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FF 5/10/2011

STATE OF MICHIGAN
DEPARTMENT OF CONSUMER & INDUSTRY SERVICES
MICHIGAN EMPLOYMENT RELATIONS COMMISSION
FACT FINDING

In the Matter of:

FITZGERALD SCHOOL DISTRICT

-and-

MERC Fact Finding
Case No. D10 G-0782

FITZGERALD EDUCATION
ASSOCIATION, MEA

FACT FINDER'S FINDINGS OF FACT, REPORT AND RECOMMENDATIONS

(Last Hearing Date April 14, 2011; Date of Report May 5, 2011)

APPEARANCES:

FOR FITZGERALD SCHOOL DISTRICT:

Joseph B. Urban, Attorney
Jeffrey Steele, Attorney
Wendy Hagerty, H.R. Director
Teresa Davis, Director of Business
Todd Schafer, High School Asst. Principal

FOR FITZGERALD EDUCATION ASSOCIATION, MEA:

Jerry Haymond, Executive UniServ Director
Charles B. Portelle, UniServ Director
Chris Kriss, FEA President
Kati Cafagna. FEA Vice President
Mitchell Koleczko, FEA Treasurer

Prologue

In the view of this neutral Fact Finder, financially the Fitzgerald School District is to be compared to an express train that is speeding so fast that it will derail, causing a catastrophic train wreck which in this case will result in severe damage to the teachers, students and citizens of the Fitzgerald School District if the situation is not corrected post haste.

There are 2,861 enrolled students in Fitzgerald, down from 3,058 in 2008. This is a drop

in three years of 197 students. In the last seven years, the District has lost 205 students, with most of the loss coming in recent years. At the current $8,489 State aid for students, this amounts to over a loss in revenue of $1.7 million per year to the District when compared to the 2003-2004 school year. Then there are rumblings in Lansing that the per student State aid may be further cut.

The District has been obliged to increase its contribution to the Michigan Public Schools Employees Retirement System for the benefit of pensions to the District's teachers dramatically. For the fiscal year 2004-2005, the contribution was 14.8% of payroll. By the fiscal year 2010-2011, the contribution was 20.66% and is to go up to 24.46% for the fiscal year 2011-2012.

The cost of providing health care insurance, including drug, dental and vision, has increased rapidly over the years. The Blue Cross Community Blue Option I Plan now in effect for a family, representing the insurance of 104 out of 186 teachers, costs the District approximately $25,000 per year. This is an incredible amount, to say the least, and is unsubstainable.

During the period of the spiraling increased costs to the District, in the last four years, in addition to step increases, the teachers have received steady wage increases, namely, 1.8%, 2%, 2% and 1.85%, respectively. These increasing financial costs lead the Fact Finder back to the train wreck analogy.

In 2006-2007, the audited financial statement of the District revealed a fund balance of $12,634,932. The audited financial statement for 2007-2008 revealed that the District dipped approximately $384,765 into the fund balance to meet expenses so that the fund balance was reduced to $12,250,167. The audited statement for 2008-2009 was dramatic in that the District

spent $3,849,480 more than it received in revenue, causing its fund balance to dip to $8,468,687. The audited statement for 2009-2010 showed that the District had to dip another $3,980,641 into its fund balance, spending that much more than it received, so that the fund balance was reduced to $5,850,388. The adopted budget for 2010-2011 projects expenditures exceeding revenues by $4,479,905, which would mean that the general fund balance dropped to $1,371,483.

In the last three years the District has spent almost $11 million more than it had received, running through a $12.6 million fund balance, reducing the fund to a $1.371 million fund balance as projected at the end of the 2010-2011 school year. The District predicts that with current expenses and based upon the financial history of the last three years alone, even after making cuts, which will be discussed in this Report, the District anticipates being in substantial deficit financing by the end of the 2011-2012 school year.

And what this means is that looming in the background is Public Act No. 4 of Public Acts of 2011 – the Emergency Financial Manager statute – which, unless changed or modified, could very well apply shortly to Fitzgerald because there is a train wreck coming very fast financially at Fitzgerald.

