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

**FACT FINDING REPORT**

IN THE MATTER OF:

ALPENA SCHOOL DISTRICT

-and-

ALPENA EDUCATION ASSOCIATION

MERC Case No. L13 G-0743

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Frances L. Hill, Fact Finder

**APPEARANCES**

**For the Employer:**

**W.P Borushko – Consultant**

**For the Union:**

**Deborah Larson – MEA UniServ Director**

**Date of Hearing**

**December 16, 2013**

## **Background**

Alpena Community Schools, henceforth (the District) is located in the northeast section of the Lower Peninsula. The District covers some 604 square miles. The District consists of one high school, one junior high school, six elementary Schools, ACES Academy, and various buildings housing the central office, facilities and transportation, and sports stadium.

The District has suffered an enrollment decrease over a period of 20 years from a high of 5,773.26 in fall 1994 to a low of 3,877.60 (unaudited) in fall of 2013. The District began losing students at a rate of about 2% per year since Proposal A was instituted in 1994. For the last five years that rate has increase to nearly 3% per year.<sup>1</sup>

As a cost saving measure, four elementary schools have closed: Maple Ridge and Hubbard Lake in June 2004; Sunset and Long Rapids in June 2010. Currently there are 202 teachers, down from 327 in 2001.

On July 15, 2013, the District adopted a two-year Deficit Elimination Plan, henceforth (DEP) to address the budget shortfall. The plan cites inequitable state funding, declining student enrollment, reductions in state aid, increased MPSERS contributions and increased employee health insurance costs as factors that caused the school district's deficit.<sup>2</sup>

The contract between the District and the Alpena Education Association, henceforth (the Union) expired on August 31, 2013. Bargaining began in May 2013. There were two mediation sessions with State of Michigan Mediator Miles Cameron. The first took place on August 13, 2013. A mediated settlement was reached, but was not ratified by the bargaining unit members. The Union filed for Fact Finding in August, 2013. The parties met with the mediator again on October 24, 2013. No other agreement was reached.

## **Issues Submitted to the Fact Finder**

By the Union:

Duration

Secondary Student Schedule

Salaries

Insurance

By the District:

10% permanent salary reduction

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<sup>1</sup> Employer Brief page 2

<sup>2</sup> Employer Exhibit 15

## Discussion

The initial bargaining session between the District and the Union took place on May 28, 2013. On June 10, 2013, the Union presented its initial proposal which included the financial and restructuring language shown below.<sup>3</sup>

### Restructure

- Remove planning time during the day
- All teachers move to common 30 minute planning period at end or beginning of school day
- Add 15 minutes to the day
- Regular classroom elementary teachers will teach all subjects including music, art, P.E.
- Secondary teachers teach all day (minimum of five periods)

### Financial

- Freeze all compensation at the 2012-2013 salary level
- No advancement on the salary schedule
- No paid extracurricular or co-curricular activities
- No tuition reimbursement or CTE stipends

The Union argued that their initial package “would equal or exceed the District’s offer” (Union Exhibit 7) by reducing approximately 30 teachers. Superintendent, Brent Holcomb, testified at the Fact Finding hearing that Union’s initial offer was significant and that he “jokingly” said to the bargaining team that he should TA this right now.

On June 17, 2013, the Board met in closed session to review and discuss the Union’s initial proposal. The District analyzed the Association’s proposal and estimated it would save between \$1,731,713 and \$2,300,207.<sup>4</sup> The Union contends that the District’s own analysis which was shared with the Union showed the proposal generated as much as \$572,117 more in savings than the 10% wage reduction.<sup>5</sup>

At a meeting on June 25, 2013, the Superintendent informed the Union that the proposal was not accepted at this time by the Board. During the Fact Finding hearing the Union argued that the proposal was rejected by the District and the District argued that the proposal was withdrawn by the Union.

