

5/19/89

STATE OF MICHIGAN  
DEPARTMENT OF LABOR  
EMPLOYMENT RELATIONS COMMISSION

In the Matter of the Fact Finding

AKRON-FAIRGROVE SCHOOLS

and

Case No. L88 E-471

INTERNATIONAL UNION OF OPERATING ENGINEERS

FACT FINDING REPORT

Prepared by:

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*Akron-Fairgrove Schools*

### INTRODUCTION

The undersigned was appointed by the Employment Relations Commission after a request for the same by the Union after attempts by the parties to complete collective bargaining was unsuccessful. A hearing was rescheduled and conducted on Tuesday, May 16, 1989 at the offices of the employer.

### APPEARANCES:

#### Akron-Fairgrove Schools

Donald Lillrose  
Susan Dumala

#### International Union of Operating Engineers

Thelma Lowe  
Earl Voss

There is but one issue, wages, because of a reopener provision in the second year of the current contract covering the school year 1988-1989. The Union requests a six percent increase and the board offers no salary increase requesting a wage freeze as was negotiated for the first year of the contract. The Union's presentation was made through its representative Thelma Lowe and offered but one exhibit. The employer's presentation was made by Sue Dumala and the superintendent, Don Lillrose, based upon an 18 page exhibit book.

### FACTUAL BACKGROUND

The parties negotiated a two year contract 1987-1988 and 1988-1989 in which the Union agreed to a wage freeze in the first year with a wage reopener clause for the second year, the one in question. The contract was not produced as evidence. The Union

contends that there is sufficient fund equity balance, over a million dollars in 1987 and 1988 and the school district has voted a 2 mill increase for 1987 and a 3 mill increase in 1988. The district has laid off three custodians and one person is presently on sick leave; of the four members of the unit, three do custodial-maintenance work and one person does bus mechanic work 1/2 time and custodial work the other 1/2 time. Apparently the unit members take care of three buildings. The teachers are in the third year of a contract and are receiving a six percent increase for 1988-1989. The Union contends that there is available revenue and that a six percent increase would cost approximately \$4,000 for the bargaining unit. Since the School Board has made no proposal, the Union argues that they have the ability to pay. They further argued that the Superintendent received a contractual raise last year. They felt that land values were beginning to appreciate approximately 2 1/2 percent. That was essentially the Union's presentation plus the offer of a salary comparison schedule which will be discussed later.

The Board's presentation suggested a dramatically changed economic picture for the School District over the past few years. The SEV of the District has dropped so much in the last two years that they have gone from a reasonably healthy out-of-formula district to in-formula status. That coupled with student enrollment decreases has put a financial burden on the employer.

Evidence was presented that the members of the unit are the highest paid custodians in the county and the best paid support personnel in the district. The Board's position is that the unit bargained for and obtained substantial wages as compared to others in the good years and now wants the unit to accept freezes when others are doing the same. Of Tuscola County K-12 Districts, this bargaining unit has a maximum wage of \$9.68 per hour, the highest. The intermediate school districts' maximum wage is \$9.37. Caro is \$8.95; Mayville is \$8.74. U.S.A. is \$8.79 and the lowest is Millington at \$6.73. The four members of the bargaining unit are all at the maximum wage rate except for a bus mechanic who is at a maximum \$10.07 per hour. The custodians are paid more than a bookkeeper, head cook, superintendent's secretary and teacher aides. The bookkeepers, the cooks and the aides are in non-bargaining units. The custodians receive \$.98 an hour more than the highest of this group, a bookkeeper.

The District produced an exhibit that demonstrated the salaries for support services, general fund expenditures per pupil, placed the District first at \$858 per pupil, the next highest being U.S.A. at \$823 per pupil dropping to Mayville at \$711 per pupil, down to the lowest of \$515 per pupil at Vassar.

The State Equalized Value per pupil reached a high of \$133,687 in 1985-86 and has steadily decreased. It was \$118,792 in 1986-87, and \$91,086 in 1987-88 and \$78,923 in 1988-89. The enrollment of the District has declined from a high of 774 students

in 1982-1983, 703 in 1986-87, 661 in 1987-1988, 642 in 1988-89. From 1987-88 to 1988-89 there was a 17 percent decrease.

With respect to State school aid, they were out-of-formula in 1986-1987 and with 28 mills produced \$3,326 per student. In 1987-88, the SEV decreased, millage increased to 30 mills and being out-of-formula produced \$2,733 per student. In 1988-89, there was an additional 3 voted mills, up to 33. Since the SEV had decreased to \$78,923 studied the District now received \$310 in State aid and the combined available revenue per student was \$2,914. Thus, by going into formula, there is a little less than \$200 per pupil coming from State aid, (the SEV had declined and the number of students had likewise declined). Because of the drop in student enrollment, the SEV per pupil would go up slightly in 1989-90 to \$81,855. However, based upon the 1988-89 school aid formula, the State aid per pupil will decrease from \$266 to \$215 per pupil in 1989-90. In 1989-90 there is a 23 student decline projected and the School District anticipates loosing \$1,638 per student in State aid.

With respect to millages, the District had 28 authorized mills but only levied 27.79 in 1984-85, 27.59 in 1985-86 and the full 28 in 1986-87. They increased the millage to 30 in 1987-88 and 33 in 1988-89. By comparison in 1988-89 to other districts in the County, U.S.A. is levying 34.5; Kingston, 32.5; Vassar, 31.5; Millington, 31.95; and the others below 30. It would appear that the local millage effort is equal to or greater than others in the

county, expressing a willingness of the voters to provide additional revenue in the face of a shrinking SEV tax base.

