

STATE OF MICHIGAN
DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS
EMPLOYMENT RELATIONS COMMISSION

IN THE MATTER OF THE FACT FINDING CASE
PURSUANT TO PUBLIC ACT 176 of 1939, AS AMENDED

BETWEEN

BELDING AREA SCHOOLS
Employer

-and-

BELDING EDUCATION ASSOCIATION
Employee Organizations

MERC CASE NO.: L14 C-0297

FACT FINDER: Roger N. Cheek

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PRELIMINARIES and BACKGROUND

This case originated as a result of a Petition for Fact Finding, pursuant to Act 176 of 1939, as Amended, filed on April 8, 2015, by the Belding Area Schools District, the Employer and Petitioner. The Respondent and Employee Organization is the Belding Education Association (BEA).¹

¹ Throughout this report, the Belding Area Schools will often be referred to as "District," "Employer," or "Schools." The Belding Education Association will often be referred to as "Association," "Union," or "teachers."

The website for the school District describes Belding as a city with a population of approximately 13,000 residents located in the northwest corner of Ionia County approximately 25 miles northeast of Grand Rapids and less than an hour from the State Capitol in Lansing. The website for the BEA describes it as a labor organization that is an association of municipal employees whose activities are improvement of conditions of workers and other services and benefits to members and employees.

Both the Petitioner and the Respondent included reference to the Michigan Education Association (MEA) in the title blocks of their post-hearing briefs. Therefore, that organization's official website was also reviewed, wherein it describes itself as a labor union headquartered in East Lansing, and also acknowledged that it is often referred to as a *teachers* union, even though it represents more than 157,00 teachers, faculty, and education support staff throughout the State.

The BEA also included the National Education Association (NEA) in the title block of its brief, so the official website of that organization was also reviewed. The description given that organization is that it is the nation's largest professional employees organization, with 3 million members who work at every level of education---from pre-school to university graduate programs---and is committed to advancing the cause of public education. The website says that the NEA has affiliates in every state and in 14,000 communities across the United States.

In addition to the MEA and the NEA, the Michigan Association of School Boards (MASB) is referred to by the District in the Petition when it identified the person (Mr. Gerring) who would be serving as the principal representative for the BEA in the fact finding process. Therefore, the official website of the MASB was also reviewed, where that organization was described as a voluntary, nonprofit association of local and intermediate boards of education located throughout Michigan, comprised of 600+ boards representing nearly all public school districts in the state and organized to advance the quality of public education

Finally, although the MEA, NEA, and MASB, will most likely be providing assistance to the parties in the presentations of their cases, only the official positions taken by the District on behalf of the Employer and the official positions taken by the BEA on behalf of the teachers, will be formally received, addressed, and responded to in this fact finding report.

The Petition for Fact Finding indicates that the parties met eight (8) times since bargaining for a new successor agreement began in April, 2014.² Also, the Petition states that the parties participated in two (2) mediation sessions. Because of reference to those mediation sessions, and particularly because some readers of this report may not be familiar with one of the limitations regarding the mediation step in the State's collective bargaining process, I

² In another part of the case record, the starting date of negotiations is said to be May 1, 2014, and that a total of ten (10) negotiations meetings were held. The difference between that and what is on the official case document appears to be minor and is being treated by me as *de minimis* and not affecting the parties' various positions and arguments made in the hearing or contained in the parties' post-hearing briefs. Also, I am confident these minor differences will not impact any outcome to result from this fact finding process.

specifically point out that MERC Rule 136 (11) states that "The fact finder shall not receive, consider, or refer to a recommendation from the mediator." Thus, no user of this report should expect any meaningful mention of details from the mediation will be in this report.

The Petition further states that the labor agreement to be replaced has a 6/31/2014 expiration date and that there are 110 employees in the bargaining unit.

Also, during the several months-long negotiations process, three (3) tentative agreements were reached between the District's bargainers and the Union's bargainers, but all three were voted down by the employees.

Michigan's collective bargaining law provides that when a bargaining impasse is reached, the matters still in disagreement between the parties might be more readily settled if the facts were determined and made publicly known, and Petitioner's statement of reasons why publicizing the facts and recommendations would assist in resolving the issues in dispute was:

"The District's declining revenues and fund balance have been highlighted, however the EA [Education Association] does not agree that these realities should significantly impact any wage increase offer at the bargaining table, A publicized recommendation by a third party Fact Finder may increase the parties' grasp of current economic realities."

By letter dated April 30, 2015, the Michigan Employment Relations Commission (MERC) appointed the undersigned Fact Finder to serve on its

behalf. The Petition states that the District's principal representative will be Joel R. Gerring, Assistant Legal Counsel, Michigan Association of School Boards (MASB), and the principal representative of the Association will be Nancy Valenta, UniServe Director, Michigan Education Association (MEA).

The fact finder is required to conduct a hearing, determine the facts, and make written findings with respect to all material issues presented in the hearing. The fact finder is then required to set forth the reasons and basis for his findings of facts, conclusions, and recommendations. Finally, the law requires that the findings so made must be made public, but shall not be binding upon the parties.

Since the outcome of the fact finding will not be binding on the parties, this means that after the fact finding process is concluded, the employer and employees will still be required to continue the pursuit of their original goal of reaching a mutually agreeable labor contract settlement. Thus, following issuance of this report, the law requires the parties to return to the bargaining table in accordance with the law and the MERC's rules in order to continue their negotiations for a successor agreement.

The parties and the fact finder conferred in a pre-hearing telephone conversation on June 3, 2015, and came to an agreement on the details for conducting the fact finding hearing. The hearing was held on June 25, 2015, in the Belding Area Schools High School auditorium. It began at 9:30 a.m. and encompassed about 5 1/2 hours of cases presentations, with the hearing

concluding at about 3:00 p.m. It was a hearing "open" to the public, and I estimate that about 30 members of the public attended.³

Mr. Joel R. Gerring, was the principal presenter of the District's case and Mr. Craig Culver, MEA Research Consultant, was the principal presenter of the Association's case. Both were exemplary advocates who advanced well-argued comprehensive cases. They presented into the record their party's notebook of exhibits and also provided the lion's share of the oral commentary in support of their party's case. Each party's notebook of exhibits contained more than 100 pages of content assembled behind sequentially-numbered tabs. The full written record at that point also included about 340 pages of labor agreement text from six (6) exhibits of comparable districts' labor agreements, plus a "case study" entered by the District.

Finally, each party's case presentation team included appearances of additional team members. For the District they were George Rousseau, Chief Negotiator, and Ruth Beier, MEA Economist. For the Association, they were Adrienne Barna, Director of Finance, Belding Area Schools; Sara Shriver, Superintendent; and Tom Humphreys, Board President.

The applicable state law does not require that a verbatim record of the hearing be made, but it gives each party the option to require that such a

³ No official attendance was taken of those who were present, however, at least one reporter, Cory Smith, of *The Daily News*, a local newspaper, was in attendance and he briefly spoke to the fact finder and possibly others during a break in the case presentation. A news story about the fact finding, including two (2) non-posed photographs of the hearing in progress appeared on-line (and possibly in a newsprint edition) on June 30, 2015. Also, another member of the audience said some of the public observers came "from other school districts." Obviously, that too is not verifiable.

record be made, at the expense of the requester. As neither party requested a verbatim record, no such record was made.