As this Fact Finder will note, the teachers at Fitzgerald are reasonably paid as compared with others. The Fact Finder's Recommendations are designed to reach a settlement now between the parties voluntarily. If the Board is willing to accept the Recommendations, which the Fact Finder has been led may be the case, then the teachers should also do so.

Bluntly put, the recognizable criteria dictates the Recommendations that follow. There must be a sense of realism that the parties must recognize, including the teachers, for these are difficult times that all must weather by being realistic. Otherwise, the Fitzgerald train wreck will

occur with devastating results for all involved.

How The Parties Got to Fact Finding

On or about November 17, 2010, UniServ Director Jennifer K.N. Miller filed a petition for fact finding, stating that there were 189 teachers represented by the Fitzgerald Education Association employed by the Fitzgerald School District, whose contract expiration date was September 1, 2009. The petition stated that the unresolved issues were:

> Salary/wages; kindergarten class size; unused absence days; supplemental salaries and school improvement grant
>
> The FEA is currently in the process of filing al ULP regarding a regressive insurance proposal from Fitzgerald Public Schools proposed after, their insurance proposal was formally withdrawn from the table.
>
> 4a. The following is a statement of reasons why publicizing the facts and recommendations would assist in resolving the issues in dispute:
>
> Third party neutral side maybe able to assist the Employer and the Union to reach a mutually agreed upon settlement.

The petition also stated that there were four mediating meetings averaging three to four hours each on September 8, September 24, October 25 and November 17, 2010. The Fact Finder notes that the mediator was Wanda Mayes, whom the Fact Finder has a very high opinion as to her ability as a successful mediator which indicates the difficulty that apparently the parties had in reaching an agreement.

The District's Counsel responded to the petition and in doing so wrote:

> Fitzgerald Public Schools (hereinafter the "District"), through its undersigned counsel, Clarr Hill PLC, answers the Petition for Fact finding filed by the Fitzgerald Education Association (FEA) on November 17,2010, as follows:
>
> 1. **Salary/Wages**
>
> The District admits that the issue of salaries/wages is ripe for fact-finding. The parties are at impasse on this issue. The District's position on base salary is a zero percent (0%) schedule increase for the

length of the collective bargaining agreement ("CBA"). The FEA's position is one-half percent (½%) schedule increase.

2. **Kindergarten Class Size**

The District denies that the issue of kindergarten class size should be an issue for fact-finding. The FEA withdrew the issue of the maximum limit of kindergarten class size on January 27, 2010. The expired CBA provides for a maximum limit of 28 students per kindergarten class. The FEA proposed a maximum limit of 18 students per kindergarten class. Currently, the District has two kindergarten classes with 20 students each, and one class with 18 students. Since the FEA withdrew its proposal regarding kindergarten class size on January 27, 2010, the issue should not be included in the fact-finding.

3. **Payment For Unused Absence Days**

The District admits that the issue of payment for unused absence days is an issue ripe for fact-finding. The parties are at impasse on this issue. The FEA has proposed that the District pay double the payment for each unused absence day. The District proposed no change in payment.

4. **Supplemental Salaries**

The District admits that the issue of pay for supplemental salaries, Appendix A-2 (p. 50) of the CBA, , relative to Summer School and Gifted Program Teachers and High School After-School Detention Study Hall Supervision is ripe for fact-finding. The parties are at impasse on this issue. The FEA has proposed an hourly rate increase from the current $20 per hour to $35 per hour. The District has proposed that the current hourly contract rate remain. The District notes that four (4) of the categories listed in Appendix A-2, Non-grant After/Before School instruction (not supervision), Elementary Athletics, Middle School swimming and Teacher Driver Education, are currently unstaffed.

5. **School Improvement Grant**

The District denies that the School Improvement Grant (SIG) should be an issue for fact-finding. The SIG issue has been resolved by the parties evidenced by the two (2) Letters of Understanding regarding the SIG, signed by the parties on November 16, 2010, and attached as Exhibit A.