The fund balance is one of the key issues in this matter. As of June 30, 1988, the fund balance was \$1,113,042. On June 30, 1989, the fund balance was \$761,571. The projection for June 30, 1990 was a fund balance of \$95,816 and for 1991 a projected deficit of \$749,616. Needless to say, by state law, School Districts cannot have a deficit budget so we can't really rely upon the 1991 projections. The 1990 proposed budget does include 8.5% increase for salaries and fringe benefits and for 1991 a six percent increase. Additional information concludes that the District is approximately 70.9 percent agricultural. Value per acre was approximately \$3,000, dropped to somewhere between \$700 and \$1200 per acre and seems to be increasing again. Both in 1986-87 and 1987-88, the School District lost money and since it was out-of-formula, it had to make up the difference from its fund balance. Of the \$289,000 operating loss in 1988-89, approximately \$157,000 was picked up with State aid, with a net loss of approximately \$132,000 coming out of the fund balance.

With the decrease in SEV and decrease in enrollment the School District has eliminated 3 of 7 custodial positions, one of four administrators, 11 teaching positions, 1 of 4 secretarial positions, 1 bus run and 1 teacher aide. Additionally, the teachers are in the third year of their contract, and received a 6 1/2 percent raise which was bargained for in 1986-87, before the

SEV reductions. The bus driver's contract is in its first year. For 1988-89, there is a wage freeze and in 1989-90 a wage reopener. The two administrators had wage freezes in 1987-88 and 1988-89 but will receive a 5 percent increase for 1989-90 with a reopener clause in 1990-91. The superintendent has a separately negotiated contract. He arrived in the District in 1987-88 and apparently negotiated a 5 percent raise for this year.

#### DISCUSSION AND RECOMMENDATIONS

The issue here is not really the economic impact of some \$4,000, but the relationship of this bargaining unit with other bargaining units and non-bargained employees and the general scheme of the Board to address the economic reality of the School District. A 6 percent increase is not in and of itself unreasonable as salary increases go. But the real question is, in the context of the overall finances and other employee wages, should a 6 percent raise be recommended, something less or nothing at all.

The District argues that these employees are not financially disadvantaged because they are already at the top of the scale and all other persons took a freeze. Apparently the School District did ask the teachers to renegotiate the 6 1/2 percent increase in the third year of the contract, but received no response.

The track record of the District seems reasonably clear. When they were out-of-formula and the SEV was high, they apparently

negotiated a good contract for the teachers which included a third year raise of 6 1/2 percent. They likewise negotiated reasonable contracts with their custodians such that the custodians are the highest hourly paid employees as compared to persons doing like work in the County. This would include the Intermediate School District custodians. The local citizenry have certainly accepted their responsibility and voted 5 additional mills over the last two years. The increased millage against a decreasing tax base has produced substantial local revenues but not enough to keep them out-of-formula. Being in-formula, the declining enrollment hurts the School District because the fourth Friday count establishes the amount per pupil. It is obvious that State school aid has made a difference by reducing the short fall to approximately \$130,000. Projected for 1989-90 there will be a further need to dip into the fund balance.

One of the other important elements in this case is the sense of elemental fairness and/or non-discriminatory treatment of all of its employees by the Board. Faced with shrinking revenues, the District has reduced expenditures and it started requesting wage freezes, 2 year freezes for administrators, a one year freeze by bus drivers, a first year bargain freeze by this unit and freeze by the non-represented employees. The only contrary evidence of this policy is the fact that two administrators have been given a 5 percent increase for the next two years and the superintendent

apparently has a 5 percent increase. On this record I can't tell from what to what.

The Union obviously saw the shrinking revenues, probably saw the impending millages as controversial and negotiated a first year freeze in this contract. No one stated, but it was probably implied that the second year wage reopener was on the expectation that things might turn around and the wage freeze policy of the board would be reversed. The Union obviously took a chance in the second year, but at least for 1988-89 they are not being treated any differently than the bus drivers who likewise accepted a freeze for 1988-89 with a reopener in 1989-90. Since the whole contract will be up for negotiations in 1989-90, as well as the bus drivers wage reopener, and the whole teacher contract will be up for discussion, it seems prudent not to disturb the wage freeze policy but to recommend that the Union continue a freeze until the end of this year when negotiations will begin in earnest on all issues in the contract.

In making this recommendation, it means that three important contracts for wages and other issues will all be negotiated this summer and the fact that this unit will have been in a wage freeze to two years will be a compelling equitable issue. It is noted that the 1989-90 budget, on page 17 of the Board exhibit, projects an 8.5 percent increase in salaries and fringe benefits. There was no information in this record as to how that was to be divided between salaries and fringes or for which groups

whose contracts are to be negotiated. It is obvious that the fund balance as of June 30, 1989 will be seriously eroded on June 30, 1990 without substantial increases in State aid per pupil, or an up turn in the SEV.

It is going to be a long, hot summer as these contracts come up for negotiations. The economic situation portrayed here will be presumably much the same, but the Board will have to wrestle with the hard facts of life at that time. By taking a position of no increase this year, the Board lends credence to the equitable position of this unit. The give and take of bargaining the whole contract is probably the best way of reconciling this temporary freeze for these bargaining unit members.

As stated earlier, the requested increase is not in and of itself unreasonable, but the Union failed to demonstrate present substantial economic inequities to rebut what appears to this Fact Finder to be a consistent and compelling policy that the Board has instituted in the face of dramatically changed financial conditions. On this record, the recommendation might give the Union some present concern but clearly tells the Board that future contracts will be tough to negotiate.

**RECOMMENDATION**

For the foregoing reasons, it is the recommendation of this Fact Finder that a wage freeze continue for the balance of this contract.

Respectfully submitted,

DATED: May 19, 1989

By: 

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