Whether the District rejected the offer or the Union withdrew it, it is most unfortunate for both parties that they were not able to come to agreement. At one time, a popular bargaining strategy used by Districts was to bargain teacher preparation period language out of contracts. That allowed the District to recapture the teacher FTE’s necessary to provide relief for teachers during the school day. By creating a common preparation period at the beginning or the end of the day and making classroom teachers responsible to teach the special classes (art, music and P.E.), the need for relief teachers is reduced or eliminated creating a permanent reduction in teacher FTE’s. The initial Union proposal reduced nearly 30 teacher FTE’s. This reduction would be independent of any reduction necessary due to enrollment decreases. The Union proposal provided an efficient way of creating a structural budget surplus.

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<sup>3</sup> Union Exhibit 7/Power Point Page 5

<sup>4</sup> Union Brief page 4

<sup>5</sup> Union Exhibit 8

With the help of the Mediator Cameron, on August 13, 2013, the District and the Union reached the tentative agreement below:<sup>6</sup>

- The existing salary schedule shall remain in the collective bargaining agreement for historical purposes only. All wages shall be reduced by 8.5%. In addition, three (3) Records Days shall become unpaid furlough days. If during the term of this agreement the Board is able to eliminate the deficit, the parties shall meet to negotiate possible economic enhancements, i.e. reinstate all, or part, of the 2012-13 salary schedule, including the reinstatement of Records Days.
- The parties agree to use surplus funds in health insurance program, above the preset fund balance, to reduce the illustrative rate for future years or to enhance dental and/or vision insurance.
- The Association and the Asst. Superintendent for Operations will develop language to be placed in the contract.
- The District will implement a (6) period day as part of an effort to continue to reduce costs in 2014-15. The parties agree to meet and confer prior to implementation.

On August 28, 2013, the Union membership rejected the proposed agreement. This was another unfortunate missed opportunity. The agreement provided a viable way of reducing the budget deficit. Obviously, it was not an acceptable solution for the teachers. Had this agreement been ratified and implemented, the parties would be well on their way to overcoming the budget issues and moving toward a stable future.

In subsequent bargaining, the Union continued to make various offers, six in all. The second mediation session with Miles Cameron was rescheduled to October 24, 2013, where the Union proposed:

- 5% wage concession for two years
- Restructuring of the secondary school day to include (6) class period and an optional "0" hour period for additional student electives
- Abandoning self-insurance and using fund balance to pay down the deficit.

At the October 24, meeting the District made only one proposal, its Last Best Offer:

- Language TA's reached prior to mediation, plus the discipline TA reached at the mediation session held on August 13, 2013
- Insurance as listed in BOARD position in the AEA Mediation Document, dated 08-13-13
- 10% wage reduction for two years, to be accomplished according to payment schedule, based upon the date of agreement or implementation.<sup>7</sup>

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<sup>6</sup> Employer Exhibit 3

<sup>7</sup> Employer Exhibit 5

The Union continued to submit proposals, including one submitted just prior to Fact Finding. The Union addressed the reason for the December proposal in its brief.<sup>8</sup>

### **Why a December Proposal?**

Due to the reduction in the size of the District's deficit as revealed in its 2012-2013 audit, the Association was able to use this new information to develop its December proposal. To be clear, the Association's three year proposal included no elementary specials cuts, programming cuts, building closures or elementary restructuring of any kind. Only changing to a high school semester schedule and fully insured health plan were included in this proposal. These other options are still opportunities for cost savings the District can decide to use.

The Union continued to try to find a solution and left the door open for the District to explore the options in the other proposals.

### **Loss of Students**

The District has legitimate concerns that changes to schedules, class offerings, or school closings, will exacerbate reductions in student population. In the District's brief, reference is made to the Enrollment History<sup>9</sup> and District Exhibit 16, Bingham (Charter School) Pupil Count. The District argues that Exhibit 16 shows that the increase in student enrollment at Bingham from 140 in 2009 to 204 in September 2010 was as a direct result of the closing of Sunset and Long Rapids schools in June of 2010. The enrollment at Bingham increased from 86 in September 2004 to 150 in September 2005 after the closing of Sunset and Long Rapids. The District lost 225.65 students in September 2010 and lost 178 in September 2004.