6. **Medical Insurance**

The District submits that the issue of medical insurance should be included in the factfinding petition and the fact-finding hearing. The District presented its most recent medical insurance proposal to the FEA on September 24, 2010, attached as Exhibit B, due to the State's economic conditions, factors impacting enrollment and program, and the payment of step increases to FEA members, which has further

eroded the District's financial condition, among other reasons. The District's medical insurance proposal, dated September 24, 2010 remains on the table. The FEA has not responded to the District's most recent proposal. The medical insurance issue is a key issue in the negotiations given the financial impact on the District, and should be part of the fact-finding process. The FEA's assertion that it "is in the process of filing a ULP [charge]" alleging that the District's medical insurance proposal is regressive does not preclude fact-finding on this issue. The parties are at impasse on the issue of medical insurance.

Conclusion

For the above stated reasons, the District maintains that the parties are at impasse and fact-finding is appropriate on the issues of salary/wages, payment for unused absence days, supplemental salaries for two (2) positions in Appendix A-2, and medical insurance. The FEA has not responded to the District's most recent medical insurance proposal. The District denies that fact-finding is appropriate for kindergarten class size because the FEA withdrew that issue on January 27, 2010. The parties have resolved the school improvement grant issue as evidenced by the two (2) signed letters of understanding attached.

By the time the Fact Finder arrived at the first fact finding meeting, the existing teachers' proposals that were still at issue were as follows:

Proposal I

Proposed Language:

Wage Increase:

2009-2010:	1% retroactive to September 1, 2009, an additional 1% retroactive to January 25, 2010
2010-2011:	0.5% for the first trimester; an additional 0.5% for the second trimester; and an additional 0.5% for the third trimester. 0.5% off schedule
2011-2012:	0.5% for the first trimester; an additional 0.5% for the second trimester; and an additional 0.5% for the third trimester. 0.5% off schedule.

Proposal 2

Article 7.1.1.

Proposed Language:

Because the pupil-teacher ratio is an important factor in an effective educational program, the Board agrees that the following standards with regard to class size, unless otherwise noted in 7.1.2, will apply:

.1 Maximum classroom sizes shall be:

.11 Full Day Kindergarten- 20 students

.12 Grades Kindergarten, 1 and 2 -24 students

.13 Grades 3 through 12- 28 students

.14 Grades 6 through 12 shall not total more than 165 students per day .

. 15 Through teacher/FEA and administration approval, class enrollment may exceed maximum, but by no more than three (3) per class hour .

. 16 Current maximum class size shall be reduced by 2 students the first year and 1 student each successive year until the maximum class size is achieved .

. 17 Classes including special education students shall not exceed the current class load maximum.

Proposal 17

Article 19.5

Proposed Language:

Upon retirement, a teacher will be reimbursed for unused absence days as follows:

1-150 unused days $40 per day
151-200 unused days $50 per day
201+ unused days $60 per day

Proposal 19
FEA Counter Proposal
Presented May 5, 2010

Appendix A-2, page 50, Supplemental Salaries
Current Language:
The following positions shall be paid $20.00 per hour:
Proposed Language:

The following positions shall be paid $30.00 per hour:

Proposal 28

Proposed Language:

All bargainable issues relating to Public Act 204 of 2009 ("PA 204") and Fitzgerald Public School's School Improvement Grant ("SIG") shall be bargained between Fitzgerald Public Schools, or its appointed bargaining subgroup, and the Fitzgerald Education Association, or its appointed bargaining subgroup, and brought to the Board and FEA membership for ratification.

In addition, health care insurance was an issue that continued to separate the parties despite comments in the District's answer to the fact finding petition concerning health care.