One last important preliminary point to cover before this report begins its analysis of each parties' case, is the matter of the use of comparisons among a set of school districts designated as the "comparable districts."⁴ First are the five (5) districts that both parties selected. They were Comstock Park, Kellogsville, Lakewood, Portland, and Tri-County. The Employer also selected the Alma school district as a comparable, which the Association did not. And the Association selected the school district of Lowell, which the District did not. Finally, one or two exhibits created by the Association provide a measurement of an issue for the Godwin Heights school district, but that rarity and the information it reported did not cause a problem.

Enrollment, revenue, expenditures, and employee compensation were the main subjects of comparison between the districts throughout the period 2008 to 2014, along with some estimated projections for 2015-2016, and even in a few instances of years beyond 2016.

CASES PRESENTED and FACT-FINDER'S ANALYSIS

Since the District filed the Petition, this section of the report begins with a look at the District's initial position and will be followed by the Association's initial position.

⁴ Comparable districts are those that are deemed "similar enough for a fair comparison to be made." That wording is consistent with how Webster's Dictionaries define the word. In its presentation, the Association often chose to use the noun "comparator" rather than the adjective "comparable" but that difference still led to the same outcome when measuring Belding against the same issues in any of the other districts.

The District's position is that revenue received from the State has decreased markedly both because of declining student enrollment and lower per-student funds provided to the districts, and particularly because of the noticeable drops in student enrollment numbers since 2009 and the lowered State-provided per pupil funding (PPF) since 2012. These two things have been consistently cited by the District as a huge part of the reason that Belding's revenue surplus has been substantially reduced over the course of the last six (6) or so years.

The District says the annual decline in revenue has led to the District making reductions in spending throughout all aspects of its operations, including the requirement to reduce employee compensation costs and continue keeping other costs tightly under control for the foreseeable future. The District says it considers the Association's proposed settlement too rich to accept and that it is going to lead the District to further depletions in its already shrunken surplus, plus facing the real possibility of going into a deficit situation in the not too distant future. The District stressed that a deficit condition creates undesirable operational difficulties because of the strict State-imposed regulations that would be brought into play due to the requirement to adhere to the dictates of the State's Deficit Elimination Plan (DEP) law [School Aid Act [PA 94 of 1979, as Amended].

The Association, on the other hand, took the stance that notwithstanding the 2008 nationwide economic downturn and its lingering effects for years, recently there has been a slow but steady improvement afoot throughout the

State. Also, it points out that Belding's surplus is currently the highest among the comparable districts so it is time to loosen the restraints on expenditures that has held Belding's teachers back from receiving the District's former customary pattern of compensation increases for the last few years and which fairness dictates that the teachers are now entitled to start receiving again.

On or about July 25, 2015, about a month after the hearing closed, each party submitted a written closing brief summarizing its stance on all matters. Again, starting with the District, the opening sections of its brief that were titled "Introduction" and "Facts," are summarized first and then they are followed by the opening portions of the Association's brief under the sections of its brief captioned "Introduction" and "Statement of Facts."

The District says this contract bargaining dispute is little more than a question of competing philosophies, claiming that the Union is proposing the District spend on the basis of "what *might* happen in the future" [emphasis in the original] whereas the District is committed to budgeting based upon its known current financial situation. The District says its financial condition is not improving, pointing out that the last surplus ended up being \$300,000 less than the prior year, and that this happened during a time when teacher salaries remained unchanged.

The Association, on the other hand, stated that the most recent audited general fund surplus is \$483,726 higher than the average for the comparable districts [Association Tab 11 Exhibit] and it then pointed out that the District's exhibits also reflected little change in the size of the surplus over the last three

years, with it only trending down from \$2.25 to \$2.53 million and with the unassigned portion growing from \$1.18 to \$1.25 million. [See District Tab 4, page 9, Exhibit.]

The Association points out that the teachers did not receive an increase in compensation in 2013-14 and says its proposal to settle this current contract is affordable to fund teacher compensation in line with that received in many of the comparable districts. Association Tab 5 Exhibit, titled "Comparison: Average Total Instructional Salaries Per Pupil," shows that whereas in 2009 Belding was the second highest of six (6) comparable districts, by the 2014 measurement, although still comfortably within the group, Belding had slipped to fourth place.

The District, in contrast, stressed that its current revenues are nearly \$2 million dollars less than in 2009, and enrollment numbers have fallen about 18% in eight years during which time the District has been steadily dipping into its surplus to cover its budget shortfalls year after year so that the fund is now down 58%. It claims that neither of those points is disputed by the Association

The District says the problem is that there have been revenue shortfalls, declining enrollment, and decreases in the state's per-pupil funding. It emphasizes that most school funding in all Michigan public school districts is tied to student counts, which means that a state-wide fiscal crisis results in a "double whammy" for school districts, as lower pupil funding compounds with lower student counts and that can quickly send districts over the fiscal cliff.

The District's brief also says that declining enrollments rarely result in the ability to simply layoff a teacher immediately, close down a facility, or sell a few school buses, in order to quickly reduce a district's expenses. It uses an example of the loss of 30 students, represented among 13 grade levels of students, and says that means that a few years must pass before the district has "contracted enough to lay off a few full-time teachers or eliminate a full bus route" (plus rid itself of the expense of one bus). It points out that Belding, with just two elementary schools, one middle school, one high school, and one community education center, has no realistic capability of eliminating, for example, an entire facility in order to reduce expenses in the foreseeable future. It observes a fact that few would question, namely, that the costs of heating, cooling, and cleaning school facilities have generally risen over time.

The District says the 2008 global recession hit Michigan particularly hard, resulting in population loss. It says, this has meant that Belding's total revenue, which is primarily the result of the product of the student enrollment times the State-set PPF amount, has decreased substantially. It points out, for instance, that 440 students have been lost in Belding schools in eight (8) years and during the same period the state's PPF amount has dropped. The end result, says the District, is that there has been a cumulative total loss of \$10 million dollars of funding during the period. In exhibits titled "Statewide Fiscal Challenges" behind Tab 2 of its notebook, the District stressed that "Michigan as a whole is losing K-12 student population" and "Foundation allowance numbers have not returned to pre 2012 levels."

The District claims that in trying to deal successfully with its financial pressures, significant cuts in spending have been implemented across the board, and that the cuts have been made at all levels, i.e., administrative, support services and even in student programs. Again, the District points out that most of a school district's costs are tied up in employee salaries and infrastructure maintenance which are factors that cannot be adjusted quickly to compensate for decreased revenues.

Finally, one of its concluding observations about such budgetary matters is that "(s)o far, only the teachers have not received a salary cut (and will not experience a cut this year either, as Belding's current salary proposal calls for a modest raise)." I observe that except for the BEA-represented employees and some administrators, the record does not provide specific information about what amount, if any, various other Belding employees suffered from salary cuts.