The District is quite correct in drawing the conclusion that school closings affected the numbers in those years, but according to the US census bureau, the population of Alpena County has shrunk 5.48% between 2000 and 2010. The birth rate has gone down from 343 live births in 2001 to 272 live births in 2011. Unfortunately, the District has both internal and external pressures on the downward spiral of enrollment.

Unless the District finds ways to get out in front of the trend, it will continue to chase the decline in enrollment. The Union's first proposal offered the opportunity to restructure at all levels and could have provided the jump start to reevaluate the programs and services throughout the district. Eventually, students will be affected. It is impossible to lose such a sizable portion of student population and income and continue with business as usual.

### **High School Schedule**

The District moved to the trimester schedule in 2009-2010. At the hearing, the Union argued that the District should abandon the trimester schedule and return the high school to the semester schedule to reduce staff. The District argues that there will be little to no savings by returning to semesters with a six period schedule instead of the trimester schedule with five

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<sup>8</sup> Union Brief page 11

<sup>9</sup> Employer Exhibit 6

class periods that is currently in place in the district. The Union argues that there could be a savings of as many as 10 teachers.<sup>10</sup> The District argues that the reduction would be as few as two.

The high school schedule is a complex issue because one of the major sticking points is whether there are currently 47 or 57 teachers at the High school and whether or not special Education teachers and students are counted in the various calculations made on both sides. The Union and the District just couldn't agree on how many teachers are currently at the high school. A roster of staff assigned to the high school with assignments would have settled the matter.

In an attempt to discover the number of teachers at the high school, the Fact Finder reviewed various documents such as Board Exhibit #11. Gleaned from the exhibit, 42.88 FTE classroom teachers at the high school plus a portion of the vocational, music, art, PE, alternative education and at risk in grades 7-12 which pushed the number closer to the 57 teacher FTE's the Union claimed. In fact, the District brief states: "There are roughly 60 classroom teaching staff at the high school that would be affected by the proposed change in the school day."<sup>11</sup>

The parties have had a good deal of discussion regarding the amount of savings in a five versus six period schedule. Dr. Holcomb calculated that the District would only reduce two teachers under this plan because he opined that:

"Using another mathematical comparison, the current staff teaches four of five available periods, or eighty percent (80%) of their scheduled work day. With a six period schedule, teachers would teach five of six periods each day, or eighty three percent (83%) of their scheduled work day. Simple math tells us that the District would gain approximately one teacher for every 30 currently on staff, or a net gain of two less teachers going to a six period day."<sup>12</sup>

Using an even more basic calculation, each teacher would teach five instead of four classes (one additional class). For every five teachers that took one additional class, one teacher could be eliminated. Under this process, there is the potential for reducing up to ten teachers at the high school. Each reduction of one teacher, permanently not replaced, reduces the District's cost by one teacher FTE. The District's analysis, according to the Union, shows "Total average FTE of savings per teacher is \$98,141 less unemployment at \$362 per week."<sup>13</sup>

The District introduced Exhibit 26 at the conclusion of the hearing for the purpose of challenging the Union's claim that the district would save 10 to 11 teachers. The District exhibit purports to show that the savings would only be 1.9 teachers, the difference between staffing trimester 48.9 and semester 47. However, Exhibit 26 is based only on "recommended" staff. Had the exhibit based its numbers on the difference between the teaching staff for the current school year and the recommended staff for the next school year the number of teaching positions saved, might be significantly higher.

The Union argues that other districts have recognized that there are savings to be had by moving to semesters from trimesters. The Union presented three articles to support its position.

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<sup>10</sup> Union Exhibit 10

<sup>11</sup> Employer Brief page 5

<sup>12</sup> Employer Brief page 7

<sup>13</sup> Union Exhibit 8



- Union Exhibit 12 - Article from Mlive.com "Trimesters or semesters? (January 17, 2013, "Ann Arbor officials consider Skyline High School's structure"
- Exhibit 13 – Article from BedfordNow.com: High School Moving Back To Semesters - Bedford Public Schools, (December 13, 2012)
- Exhibit 14 – Article from Mlive.com: Two of West Michigan's largest school districts revert from trimester to semester scheduling to save money (March 26, 2010)

It is worth considering that other districts have recognized the potential cost savings of switching from trimesters to semesters and have either changed or are considering changing.