The Criteria

A Fact Finder's Recommendation is not based upon pulling ideas out of thin air. There are criteria that Fact Finders should consider as guides in formulating recommendations. The Legislature of the State of Michigan, in passing Act 312 of Public Acts of 1969, namely, compulsory arbitration for police and fire disputes, in Section 9 sets forth criteria to be used by Act 312 arbitrators which the Legislature, as noted in 9(h), recognized were criteria used by fact finders. Section 9 reads:

> Where there is no agreement between the parties, or where there is an agreement but the parties have begun negotiations or discussions looking to a new agreement or amendment of the existing agreement, and wage rates or other conditions of employment under the proposed new or amended agreement are in dispute, the arbitration panel shall base its findings, opinions and order upon the following factors, as applicable.
>
> (a) The lawful authority of the employer.
>
> (b) Stipulations of the parties.
>
> (c) The interests and welfare of the public and the financial ability of the unit of government to meet those costs.

(d) Comparison of the wages, hours and conditions of employment of the employees involved in the arbitration proceeding with the wages, hours and conditions of employment of other employees performing similar services and with other employees generally.

(i) in public employment in comparable communities.

(ii) In private employment in comparable communities.

(e) The average consumer prices for goods and services, commonly known as the cost of living.

(f) The overall compensation presently received by the employees including direct wage compensation, vacations, holidays and other excused time, insurance and pensions, medical and hospitalization benefits, the continuity and stability of employment, and all other benefits received.

(g) Changes in any of the foregoing circumstances during the pendency of the arbitration proceedings.

(h) Such other factors, not confined to the foregoing, which are normally or traditionally taken into consideration in the determination of wages, hours and conditions of employment through voluntary collective bargaining, mediation, fact finding, arbitration or otherwise between the parties, in the public service or in private employment.

The Criteria as Applied to the Fitzgerald School District

Though the Act 312 criteria in Section 9 is detailed, each impasse situation is usually controlled by certain dominant criteria. The situation involving the Fitzgerald School District and the Fitzgerald Education Association is no different.

There are two starting points in applying the criteria to Fitzgerald that must be considered. One is the comparable concept. In regard to Fitzgerald, the comparable concept refers to the fact that Fitzgerald teachers currently are relatively well paid in comparison with Macomb County school districts. There are 187.6 teachers in Fitzgerald. Eighty-five of those teachers in the 2010-2011 school year were at the MA II maximum step, meaning that almost

50% of the Fitzgerald faculty are at this maximum step. The MA II salary at $81,452 in 2008-2009 put Fitzgerald 9th among 17 school districts in Macomb County as to Master maximum. Among the 13 school districts settled in Macomb County in 2009-2010, with at least three districts not receiving raises in 2009-2010, this salary would continue to keep Fitzgerald at 7th among 14 school districts.

Comparing internally, the non-instructional staff have taken wage freezes. The administrators have taken wage freezes and step freezes. In addition, the non-instructional staff in the past year have accepted an insurance plan other than the plan that the teachers have which has resulted in substantial savings to the District.

Beginning with the recognition that comparable-wise the teachers fare favorably with the wages they are receiving even if there will be a wage freeze as a result of these Recommendations noting that others in the District are taking a wage freeze, a dominant criteria is the financial ability of the District as suggested in the Prologue. The District's financial ability is such that it is cascading to disaster unless the expenditures are brought under control in the District, which can only be done with a realistic Collective Bargaining Agreement with the teachers in this recessionary time.

There are two other criteria that are dominant in considering the Fitzgerald situation. As noted in Section 9(h), the Legislature has referred to "other factors ... taken into consideration" in fact finding. These are the "strike criteria" and the "art of the possible," both of which will be discussed separately by this Fact Finder, as applied to Fitzgerald.

Financial Ability of the Fitzgerald School District

In the Prologue in capsule form, this Fact Finder has concisely set forth the dire financial

situation of the Fitzgerald School District. The Fitzgerald School District consists of three elementary schools, a middle school and a high school. There are 2,861 enrolled students, down from 3,058 in 2008 with 187.6 teachers. As noted, the District has used $11,263,449 of the $12.5 million fund balance it had three years ago. The District's fund balance going into the 2010-2011 school year was $1,371,483. The District continues to spend anywhere between $3.8 and $4.4 million in expenses over its revenue that has been or is the experience in the last three years. By the 2011-2012 school year, the District will be in substantial deficit financing. This is a disaster, as already noted.