The "Introduction" section of the Association's brief says that although the District's Petition which requested this fact finding process, proclaimed that the sole unresolved issue in dispute was teacher compensation, the Association in its Answer to the Petition, clarified that the remaining issues in dispute included the amount of the health insurance cap, the contributions of the teachers to health care costs, and the term of the collective bargaining agreement.

The Association said that the District's compensation proposal had also added two previously undisputed issues, they being: 1) a mandatory re-opener

each fall to examine insurance contribution, plans, and rates; and 2) elimination of the "smoothing" provision from the collective bargaining agreement. The Association says it objected to these additions and eventually the District withdrew them from the fact finder's consideration. The Association concluded its introductory remarks to its brief saying that the Association has presented facts that prove an adoption of its proposal is not only a fair settlement, but is also a cost effective one and reasonable to the District.

The District proposal that was submitted to this fact finding is behind Tab 8 of its exhibit notebook, and it is as follows:

Salary

Two year contract

Step and lane changes in 2015-2016 with 0.25% on-schedule raise

Step freeze in 2016-2017 with \$750 off-schedule payment and lane changes

Increase Robotics stipend to 9%

Health Insurance

District contribution to increase:

Single	up from	\$5,693	to	\$5,857	(increased \$164)
Double:	up from	\$11,385	to	\$12,250	(increased \$865)
Family:	up from	\$15,525	to	\$15,975	(increased \$450)

On page 2 of the Association's brief it sets forth the Association's proposal presented in this fact finding, and which had first been presented to the District on March 31, 2015, and is as follows (*and is also restated as an Association Tab 5 Exhibit*):

"2014-15

No Step or Lane Advancements for the rest of the school year. (no change from 2013-14)

"TAs on language, ie prohibited subjects, rolled in.

"2015-16

Eligible members will advance two steps on the salary schedule to bring them back to current.

"1% cost of living increase on the salary schedule

"Hard Cap at the 2015 rate as of July 1, 2015

"Schedule D add High School Robotics at 7%
 Middle School Robotics at 3%"

"Calendar to mirror 2014-15"

The Association brief claims that the history of salary and wage settlements for Belding Area Schools shows that the Association's proposal is in line with settlements reached with the Belding Schools support staff, the other BEA-represented bargaining unit in the District. [See Association exhibit behind Tab 7 titled "History of Salary/Wage Settlements at Belding Area Schools."] That type of "same employer" comparison document is often termed an "internal comparables" exhibit in labor relations circles. The exhibit lists the settlements of these two Belding schools groups for the period beginning 2008-2009 and continuing through 2015-2016. It shows for 2014-2015, that the support staff received a 1% increase, and for 2015-16 that group is going to have a wage opener. The exhibit also includes the note: "Steps have been included every year for support staff. This year was no exception" [presumably meaning the 2014-15 step].

An Association exhibit behind Tab 9 titled "General Fund Revenue /Student (2013-14)" compares revenue in the comparable districts, inclusive of Belding, and shows Belding is near the center. Also, the Association further describes Belding's student enrollment "trend" as "leveling off," apparently because of the figures recorded for the final two periods on its exhibit titled "Comparator Student Enrollment Trends ('Blended Count')" behind Tab 10.

I find that it is also relevant that even though the District expresses concerns about going into a deficit situation in the future, its exhibit behind Tab 2, which is a copy of the Michigan Department of Education (MDE) report to the State House and Senate K-12 Appropriations Subcommittees, dated February 27, 2015, specifically predicts that no school district in Michigan that was not then in a deficit condition was expected to go into such a condition during 2014-2015. The point is, if going into deficit in Belding is likely to happen anytime in the foreseeable future, as the District feels the Association's proposal threatens, it will most likely not happen in the very near foreseeable future. This relieves the pressure of such a threat, somewhat, since there will at least be *some amount* of time to react to any suddenly identifiable threat.

The District's consistent reaction to such a notion, however, is that the facts actually show that Belding is in a long term sustained financial decline and that is a fact that cannot be prudently disregarded in favor of a supposed "new normal" having set in. So, in support of its stance, the District put forth a lengthy argument early in its brief saying that perhaps even more important than what was said during the fact finding is what was *not* said.

The (4) major things that *were not said*, according to the District, began with *the Association not saying* that Belding is not facing declining revenue, declining enrollment or a declining fund balance. [See page 3 of the District brief].

Second, that District observed that the Union *did not say* that Belding is mismanaging funds, and it referred to *Attachment 1* of its brief which is a photocopied excerpt from the MEA's magazine wherein that article says two major factors putting schools in Michigan in trouble are things the schools have little control over, namely, falling enrollment and reduced revenues. [See page 4 of the Association brief].

Third, the District said that the BEA/MEA *did not say* that Belding's enrollment and revenues will begin to increase next year, pointing out that the best the Association would say is that the negative trends of the past eight (8) years appear to be flattening out. [See the bottom of page 4 of the Association brief].

And fourth, the District argues in what I find was a sort of round about fashion, that the Union *did not say* that Belding's initial enrollment projection for last year was more "off" than it usually is. i.e., enrollment was noticeably higher than had been predicted before the school year started, and that this had come about because of the unexpected closure during the school year of Threshold Academy, a nearby charter school, which presumably, in turn, led to Belding receiving an unexpected gain of students from that closed school. The implication from this being that the unanticipated gain allowed Belding's

ending revenue number to be higher ---and its original spending plan to be lower---thereby causing Belding's yearly financial numbers to be more favorable, but not as the result of routine occurrences causing the surplus to trend upward. The rub from the District's perspective, was that the increase in that year's revenue number resulted from an entirely fortuitous event and not because of normal occurrences that could be expected to happen again in 2014-2015 or as a part of a continuing trend in foreseeable future school years. [See pages 5, 6, & 7 of the Association brief.]

Attachment 3 to Belding's brief is a comprehensive grade-by-grade estimate of an anticipated enrollment drop in the District. One conclusion it leads to is the District's prediction that Belding's enrollment is going to continue declining to at least through the 2023 school year. This is based on an expectation of incoming kindergarten classes being anywhere from 20 to 30 less students than the outgoing graduating classes.

Financially, the Association claims that the District's revenues increased from the 2012-13 audited level to the 2014-15 school year by 4.1% [Association Tab 18 Exhibit.] And according to Association witness Ruth Beier, a person whose title is MEA Economist, and who presented into the record an impressive list of her financial education and experiences, she estimated that an increase in Belding's revenues from 2013-14 to 2014-15 went up just over \$700,000. Ms. Beier testified that the difference in the District's and the Association's revenue numbers are small. The Association brief said that Ms. Beier commented that districts in the state "typically project that they will be in

deficit in 3, 4, or 5 years" but that they aren't accounting for changes in variables other than revenues and changes in student enrollment numbers. The Association said its Tab 19 Exhibit shows the revenue variance between what is adopted in June the previous year and what the audit result is in October/November of the next year. It claims that those numbers for Belding show the average variance to be \$609,953 over three years.