The District is concerned with the risk of changing to a six hour high school day because of the reaction of the students and the community. However, the advantage of the 6 hour schedule is the potential reduction of teaching staff and the control the District gains over future staffing costs. The greater risk may be in not changing, thereby allowing the structural deficit to continue.

### **Salaries**

The position of the Union

2013-2014 – Pay and step freezes

2014-2015 – Pay and step freezes, Off-schedule pay of \$150,000 to entire bargaining unit paid equally among each member

2015-2016 – 1% on schedule increase and full step advancement

The position of the District -- 10% on-schedule salary reduction Please note: The effective rate would be 14.37%, or more, until the end of the school year based on the date of agreement.<sup>14</sup>

The Fact Finder is very concerned about the impact on the individual teacher and the community of a 10% reduction in wages as proposed by the district. There is little doubt that there has already been a negative effect on staff and community due to the wage reductions which have already been implemented with other employees. The Fact Finder is also concerned about the consequences of layoffs on individual employees and the community.

The District provided web pages for several districts that have been successful in bargaining salary concessions from teachers.<sup>15</sup> There are some differences between the circumstances of those districts and Alpena. Redford School District has been in deficit for five years. Redford offered an Early Retirement Incentive, and has outsourced custodial, maintenance and transportation in an effort to balance the books. Taylor School District has a stable student population. Taylor negotiated 10% salary reduction with teachers while retaining steps in the salary schedule. Taylor reduced \$200,000 from the text book budget and placed a hard cap on the insurance costs. Pinckney negotiated a 3.5% reduction off schedule. Pinckney's plan increased class size, reduced teacher FTE's by eleven, agreed that elementary teachers would rotate supervision of 25 minute recess period and changed elementary marking periods to quarters instead of trimesters. Clearly, there are various ways of reducing budget deficits, even in districts which have bargained wage reductions.

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<sup>14</sup> Employer Exhibit 4

<sup>15</sup> Employer Brief page 16

The Fact Finder would not hesitate to recommend a permanent 10% pay cut for teachers if convinced that the cut would resolve the structural deficit of the district. A salary reduction, however, may prove to be a short term solution. Should teacher salaries remain flat for a period of 5 years or even more, inflation in other areas may eventually overcome the 10% reduction. Experience has shown that other factors the district cannot control such as the cost of heating, bus fuel, health insurance, and MPSERS and the continued loss of revenue due to reductions in student enrollment have much more impact on the situation than salaries. The District is able to develop a surplus when staff reductions are greater than enrollment decreases. The District is stuck with the unpalatable combination of increased costs and enrollment losses which may lead to another crisis. If salaries have already been reduced, as MEA Uniserve Director, Deborah Larson, asked during the hearing, "Then what?"

According to the District's own DEP, "The schools has [sic] made a deliberate exhaustive effort to reduce and control costs.... The problem is no longer one of expenses; it is a problem grounded in cost increases outside of our control (i.e., MPSERS) and an inequitable funding formula further exacerbated by a sour economy leading to inadequate revenue from the State of Michigan."<sup>16</sup>

The most unpredictable source of income for the District is the amount of per pupil aid or foundation allowance the District will receive from the state in the future. In recent years, the state has reduced funding to such a degree that it has helped to precipitate the current crises.

If a cut in pay is recommended and implemented, a number of immediate retirements may take place among teachers who are eligible for retirement so as to avoid a permanent reduction in retirement payouts. This could be a problem or be a benefit. The benefit would occur if the District is able to replace those teachers at the lowest salary level or to avoid replacing them at all.