This is a District where the Board has taken steps to curtail expenses, even though, as noted in the Prologue, the Board continues to face loss of revenue because of decreasing student enrollment resulting in less State aid and increasing costs of funding the District's pension obligations under Michigan Public School Employees Retirement System plus the hefty cost of health care insurance benefits for teachers.

Besides State aid, the District relies on property taxes for funding. It goes without question that the State of Michigan in general and Southeastern Michigan in particular have suffered substantially in this economic turndown. Michigan is among the top five states in mortgage foreclosures. Fitzgerald School District is situated in Warren, Michigan. In December 2010, Warren, Michigan had 320 home foreclosures – the highest in Macomb County. This phenomena means that there is less tax base to support the Fitzgerald School District.

Then the Governor and the Legislature in current budget talks are suggesting in the school aid budget including a $470 per pupil rollback which would be devastating on Fitzgerald which relies heavily on State funding. This would further exacerbate Fitzgerald's cascading financial

disaster. Hopefully, there are now discussions going on in Lansing that might forestall such a rollback. Yet, what this is all about was set forth in the report of the Citizens Research Council of Michigan, "State and Local Revenues for Public Education in Michigan" September 2010, 4363 where at page 20 the following statement is made:

> Following the adoption of Proposal A in 1994, Michigan's per-capita income national rank was 17th, which was minimally above the national average. Over the next five years the state's position slipped marginally to 18th among the 50 states; by 2000, Michigan's per-capita income was three percent below the U.S. figure. Since that time, a growing gap has developed between Michigan and U.S. per capital personal income, causing Michigan's position to drop to 37th in 2008. Michigan went from being a state in the top one-third in terms of individual wealth in 1995, following the adoption of the current school finance system, to one that is in the bottom fourth of all states. Michigan's per-capital personal income in 2008 is 13 percent below the national average figure and the state's ranking is expected to fall further in response to the 2008 recession.
>
> The implications of Michigan's slide relative to the nation are significant. First, after being a relatively "wealthy" state for most of the last 35 years, Michigan now finds itself a relatively "poor" state. Second, Michigan's current status is likely to represent a new reality rather than a temporary condition. To regain its previous ranking will require the Michigan economy to expand at a significantly faster rate than the rest of the U.S. Coupled with the effects of the recent recession, Michigan's current status most likely represents a new normal or baseline. Third, Michigan's lower per-capita figure suggests that residents' "ability to pay for public services through taxes is diminished. Absent significant changes to the bases or rates of major taxes in Michigan, the new ranking is going to require a "recalibration" of public service levels.

The Fitzgerald School District has not sat by idly in the face of the increasing costs and the realization that its expenses were exceeding its revenue, causing a rapid deterioration of its general fund balance. Exhibit 8 presented by the District, as set forth below, are examples of the cost saving efforts made by the District since fiscal year 2003-2004:

> **FITZGERALD PUBLIC SCHOOLS**
> **COST REDUCTIONS HISTORY**

FY2003-04 thru CURRENT YEAR FY2010-11

FY2003-04

Board of Education
- 10% reduction in Board Compensation
- 50% in Board Staff development & workshop attendance
- Out-of-State travel accommodations paid only when there is a direct involvement in the presentation of materials or conference implementation
- Mileage reimbursement only for in-state staff development
- Discontinued membership National School Boards Assoc.
- Implemented School of Choice

District
- Eliminated reimbursement for travel within District
- Reduction of 10% for supply allocation
- Reduction of 10% Building & Site
- Eliminated 8 Para Pros
- Reduce Bi-Lingual Hours
- Maintained Non-Bargaining Wages
- Non-Renewal of 3 contracted services
- Transferred funds to General Fund to restore Educational Programs
- Wrestling fund raiser to cover expenses

Administration
- Administrative wage scale reduced by 3%
- Reduced work week, as well as corresponding wages
- Required to pay increase in health care premium above 4% of current contract policy coverage
- Discontinued membership Metro Bureau