The Association points out that Ms. Beier testified, backed by Association Tab 20 Exhibit, she expects Belding's 2015-2016 revenue increase will be:

"anywhere from \$180,000 to \$314,000 (depending on student enrollment changes) in new revenues due solely to per pupil funding increases for 2015-16 due to the State's adoption of the State Aid Act."

Referring to its Tab 21 Exhibit, the Association claims that the range of teacher compensation packages over the past 5 years has been 53.6% to 57.0% of the District's revenue, with the 4-year average being 55.6%. The District says that even if the teachers settle on the proposal they are making, the compensation package will cost the District just 55.6% of revenue, and that is with assuming a loss of 32 students. The bottom line view of the Association as expressed in its brief on page 6 is: "The fact is that Belding Area Schools spends significantly less of its revenues on teacher compensation when compared across the state (Association Exhibit tab 24)."

In a paragraph in the middle of page 6 of its brief, the Association points to what it refers to in its brief as "related facts" from the Menominee Area Public Schools Fact Finding, a case in which I also served as MERC's appointed

fact finder. It noted that Menominee Area Public Schools was in deficit (and under a DEP) but still a recommendation was issued to adopt a wage settlement proposed by the Union (which union happened to be the MEA). The Association states that it felt that the fact finder's recommendation in that case was correct, and even though the recommendation was not accepted by the district administration, and instead the district imposed a 5% wage reduction it had been seeking in bargaining, the outcome was that the fund balance actually grew to \$415,017 more than what the state-filed DEP was theoretically aiming for. [See Association Tab 25 Exhibit which is the full text of that fact finding report and recommendation.]

In light of my involvement in that Menominee case, it seems appropriate for me to comment about the matter at this point. The fact is, I do not know how the Association's claim that the facts are "related" has merit. At minimum, Menominee has not been deemed a comparable district to Belding in this case, and the years involved are different. The mere fact that both districts went through, or are going through, a fact finding process is not, in my opinion, anywhere near being an acceptable reason to assert that their facts are related. If that alone was enough, then there are likely scores of other cases that should be examined and considered for their potential relevance on the matters at issue in this case. Obviously, that has not happened and I believe it should not happen. I also do not find that there is a basis to assert that because both districts were citing financial difficulties that somehow makes their cases related. The bottom line financial outcome for Belding is

unknown at this time, so that cannot be the basis of any related facts. The conclusion I reach is that the cited Menominee case is not relevant to the matters involved in this case and the result of that case will have no bearing on the decision that will be reached for this Belding Area Schools fact finding report and recommendation.

In a paragraph made near the bottom of page 6 of the Association's brief, it claims that Mr. Gerring presented some information at the start of the bargaining process in May, 2014, that was then its 'best thinking' about what would happen to revenues in "this year" (presumably a reduction for 2014-2015) but it is now clear that the District experienced an influx of revenue of about \$620,000 for 2014-2015. The implication of that is that the Association is perplexed and frustrated by the fact that such unexpected good fortune did not cause the District to "budge" from its negotiations proposals (presumably those proposals had been "on the table" at the time of Mr. Gerring's presentation or at another significant point during early bargaining.) A side "lesson" from that scenario is that, as we all know, even the "best thinking" at any moment in time can be mistaken so human beings must remain poised to make reasonable adjustments in their plans.

The Association appears to sum up its view of the bargaining that has occurred with the District in the following harsh critique of the District's actions, which statement appears as the final paragraph on page 6 of its brief:

"The district assumes the worst and does not include all the variables when it is building a budget. This coincides with negotiations. These faulty assumptions

are then used to inform negotiations and the District uses them to develop proposals."

The District argues that it has had a high degree of accuracy in predicting anticipated enrollment changes from year to year and that is why its current estimates of lower enrollment numbers expected in the near term should be given greater weight than contrary predictions by Association representatives who hail from elsewhere and are likely to not be as familiar with the happenings in the Belding area.

The District has also pointed out that the recent instance of its shakier than usual prediction of enrollment was merely a small bump-up in Belding's enrollment that was most likely the one-time result of the unanticipated closing of Threshold Academy, as was discussed above in this report.

Relying on an extensive assessment and several quotes from the MEA's *Voice* magazine of February, 2015, the District questions the credibility of what it views as conflicting claims made by the MEA depending on the setting in which it finds itself. For instance, it charges that in its public magazine and in Lansing, when speaking on a statewide level, the MEA "wholly agrees" that districts all across the state are suffering from decreased funding, declining enrollment, and falling fund balances and it agrees that these districts must be "proactive" in order to "stop the trend." [See the District brief *Attachment 1*]. Yet in its brief on page 8, the District states:

"Clearly, on a statewide level, the MEA does not believe that a 'new normal' (as was referenced in the hearing by the Association representative) has set in for school districts and that soon years of negative funding and enrollment trends will suddenly reverse." [Brief Attachment 2.]

The purpose of that statement and the following one that was further down on page 8 of the District's brief seems to be calling into question the credibility of the Association stance that a near-term improvement in Belding's finances can be expected:

"Despite eight years of consistently declining enrollment, declining revenues and a shrinking fund balance, according to the Union Belding is not one of the many Michigan districts headed for the financial crisis outlined in its February, 2015 magazine feature . . . [and] [d]espite the fact that Belding meets virtually every metric that measures whether or not a school is facing an imminent financial crisis . . . the District should ignore the advice provided by their own publication and commit to spending half of its current fund balance, *today*, based on what they 'think' will be a better *tomorrow*."

On page 9 of the brief, the District says that during the hearing the Association intimated that school districts all over the state were exaggerating when it comes to their financial situation in order to avoid paying their teachers a fair wage when they were not truly in danger of sliding into deficit district status.

The bottom line, says the District, is that there is no "new normal" as the Association case presenter has intimated.

In the District's tab 3 exhibit, titled "Belding's Trend Data," it reports that the District's contributions for funding the Teacher Retirement corpus increased from 16.54% of payroll for 2008-09 to 25.78% of payroll for 2014-15, having increased every year during that period, while also showing decreases occurring in the Foundation Allowance and student enrollment.

Beginning on page 9 and concluding on page 10 of its brief, the District emphasized that the three (3) tentative agreements reached between the District and the Association bargaining team was believed by the negotiating team to be in the best interest of its membership. It points out that these settlements would have been one-year deals worth either \$176,914, \$101,268, and \$231,312, for the complement of teachers. That final and richest possible "deal" was reached in January, 2014 but by June, 2015 the bargaining team was arguing that the settlements were wholly inadequate. The District says it "seems disingenuous" that the bargaining team would be arguing that the District's latest two-year proposal of about half a million dollars in unacceptable.

The District claims that rejecting three TAs is practically unheard of in CBA negotiations and it was because of the Association's conduct of pursuing those failed deals during several months, that this fact finding was delayed until the District finally petitioned to have this procedure be conducted in order to help break the stalemate.

The District says the Association engaged in "cherry picking" just two years of more favorable financial outcomes while ignoring the preceding six-year period of more challenging financial times. The District further points out that it considers those two better years as being "only marginally 'less bad'."

