigencies are readily identifiable and measurable. This is even more important in such volatile economic times as faced by the State of Michigan, and nationally for that matter. On the "record" of this Fact-Finding, the Fact-Finder is not satisfied that such conditions exist to warrant adopting such. This is particularly so when looking at a year already past and in looking only one year beyond that into the future. In such situations, it is felt that the complexities of such an approach and the risks of conflict in such are not warranted for such short-term periods.

As for the more straightforward proposed increases and decreases, they present none of the concerns outlined in the preceding paragraph, leaving the analysis to the matters of the District's finances and the conclusions drawn from an analysis of the "comparables" presented by both sides. As any reader can discern from the above portions of this Report, the Fact-Finder is persuaded that the District is truly facing a deteriorating financial situation that has prompted frequent use of the word "dire". Such is not exaggeration or hyperbole. While the uncertainties facing the District are unsettling, the hard fiscal realities are unfavorable to anyone holding desperately to any feeling of optimism regarding the District's finances. Decreasing revenues and enrollment coupled with systemic increases in fixed obligations from prior contracts leaves the District in a position largely warranting its meager, and even regressive, offerings in this contract.

The Fact-Finder finds the District's fiscal analysis more persuasive than that presented by the Association as it takes into account more completely and accurately the (hopefully) short-term negative financial situation faced in the District. The Ravenna District has been generous to its teachers in the past, as outlined above. The Fact-Finder concludes from the tone of the District's presentation that it would prefer to be able to continue on such a path, but it finds itself in a situation that will truly not allow it.

The Fact-Finder adopts the District's proposals for contract year 2010-2011, which leaves in place the teachers' step increases and longevity increases for that year but includes no increases on scale, essentially freezing the teachers' salaries at the 2009-2010 levels. As to contract year 2011-2012, the Fact-Finder believes that a 3% decrease on scale, rather than the District's proposed 6% decrease, is appropriate, essentially keeping the teachers on a scale, but at a reduced level, for one year rather than receiving the full traditional annual increases. As for longevity payments, the Fact-Finder believes it more equitable, and financially acceptable, to have each teacher take a one-year step-back on the 2009-2010 longevity scale for this one year. For example, a teacher with eighteen years service in the District would receive the longevity payment for one with seventeen years of in-district service. Candidly, the more drastic recommendation of completely eliminating longevity may prove necessary in the next contract negotiations depending on the outcome of identified, and possibly other, uncertainties. However, doing so along with the freeze and cut adopted as part of this recommendation is felt to be too drastic at this time, and financially not strictly necessary when the other recommendations are considered.

B. HEALTH INSURANCE

The Fact-Finder has already commented on the near-universal use of MESSA health insurance in Michigan in public school contractually-required health insurance for teachers. The District has proposed for contract year 2011-2012, the only year in contention here, the modifications noted above. The Association, understandably, proposes continuation of the *status quo*. The Fact-Finder feels that the District's proposal is, given the District's financial condition and its analysis of health insurance in the private sector, the better-reasoned position and, frankly, financially necessary. Therefore, it is adopted as the Fact-Finder's recommendation on this topic. As an alternative, perhaps the Parties could consider offering the teachers, either collectively or individually, non-MESSA coverage, either fully paid or with some cost-sharing dependent on the level of coverage and the costs of such, with those electing to retain MESSA coverage being responsible for paying the additional costs of doing so. This way costs could be contained, and those members truly wanting/needing the MESSA coverage can retain it. MESSA would simply become an option, not the only player in the District's market.

6. CLOSING

The recommendations above will not be summarized here, but, rather, the Fact-Finder wants to close this Report with an observational and analytical tone.

Candidly, the realities of this time in public-education history, with the severe financial problems facing all levels of government, with national and state financial problems trickling down to the local level, the depth of the fiscal problems facing all school districts in the state may well be a major reason behind the fact that many districts are operating under expired contracts because of an inability of management and labor to come to the necessary agreements. Therefore, there remain many districts with unsettled contracts.

The Fact-Finder is impressed with the sense of cooperation and partnership that was presented in the Parties' submissions, during phone conferences regarding this process and by all attending the fact-finding session. It is felt that the Ravenna District values its teachers and appreciates the jobs they are doing for the students of the District and their families. Disagreements will arise, however, even when there is mutual respect and trust. Here, the District faces fiscal problems it is close to and responsible for the management of. The Association is ably representing its constituency, the teachers in the District's schools, but not mindlessly or uncaringly regarding the fiscal problems in play. Teachers have long enjoyed favorable terms of employment, and it is hard to suffer any loss in something so dear. However, when financial resources no longer can support historically-provided salaries and benefits, adjustments must be made. We all hope such will be a temporary situation. Only time will tell.

Lawrence C. Root, MERC Fact-Finder

July 21, 2011
Date: