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

In the Matter of Fact Finding
Between:

Michigan Education Association
Constantine Education Association, MEA/NEA

Employee Organization
(Association)

Case No. L06 C-4020

-and-

Constantine Public Schools
Board of Education

Public Employer
(Employer)

Before Fact Finder
Donald R. Burkholder

APPEARANCES:

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The Collective Bargaining Agreement between the parties expired August 25, 2006. Negotiations for a successor agreement took place both before and after that date, with more than eleven negotiating sessions including several with a mediator, and obviously have not been successful. A fact finding petition was filed September 19, 2006, and the undersigned was selected to preside over the Fact-Finding Hearing, which was held in the Constantine District High School on March 29, 2007. The parties, the Constantine Education Association (CEA) and Constantine Public Schools (CPS), resolved some issues during the Fact Finding; the issues remaining unresolved were salary, insurance, and vacancies/transfers. CEA represents approximately 93 teaching staff, including all certified teachers, school media specialists, guidance counselors, the alternative education coordinator and teaching specialist. The parties agreed to provide briefs postmarked by or on May 15th.

General Budgetary/Financial Analysis

Salary and insurance are clearly economic issues. Studying and formulating a recommendation on economic issues requires analysis of the history, present condition, and future shape of the organization's finances. The State requires all governmental units, including school districts, to maintain a 'balanced' budget or, in common parlance, not to 'operate in the red'. Although the information provided to the Fact Finder did not suggest an immediate danger of that possibility, it did clearly imply that continuously increasing insurance expenses and, to a lesser extent, salary expenses, would lead to a fund balance of 2.2%, perilously close to an unbalanced budget. The import of this factor is more clearly apparent when one notes the trend in difference between revenues and expenditures over the past six years; revenues exceeded expenditures in one year, 2005-06, but by only $191,000 in relation to an annual budget of more than $11 million.

The Michigan School Business Officials (MSBO) and the Michigan Association of School Boards (MASB) recommend a 15 – 20% fund balance. Notably, this level is also endorsed by the Michigan Education Association (MEA). One notes that 15% to 20% is a significantly higher level of fund balance than the 10% recommended by the Government Accounting Standards Board (GASB) for general government (local, state, and national), and therefore might be a prime subject of criticism alleging, e.g, 'padding' or potential hiding of funds. However, on closer examination, the higher MSBO and MASB standards recommended for Michigan's 556 K-12 school districts are quite rational when one realizes the variety of circumstances in each of the districts. It should be noted this same or a similar variety of factors reflect reality when one considers the fact that there are 13,522 school districts in the United States, operating under 50 state systems with differing educational requirements and funding provisions, local economic conditions, tax collection provisions, borrowing requirements, and popular levels of support for public education. It is clear that a higher fund balance standard for Michigan's public school districts is justifiable.

The CPS fund balance was 6.9% at the end of the 2005-06 fiscal year. The Board position would result in an estimated 5.2% fund balance compared with an estimated 2.2% using the CEA proposal. In either case the result would mean that the District and its 11-12 million dollar operating budget would end the year with a seriously deficient fund balance, according to MSBO and MASB standards. For this Fact Finder not to give considerable weight to this situation would be the height of irresponsibility.

It is well understood that economic conditions in Michigan are dire. In St. Joseph County where the District is located thousands of people are on food stamps and the number is likely to grow. The Employer has engaged in deficit spending in all school years but one since the 2000-01 school year. Its foundation allowance has been essentially flat, i.e., $6,505 in 2001-02 to $7,085 in 2006-06. Fortunately, it appears that the probability of additional reductions in the foundation allowance are no longer on the table. Nevertheless, CPS' health insurance costs are similar to the national trend, increasing 18% over three years. Michigan Public School Employees Retirement expense obligations are increasing dramatically, with an 8% increase from 2005-2006 at 17.74% of wages to a projected 9.6% increase for 2007-2008 at 18.56% of wages. As noted in the

District brief:

> While it is true that there may be been a slight increase from the 2004-2005 school year to the 2005-2006 school year... the general fund balance as a percentage of expenditures has declined from 11.85% in the 2002-2003 school year to 6.90% in the 2005-2006 school year...The fund has experienced a significant decline in recent school years and is far below what is recommended.