The District says the Union tacitly acknowledged that Belding is unlikely to experience any actual growth in the foreseeable future which will allow it to agree to spend about half of the District's remaining fund balance. The District says that if the Association had faith in its claim on this point why did it outright refuse to accept a "share the wealth" agreement. (I observe that the District made reference to the "share the wealth" rule in the comparable district of Portland, but I do not recall it suggesting that the Portland arrangement that existed during the last three years should be copied.) [See the 4-page excerpt of Portland's 2013-16 labor agreement contained in the District's Tab 6 "comparables" exhibit.]

District exhibits behind tab 6 in the District's exhibit notebook show enrollment trends that indicate Belding's has steadily dropped and has the worst trend of all the comparables for both the five (5) both-parties-selected districts and the two singly-selected districts. The trend line is estimated through 2024 and continues to show Belding at the bottom. Revenue totals are charted and shows Belding being about equal to Portland and its trend line. Expenditures show Belding being near the middle at the start in 2008, higher than the totals spent by Tri County, Lakewood, and Portland

and trending downward, ending up below Lakewood, but still higher than the other two districts.

The District claims Belding teachers have received a step each year through 2013-14 and have not had their salaries cut.

By virtue of the series of District exhibits contained behind Tab 5 of its Exhibit notebook, which highlight various parts of the existing wage sections of its exhibit book, part of the exhibit titles includes the following:

"Based on this system, teachers who do not change lanes *(by pursuing additional credentials)* and *those at the top of the scale benefit less from step increases.*"

This appears to be an effort to justify the existence of the lower Belding numbers among the comparable districts.

One example in this case is the District's explanation of why Belding had the 2013 "bump up" in enrollment, said to be in conjunction with the Threshold school closing. While that seems to be a reasonable assumption that could be pointed out in Belding, it is not a reason to discount its appearance in the trend on enrollment compared to the other Districts because all districts could have had such seemingly special circumstances arise from time to time. Yet Belding's are singled out even though the effect of it makes up a part of the trend that gets established year to year. For example, one year it may happen in "district A" and in another year it may happen in "district K", then in "district CS", and so on and so on.

The point is comparisons are rarely, if ever, very precise, but making comparisons and using trends are used for economy's sake by bargainers

and are fair for assessment purposes overall, so long as the things being compared are carefully selected to measure the same thing for each district included in the school districts used.

The District pointed out several times that the teachers rejected the three TAs, as if that was significant in favor of the District's position. I do not agree. For although that was surprising, I do not give it great relevance in judging which party's proposal merits greater favor. After all, the law provides for the *bargaining unit members* to decide the terms of settlement, not the settlement that their *union bargaining agents* would accept. So, with nothing more explained in the record than the mere fact of the rejections, neither party's proposals, both at the time of the rejections or at this time when proposals for settlement are under consideration in the fact finding process, gains any favor because the teachers' *bargainers* favored it. The membership did *not* favor the District's proposal, so that ends the matter without effect on the relevance or favorability of either party's position. This represents an example of why knowledge of a special fact in one district often cannot be given significance when mutual use of comparisons is a significant "tool" being used in a fact finding case such as this.

The explanation of Threshold Academy's closing and how it supposedly provided a serendipitous "bump up" for an apparent botched District prediction about 2013's student enrollment number, is rejected. This too is because when school districts are relying on comparisons to benefit their position in a dispute, then injecting some *specific knowledge or information* about one of the

district's operations for the purpose of diluting the significance of a particular comparison, is not particularly relevant unless the party proposing its use clearly shows that a good faith and equal quality search was made of the other school districts to determine if any similar *specific knowledge or information* also exists in the comparable districts. The record does not provide any evidence of such a search having been conducted. The point is, that the closing of private or charter schools from time to time probably occurred in the other comparable districts and the effects of those closings on the district's enrollment numbers have been included in the comparison figures that already have been reported and are being used by the parties.

The preceding observation is also relevant to the special knowledge that twelve of Belding's high paid staff who were "bought out" into retirement resulted in a significant number of junior and lower-paid replacement teachers taking their places. The point is that occasional instances of a significant number of retirement have most likely occurred in other comparable districts from time to time and thereby led to a noteworthy dip in teacher compensation expenditures that became a part of the numbers that went into the makeup of ordinary comparison figures. If these type of things are not guarded against, they can skew presumed "facts" supposedly drawn from comparable data.

While a bit different in character, I also find that I cannot accept the District's apparent effort to lessen the relevance of the lower position it holds among the comparable districts' salary levels for MA-qualified and higher seniority teachers. For while it may be true that this part of Belding's pay

schedule is on the "low side" in the wage comparisons for teachers who seek higher qualifications over time while gaining seniority in Belding's "system" [the word used by the District], what that system puts in the employees' pockets, compared to what the other districts provide, is what is relevant. Further explanation of the research done to determine details about the different compensation systems used in the other comparable districts may have been able to put a different "spin" on the potential meaning to be taken from the comparisons. But, no such explanations are found in the record.

The Association claims that Belding's instruction total compensation figures are about average for the comparable districts, and the costs spent on the instructors' health care was also about average among the comparable districts. [See Association Tab 12 Exhibit.]

The Association asserts, however, that for "salary overall" (its terminology), Belding's teachers are much worse off than the comparable group. It acknowledges that the record shows that at BA Step 1 Belding ranks third and ahead of the group average by \$1,053 per year. But at the MA Maximum Step some Belding teachers make as much as \$8,280 less per year than the comparable group average. The District seemingly tries to also explain away this comparison which does not favor its district's facts with the following observation contained on six (6) District Tab 5 Exhibits:

"Based upon this system, teachers who do not change lanes (by pursuing additional credentials) and those at the top of the scale benefit less from step increases.

Obviously, what is not said here is that this is a philosophical position, and not a mandatory pattern that must be followed in constructing a salary increase schedule. Also, I find that the language used by the District tends to hint at a justification for holding down the salaries of the teachers who do not make lane changes, but the exhibits do not identify any obligation on Belding teachers to pursue additional credentials. Bottom line, Belding's wage schedule is less lucrative for the MA-qualified teachers at higher steps.

The features of the medical plan are not in dispute, only the issue of how much of the cost of coverage is payable by the District remains unsettled. The Association's position is the District should be paying the 2015 hard cap amount as of July 1, 2015. It points out that most of the comparable districts will be paying that amount. The Association points out that under its proposal the employee contribution will be \$3,344 per year. [Association Tab 16 Exhibit.] The District's offer is to move its payment up from its current 2013 hard cap amount, where it has remained frozen, to the 2014 level where it would remain until 2016-17. [See Association Tab 14 Exhibit.]

The point is that most of the special observations made by both parties as if they were significant and favored the party's position and in the this report are reflective of using specific knowledge about what is happening in Belding, and without demonstrating in the record that a comparable examination was made of whether the same or similar matter is influencing the comparison numbers coming from the comparable districts. This fact diminishes the persuasiveness of some of the obvious implications intended.