The DEP adopted by the Board on July 15, 2013, when fully implemented would leave a fund balance of only \$5,515 at the end of year two. "As Ms. Block testified, the District DEP currently shows a \$5,515 balance at the end of the two year plan, hardly enough for any increase."<sup>17</sup> It also does not allow much wiggle room. Even a small unexpected problem, such as a bus that cannot be repaired, a broken pipe or furnace that must be replaced could put the district right back in a deficit situation.

The Union has proposed that the district move to a MESSA Health insurance plan and spend down the monies accumulated in the self-funded reserves to fund an increase for teachers. Spending the money from the self-insurance fund is a one-time only solution. Once those monies have been spent, they are gone.

The District argues that the other employees within the district have made concessions.<sup>18</sup> The District also contends that other districts such as Redford Union, Taylor Schools, Pinckney Schools and Muskegon Public Schools have sought and obtained concessions ranging from 11.5% to 7%.<sup>19</sup> Most of the schools and municipalities that are currently under a financial manager and or that have been dissolved also sought and gained concessions from their

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<sup>16</sup> Employer Exhibit 15 -9

<sup>17</sup> Employer Brief page 13

<sup>18</sup> Employer Exhibit 23

<sup>19</sup> Employer Exhibit 24



employees. Concessions alone will not solve the problem. As discussed earlier, the districts that have obtained a salary reduction from their teachers have done so in combination with other cost saving measures.

“There is no dispute between the parties as to what the issue is in this matter. The Alpena Public Schools has a significant existing general fund deficit of (\$863,359) as of June 30, 2013, as well as a structural deficit of approximately \$2,000,000 (expenditures exceeding revenues) as evidenced by the use of \$1.9 million of fund balance in 2012-13.”<sup>20</sup> The difference of opinion in this case, is how to eliminate the deficit.

The Fact Finder does not believe that a pay increase – on or off schedule - for teachers is appropriate at this time. On the other hand, the Union has put forth proposals that recognize the District’s financial plight. By reducing teacher FTE’s, the structural deficit of the District is reduced.

The District is seeking \$1,728,000 through the 10% salary reduction from teachers. The Union offered 10 teacher positions at the high school for a total potential savings of \$793,170; (\$98,141 less \$18,824 unemployment which equals \$79,317 savings per teacher). There is a difference of approximately \$934,920. A 5.5% wage reduction provides \$950,455.

### **School closing**

The Union proposes the closing of an elementary school. The District argues that losing a building will exacerbate the loss of student enrollment as discussed above. The District, however, is in fact already studying the issue with the help of Integrated Design, Inc. (IDI),<sup>21</sup> which has included the closing or repurposing of an elementary school as part of the Project Scope and Redistricting Options Overview presented to the Board of Education on September 19, 2013. Since the District is already studying school closing as an option, the Fact Finder hopes that the Board will continue to evaluate this issue to see just what, if any, savings can be obtained.

### **Duration**

The Union proposes a three year contract 2013-2016 with pay and step freezes through 2015, an off-schedule payment of \$150,000 to the entire bargaining unit divided equally among members and 1% on schedule increase and full step 2015–2016.

The District proposes a two year contract 2013-2015 with 10% on schedule reduction in wages subject to the additional percentages based on signing date as shown in the chart in District Exhibit 4.

The Fact Finder has discussed the issues that were addressed by the Union and the District during the Fact Finding hearing, or in the post hearing briefs. The recommendations below only address only those issues that were formally submitted to the Fact Finder for consideration. The December proposal from the Union leaves the door open for the District to explore, with the Union, the other options that were presented in earlier Union proposals.

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<sup>20</sup> Employer Brief page 3

<sup>21</sup> Employer Exhibit 18

## Recommendations

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**For the reasons cited above the Fact Finder makes the following recommendations:**

1. Secondary Student Schedule – Return the high school to semesters with the 6 hour schedule
2. Insurance – Maintain self-funded insurance at the level proposed by the District
3. Duration – Three year agreement 2013 – 2016
4. Salaries – 5.5% salary reduction and freeze steps for 2013 - 2014 and 2014 – 2015; 2015-2016 restore steps with a wage reopener for the third year salary

X 

Frances L. Hill  
Fact Finder

**February 14, 2014**