There were two cost-impacting issues in this case, i.e., salaries and insurance, plus a third issue, vacancies. In analyzing economic issues, the Fact Finder notes that different methods of selecting comparables made for difficult comparisons. Nevertheless, the Employer's use of districts in the county provided a consistent yardstick for salaries inasmuch as the comparables were geographically proximate and economic conditions roughly similar. The union offered insurance comparisons of a variety of districts regarding insurance and vacancies, with no rationale for the method by which districts wereselected. Nevertheless, these recommendations are based primarily on the relationship of salaries and insurance in consideration of district budgetary and financial factors as discussed above.

Salary

School Year

2006-07	-	Status quo as of March 1, 2007.
	-	Steps and column advancement to those already receiving them, no other retroactive advances.
2007-08	-	2% on salary schedule increase
2008-09	-	1.25% on salary schedule increase

Reasoning:

Salaries in the District are competitive and are above the average of other districts in the County. These recommendations, agreed to by both parties, will keep District salaries competitive. Although the CEA proposal for $8,000 to be divided among those members who did not receive step increases may have some merit, the future cost to CPS would not substantially be offset by the increased student enrollment of approximately 70 students since the 2004-05 school year.

Insurance

2006-07	-	MESSA Choices II with $10/$20 prescription co-pay.
	-	Employee pays 15% of premium up to $200 per month maximum
	-	Cash in lieu of insurance-$450 per month
2008-09	-	MESSA Choices II with $10/20 prescription co-pay
	-	If MESSA rates increase 6% or less, the employee contribution toward the premium will be 15% with a $250 maximum.
	-	If the MESSA rates increase more than 6%, the employee contribution toward the insurance premium will be 18% of the premium with a $250 per month maximum.

- Cash in lieu of insurance-$450 per month.

Reasoning:

There is a history of substantial increases in health insurance premiums, both nationally and in the District. The annual contribution by unit members is barely 50% of the annual contribution by workers in all American firms. It is approximately 40% of the annual contribution of workers in small firms. The small firms category is most similar to the Employer and its relationship with this unit. The Fact-Finder notes that current language in the Agreement, which will not be changed in the successor Agreement, enables any employee premium payment to be made with Pre-Tax dollars, a substantial savings mechanism.

Article 10, Vacancies, Promotions and Transfers

Status Quo.

Reasoning:

The proposed new language would appear to serve no purpose except to increase the chances for success of an in-building applicant over an applicant in another building, thus reducing or eliminating the Employer's ability to assess an applicant on other appropriate measures, in addition to seniority. The suggested changes might harm morale and cause increased dissatisfaction because of the rather intricate system for soliciting, communicating the need for, and considering applications in the Summer months. Seniority, defined as "length of service in the district", is one of the factors in Article 10 (D) to be considered in filling vacancies. A teacher who is aggrieved because length of service was not given sufficient weight has access to Article 24, Professional Grievance Procedure.

Conclusion:

The participants were well-prepared, courteous, professional, and very helpful when I at times sought clarification. Briefs and other requested information were provided in a timely, clear fashion, for which I am appreciative. Note that I am also an educator, albeit in higher education, who for a time was a public school teacher and later served as a school trustee. I empathize with the CEA and those it represents, nevertheless recognizing that these recommendations are not and should not be 'balanced' between the parties. Rather, they reflect the situation presented in light of economic/financial reality and the law, not the 'should' or 'ought to be' but the 'is'. Hopefully they will be used as the basis for developing a continuously improving relationship between the parties and with the community at large. Assuming some responsibility for helping maintain a financially viable public school operation, as e.g. in agreeing to moderation of health insurance expenses, would indicate to CPS taxpayers that CPS/CEA educators are willing to bite the same bullet that many ordinary citizens have had to face. A favorable perception among the general public is invaluable to the success of any organization and its members, a suggestion that has more weight in the public sector where the need for political and financial support is apparent, and where the goal is not producing and marketing widgets but teaching and motivating young minds.

Donald R. Burkholder

Donald R. Burkholder, Ph.D., Fact Finder
Dated: June 6, 2007