The District claims its proposal will cost approximately \$216,948 for 2015-2016 and \$356,760 for 2016-2017, for a two-year total cost of \$573,708 [District Tab 8 Exhibit titled "Compensation Proposal"] The Association's proposal, on the other hand, would cost approximately \$421,223 for 2015-2016. Obviously, neither proposal is likely to directly lead Belding into a deficit condition and subject to the DEP law. This would also be true even if the Association's 2015-2016 proposal was accepted, and assuming a 2016-2017 agreement was reached in accordance with the terms sought *by the District*, for example. My rough calculations based on the exhibits in the record is that Belding would still be in operating "in the black."

On page 7 of its brief the Association says the District manipulated the x and y axis on its graphs "to skew the data". It specifically mentioned the Perry District "case study" as an example of what it is asserting and charges that District Tab 7 "isn't intellectually honest." As the Fact Finder I feel the obligation at this time to at least point out that I never felt that any of the exhibits offered *by either party*, caused me to be confused to the extent that I thought an effort to confuse and manipulate was deliberately being tried, let alone had even come close to succeeding.

The Association said the District repeatedly used the fund balance trend as justification for its bargaining position, but its observation is that the District's deficit spending has leveled off as is reflected in an exhibit behind Tab 4 of the District's notebook. The amount of surplus is likely one of the main reasons that the Association insists the District can afford the teacher's

current full proposal, because the additional expenditure would almost certainly *not* be a specific, direct, or singular reason for causing the District to go into default during the two-year period of the settlement. Naturally a disastrous unexpected financial circumstance or crisis can always occur as such things can never be logically planned for.

The Association claimed that the District commenced negotiations projecting that its fund balance would decline by \$840,000. Yet it says, today the District's budget shows a \$620,000 improvement over its initial projection for the 2014-2015 school year, and The Association points to the District's exhibit on the projected 2014-2015 and 2015-2016 surplus condition, which is behind Tab 4 of its notebook. The Association noted that despite that improvement, the District did not significantly change its bargaining position at the bargaining table.

The District, on the other hand is saying it is opposed to paying as much as the Association is requesting because, assuming things would remain close to the trend over the last few years, it believes that would *not* lead to an deficit condition for the District during the contract period, but it would almost certainly put it *closer* to that condition and likely to eventually lead to a deficit needing to be handled in the not too distant future. The District said it is trying to avoid going into a deficit condition and having to file a DEP if the Association proposal is accepted, but believes that would eventually be its fate, although not immediately, if the Association's proposal is accepted.

The Association says the teachers have sacrificed more than the administrators in the District and points to administrative compensation spent per student compared to the instructional compensation spent per student. The reality, it says is that spending on administrative/professional salaries has grown from just \$289 per pupil in 2012-13 to \$398 per pupil in 2013-2014. It observes that there is no knowing what it will be in 2014-15. The Association's position is that any alleged cuts in administrative spending was for just one year and that the District now spends more per pupil on administrative/professional salaries than it did in 2008-09. As Fact Finder I observe that if that Association's claim is based on total dollars as opposed to a percentage calculation, then it seems to me that the same thing can probably said about teachers' salaries.

On Page 8 of its brief, the Association says the District replaced 12 teachers in June, 2012, which is the same year the District suffered a student loss of 124 students. [See District Exhibit Titled "Belding's Trend Data" behind Tab 5.] The Association claims that this is "another example" of the poor fiscal decision-making taking place that leaves the District contemplating what it believes is their only option, which is concessions in teacher negotiations.

In light of the record of the District's operations over the eight year period of economic collapse and subsequent continuing economic fallout, I find that it is evident that Belding's administrators have been managing its revenue decline responsibly. But there can come a point that despite responsible management, the money may just run out. The point is that it *can* become

impossible to avoid going into deficit if the money just isn't there and employees must still be treated fairly for the work they do. After all, the fault of "not having enough money" is not the fault of any individual teacher who is merely trying to fulfill the day's workload requirement in exchange for a fair day's wage, and Administrators who have spent every dollar wisely and carefully. The reality is that everybody involved in a school district's operations could have done "the right thing" and still a deficit can result.

The Association says the District can afford its proposal, pointing out that no steps were granted and no salary increases was granted for 2014-15 so now it is only seeking a fair contract for 2015-16 that provides 2 steps for those who are eligible and a 1% salary increase on the schedule. The Association's position is that this is not out of line with the historical salary settlements that have occurred. It argues that such a settlement along with the granting of the 2015 hard cap health care payments will still only put it within the lowest range for spending on teacher contracts. In support of that claim the Association includes a grid on page 9 of its brief that presents outcomes based on four (4) "Scenarios." All of the scenarios reached the results from compensation totals within 55.7% to 53.3% of revenue.

The District estimates the cost of its proposal will be \$573,708, made up of \$216, 948 for the 2015-2016 school year and \$356,760 for the 2016-2017 school year. [District Tab 8 Exhibit entitled "Fact Finding Compensation Proposal"] The Association said during the hearing that if the 2015 hard cap were to be accepted by the District, the Association will refrain from asking the

District to increase the amount of the payment for 2016-2017.⁵ The Association has stressed that it would take about \$26,300 more in health care expenditures to pay the full 2015 hard cap rate as of July 1, 2015 which it is asking for, an amount it considers small enough to do.

The two steps raise the Association proposed was characterized as bringing the teachers "back to current," apparently based on the Association's view that a step each year had been the norm for the District before the 2008 recession. The cost is obviously greater than what the District's proposal costs, but neither appears likely to immediately lead to a deficit condition overall in the District's finances. In fact, even if the worst was to happen, and the average yearly reduction to the surplus continued unabated, which does not look likely in light of the slow but steady improvement in the economy, My assessment is that it would require about 3 years of the "worst" luck to completely wipe out Belding's surplus and put it under a DEP.

The District claims the Association's proposal would cost a million dollars of the District's current fund balance of \$2 million.

But the Association challenges the District's assertion that the step increases portion of its proposal is unsustainable, and goes so far as to accuse the District of being intellectually dishonest on the point, noting that the District has many options for controlling costs, apparently meaning that notwithstanding the District's inability to control the major revenue

⁵ I assume this Association position about not asking for an increase in the medical care payment amounts includes the proviso "so long as the District is not proposing to reduce the payment in 2016-2017." That point is not clear in the record.

determiners of enrollment numbers and PPF, and the Association cites determining staffing levels, determining what facilities to operate, and all other programming decisions to be made in the District.

The Association observes that the District never made any proposals to change the salary schedule "system" and claims it is disingenuous to now claim that it is trapped by the current salary schedule and can only escape by imposing freezes on the steps.

The Association says most of the comparable districts pay the 2015 hard cap amount for health care costs, and it cites Association Tab 14 Exhibit in support of the claim, plus Association Tab 16 Exhibit in an effort to make its point that if the District would simply pay that amount, rather than the slightly lesser amount it is proposing, it would only add \$26,284 for the 2015-16 school year, an amount it deems not a substantial cost factor for the District.

The District claims that the only thing that has been keeping Belding afloat since the period of economic downturn began, was its beginning fund balance at \$4.7 million which has been whittled down to about \$2 million at this time. My view is that that shrinkage is unfortunate, but it is not a matter for alarm *if* \$2 million today is likely to be enough of a surplus to keep Belding out of a deficit condition for the foreseeable future. The point is that things change and the massive \$4.7 million---a huge 20% surplus---proved to be what was needed to get Belding from 2008 to today, and still have some remaining to continue helping Belding stay in the black for a

while longer, even should the improvement the Association is predicting lags for a while.

So, to a great extent, I find that what is afoot in this case is akin to one of the very earliest statements made by the District in its post-hearing brief, namely that the parties hold different philosophies about budgeting and operating a public school district. Fortunately, however, their philosophies have seemed to be in general agreement that 2008's national crash was serious and required reasonable reductions in costs and restraints on the school District's expenditures while spreading "the pain" among everyone in the District. The record is clear, however, that there has not been agreement with the severity of some of the cuts asked of the teachers, as compared to those asked of administrative personnel and in non-personnel operations.

Both parties seemed to agree that the root cause in the sizeable drops in revenue was not something either caused but was the result of the uncontrollable effects of the economic collapse of 2008. So, the philosophical issue that is dividing the two sides at this time appears to relate to the deciding how much easing of the economic restraints is called for at this time.

So, with both parties seeming to be fairly in agreement on so many of the reasons the District's finances are where they are at this time and each side seeming to embrace a goal of having the teachers compensated comfortably *within* the norm, and not shooting for the highest wages, but

also not wanting Belding's teachers' compensation package to be at the bottom among the comparable districts, if at all possible, then this is a firm foundation for likely achieving a mutually agreed settlement that will be fair to the teachers, the administration, the students, and the community as a whole. Surely, all would agree that teachers are much too important in the life of the community to be left without an agreement achieved by voluntary agreement of both parties.

One of the concluding points of the Association's brief was that even if the District was to pay its teachers what the Association is asking for, it would be underfunding the teacher compensation package.

The settlement terms I am recommending may require dipping a bit more into the current surplus, but not so much that the District is likely to not remain in the black.

But the parties are engaged in negotiations at this time when a significant number of economic indicators are "positive" for improvement in the nation and throughout Michigan. The national and state of Michigan facts are being confirmed in the most respected economic news being heard day after day in newspapers, magazines, on television and radio regularly day after day and weekly throughout the last few months. The present decisions Fed Chair Janet Yellen is contemplating are supportive of the view that the economy is improving and not expecting to merely remain in its past state of malaise and slow recovery since about 2010.

Considering the entire record, I find that the District's proposal to the teachers offers less than fairness calls for at this time. On the other hand, I agree with the District that the Association's full proposal is too rich to take a chance on. I think the record shows that economic improvement, in general, are afoot all about us, but caution cannot be thrown to the wind.

In light of everything, I am convinced that the record in this fact finding has demonstrated that an improving economy---albeit, happening slowly but steadily---will result in Belding's audited revenue numbers improving for last year (2013-14), this year (2014-15), and next year (2015-16). Predicting farther out on the calendar is always a riskier proposition, but at this time I do not find that there are any strong indications that a downturn is expected in the foreseeable future.

Beginning with the last audited financial results for the District, which were for the 2012-2013 school year, has been followed by what appears to be positive financial results for 2013-2014, but this is unaudited at this time. Then there is the known fact that there was no teacher increases in compensation during 2014-2015, which leads me to believe that expenditures for that school year may be good also. But again, there are no audited results to assure this. Still, these things are causing me to believe the District's fortunes are trending upward and being boosted by guidance coming from a talented and competent management team in charge.

Yet, when one must consider that these good financial results have *possibly* come partially at the expense of excessive sacrifices by the teachers who did not receive an increase during 2013-2014. Further, the comparisons of their compensation amounts in some parts of their pay schedule shows that Belding's teachers' rates are among the lowest ranges for MA-qualified teachers with higher seniority. These facts seem to be crying out for what I will term are "*fairness* corrections," if possible, through special increases in narrow targeted parts of the salary scale. I do not believe such things will cost the Districts so much money that it will harm its overall operational plans. To that extent, I recommend the parties look at trying to do this when they return to negotiations. But, the record is much too thin for me to weigh in with any detailed recommendations on the subject. But I remain confident that both parties in this case are good shepherds of good teams and will be able to deal with these matters equitably.

The dilemma I am faced with, i.e., making a recommendation for "across-the-board" compensation, seems clear. But the answer has to be achieved in conjunction with the settlements that have been achieved in the comparable districts, and those have created a murky soup of methods and results shown in the series of exhibits titled "Comparables" behind District Tab 6.

Beginning with the Lowell District, the only one singly-selected by the Association, I find it to clearly be an outlier district because its enrollment size at 3,800 students makes its total State-received revenue much greater than in

all other comparable districts. Because of this I will not use its settlements to help me make my recommendations.

Next, Comstock Park looks like the district that is the closest to going into a DEP situation, and my assessment is that its financial outlook is substantially more dire than Belding's, therefore it would not be appropriate to use it if better examples are available, as is the case here. Comstock Park has liquidated two facilities, is making very small health care cost payments, and has eliminated longevity payments. I find these things to be enough to eliminate it from being used for purposes of developing a recommendation.

The Portland district, though seemingly more similar to Belding in several ways than the remaining districts, has complex settlements with several contingencies based on "ifs" and "possibilities" for reductions and pay freezes dependent on student enrollments. While it is true that student enrollment numbers tend to fairly accurately predict what will be the total amount of revenues available in a particular school year, the parties in our case seem not to have actually used student enrollment numbers to base their proposals on in the past. But I observe, however, that Belding did posit the notion that the BEA could have demonstrated its confidence in the claims made about Belding's improving financial standing, had it proposed the use of a Portland-styled share the wealth approach, but which the Association had not done. The bottom line is that the Belding parties seem to have never used such share-the-wealth proposals to serve as a significant factor in the offers they have exchanged at the bargaining table, therefore, I would not be

comfortable using that methodology as a *substantial* factor in a wage recommendation I would make in this case.

Tri-County has wage-setting outcomes dependent on the 2013-2014 and 2015-2016 State funding amounts. For 2014-15 the settlement provides no step and lane increases and the health care cost expenditures are frozen [since 2012]. A similar reluctance expressed above about using enrollment/funding levels as a basis for recommending settlements in this case, as was explained for Portland, applies here.

Lakewood's compensation package for 2013-2014, 2014-2015, and 2015-2016 shown in a District Tab 6 "Comparables" Exhibit provides for off-schedule salary decreases (-3.4%) via 6 unpaid days for both 2013-2014 and 2014-2015. In the first year (2013-2014) the teachers there received a step based on funding availability, in the second year the step is not guaranteed as it is contingent on the availability of funding. In 2015-2016, a 3.4% reduction will be restored to the 2012-2013 level, but with no raise in steps or percentages, plus the insurance caps will be frozen. The package seems stringent, but I am uncomfortable about relying on it too much because the wage pattern is not anything like the Belding District has apparently used in the recent past, if ever.

Kelloggsville, one of the five districts both parties selected as a comparable, had relatively uncomplicated settlements in 2012-2013, 2013-2014, and 2014-2015 school years. The District's Tab 6 "Comparables" Exhibit shows the settlement for 2012-2013 was for a step increase plus 0.5% on

schedule raise and an additional 0.5% off-schedule "share the wealth" provision [presumably meaning it was contingent on some revenue target], and for 2013-2014 and 2014-2015 the settlements are a step plus a \$250 "equity payment," and again, meaning presumably including a "share the wealth" feature. Obviously, all of those school years have passed and that gives me pause, but it is the record I have been provided (and without protest by the Association). Because of the simplicity of the settlement pattern I have used this district to aid in the formation of my recommendation.

The Alma District, which was singly-selected by the Belding bargainers for use as a comparable, had the simplest pattern of wage settlements to understand and compare to the dollar amounts of the competing compensation offers before me in this fact finding case. The District Tab 6 "Comparables" Exhibit covering Alma settlements, shows that beginning with 2011-2012 and continuing in 2012-2013, 2013-2014, and 2014-2015, the wage settlements were Steps Frozen, Steps Frozen, One Step increase, and 3/4 Step increase, respectively. Despite it not being one of the five (5) *both-parties-selected* comparable districts I still feel it is usable for comparison because it is so straightforward and reveals its monetary value cleanly, absent any complex factors which sometimes complicates understanding comparisons of two or more districts. Like Kellogsville, however, the school years it addresses have passed, but it is the record I have been given without protest by the Association. I used this district as an aid in forming my recommendation.

As would be expected, a general overall assessment of all eight (8) comparable districts examined could not escape from giving me a "big picture" idea of where things stand with all eight (8) districts collectively (Belding being included in the count). But I am particularly influenced by the three (3) districts as I have already revealed. They aided me in making up my mind about a wage recommendation, and some element of each of these comparable districts' settlement patterns has been made ia part of the recommendation I am making. The districts, as alluded to above, are Kelloggsville, Alma and the internal comparison with the BEA-represented support staff. The narratives which follow provide additional insight into why this selection seemed valid.

For Alma school district, in District Tab 9, the "Per Pupil Instructional Salary Rank Comparison 2008 -2013" Exhibit, and the "Per Pupil Instructional Salary Trend Comparison 2008-2013" Exhibit, the graphs track pretty closely, all the way across for the 5-year period, with Belding's graphs which are also shown on those exhibits. Their District Tab 9 "Comparable Enrollment Numbers (2009 & 2014) are fairly comparable also. The District's "Total Compensation Per Student" bar graph shows Belding's and Alma's being very close in terms of total dollars plus the division in spending the dollars between salary and benefits.

The District's exhibit that tracked "FTE Trend Comparisons 2008-2013" does not, however, allow for a comparison of the Alma graph line to be tracked against Belding's [Alma line cannot be clearly distinguished from other lines]

but the District's brief declares that in 2008 Belding's was the fourth largest but "Belding is now the smallest [the 8th].

Alma's total revenue was about \$1,000,000 more than Belding's revenue in 2008, but now is about \$1,800,000 more according to District Tab 9 "Total Revenue Comparison" Exhibit. Also, Alma's and Belding's "total Expenditures Comparison" graphs in District Tab 9 shows a similar graph line, but Belding's expenditures have been greater overall.

The only "Belding-to-Belding" comparison of wage settlements provided in the record is the *also-MEA-represented* support staff comparison to Belding's teachers. A comparison of groups that work for the same employer is usually termed an "internal comparable" and although they most often compare settlements for workers performing dissimilar tasks, they are at least usually reflective of two or more wage decisions made by the same set of managers and that has a special relevance in my mind. I used this district as an aid in forming my recommendation.

The internal comparison with the Belding Support staff as shown in Association Tab 7 Exhibit highlights when the support staff received increases that the Belding teachers did not. See 2010-2011 and 2011-2012, but also see that the support staff had to accept a 1% reduction in 2012-2013 when the teachers did not suffer a reduction, yet the teachers had a third straight time that year of no increase. In 2013-14 both groups did not have a wage increase. And finally for last year, 2014-2015, the teachers again did not get a raise, but

the support staff got a 1% raise and are slated for wage opener talks for the current 2015-2016 school year.

RECOMMENDATIONS

I recommend that the parties strive to reach the following wage settlement package:

Two-year contract.

2015-2016: One step and lanes change with 0.5% on schedule raise, effective 7/1/2015.

2016-2017: \$750 off schedule bonus payment with lane changes; no step increase; *plus* a potential for an additional bonus payment of *as much as \$250, if* sufficient additional revenue exists for a 50/50 "sharing the wealth" provision to provide the additional bonus payment.

I recommend this because the settlement will be in the range of comparability for other Michigan public school districts the parties selected, and most closely for the three (3) pointed out in the report.

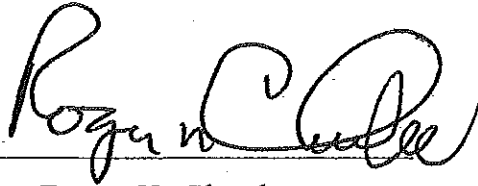
I also believe that the Association's proposal is too rich to risk being paid in full in this time of improving, yet fragile, general societal economics climate. I further believe that the District can afford to pay this without facing a expectant threat of destroying its financial operations goals planned for the next two years. partly because it has not sufficiently accepted the fact that the economy truly has and is slowly and steadily improving and will result in greater revenue for the Belding School District during the next two years.

I further recommend that the parties agree that the 2015 employer hard cap medical payment amount be paid to the teachers beginning 7/1/2015. and to remain at that rate throughout the balance of the two-year period 2015-2017. I make this recommendation because I find that Belding's teachers are being offered less health care costs payments than the majority of the comparable school districts will be paying their teachers in 2015-2016, and the total cost to Belding for providing this recommended comparability is not so great that it is likely to destroy Belding's carefully developed economic goals.

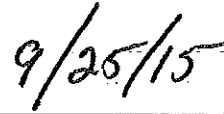
My several recommendations call for a two-year contract to be agreed to, which period is not shown to be what the Association has formally proposed at this time. But, one of the reasons I am making that recommendation is because a multiple year agreement is the norm for the comparable school districts and I am aware that Belding's last contract was for a 2-years period (2012 thru 2014). Furthermore, Kelloggsville's agreement is for 3 years, Comstock's last contract was for 2 years, Lowell's contract is for 2 years, Portland's contract is for 3 years, Tri County has a 2-years agreement, and Lakewood has a 3-years contract. Also, multiple year contracts add a beneficial measure of stability to the parties relationship as it almost guarantees to lessen the amount of time the parties are going to be engaged in disputing over many matters.

I decline to make a recommendation regarding increases in the stipend percentages for robotics instructors, as the record is not sufficient to permit it to be made based on an adequate record.

This fact finding result is based on what I found to be the relevant facts
of this case.

A handwritten signature in cursive script, appearing to read "Roger N. Cheek", written over a horizontal line.

Roger N. Cheek
Fact Finder

A handwritten date "9/25/15" written in cursive script, positioned above a horizontal line.

Date