High School
- High School course selection reduced from 7 to 6 offerings
- Reduced graduation requirements
- Reduction Special Needs/Auto Service Para Pro
- Eliminated Attendance Clerk

Teaching Staff
- Reduce FEA 14 teachers

Clerical
- No wage increase for exempt secretaries
- Reduced work weeks

Custodial/Maintenance
- Eliminate 5 positions

Transportation
- Eliminate Transportation Coordinator

Food Service
- Eliminated 3 positions
- Reduce Food Van Driver by 2 hours

General Contract
- No wage increase for General Contract Personnel
- Will pay the increase in health insurance premium
- Eliminated Contract with Applied Energetics

Grants
- Eliminated PALS Intervention Specialist
- Eliminated Early Intervention Specialist
- Eliminated 13 Para Pros

Early Childhood
- Latchkey to become self funding
- Eliminated 3 Aides

Technology
- Reduction of 10% Technology
- Eliminated 2 positions

FY2004-05

Administration
- Administrative Staff Re-Organization

District
- Non-Bargaining Employees no wage increase
- Sinking Fund rooftop equipment to reduce expenditures
- Reduction of Chaperones and Game Officials
- Insurance change to Flex Blue 2
- Eliminated FITZONE

Teaching Staff
- Reduction of .5 Special Education teacher

Clerical
- Eliminate 2 positions

Custodial/Maintenance
- Reduce Media Tech to .5
- Increase Custodial .5

Early Childhood
- Elimination of 2.5 Para Pros
- Eliminate Latchkey position
- Elimination of DK and ECDDK Programs

Elementary
- Approve 3 sessions of all day Kindergarten

FY2005-06

Technology
- Eliminated 2 General Contract positions

FY2007-08

District
- Decrease Temperature all Bldgs.
- Shut off lights when not in use
- Unplug electrical items when leaving
- Shut down Bldgs. completely when school is not in session
- Eliminate Non-Essential mileage reimbursement
- Cut back on Professional Development

Administration
- Imposed new insurance plan
- Eliminated refrigerator/microwave Business Office
- Did not fill HR Director from 2002-2008
- Restructured HR Director salary
- Did not fill HR secretary position

Technology
- Eliminated 2 positions

Teaching Staff
- Laid off 6 teachers

Food Service
- Privatized

FY2009-10

Administration
- Restructured 2 positions

Clerical
- Eliminated 1 position

General Contract
- Reduced Benefits Coordinator hours

FY2010-11

Board of Education
- Reduce travel expenses
- Reduce audit fees
- Eliminate EAP contract
- Return allocation of Funds to General Fund

Administration
- Enter in county cooperative bids
- Implement Energy Essentials strategies
- No Subs for Central Office Clerical
- 2nd year step and wage freeze
- Restructure Business Office
- Reduce overnight conferences
- Reduce out-of-district workshops
- All subs moved to TPA

High School
- Reduce 1 position
- Reduce "Extra Duty"
- Eliminate extra week in one counselor

Clerical
- Reduce staff through retirement
- No sub for first two days of absence

Custodial/Maintenance
- Reduce through retirement
- Reduce overtime
- Reduce operations budget by 15%
- No sub for first two days of absence

As already noted, in the area of health care for the non-instructional personnel the District went to a carrier other than Blue Cross/Blue Shield and adopted a plan that saved the District substantial amounts of money over previous health care insurance. And then, as this Fact Finder has emphasized, the administrators are taking a pay freeze and step freezes. Despite these efforts of cost savings over the last few years, the District still is having difficulty stemming the red ink that is flowing in the District. It just cannot continue. This is a realism that the teachers must recognize.

These comments as to the District's financial ability are not a figment of the imagination

of a lone fact finder. On November 8, 2010, one of the nation's leading investment rating services, Moody's, downgraded the rating on Fitzgerald Public Schools from A1 to Aa3, which was a substantial downgrade and in doing so wrote:

> "Noting the Aa3 goult rating affirmation reflects the District's satisfactory but rapidly diminishing position, adequate tax base with concentration, moderate debt burden with average payout and flexibility afforded by the sinking fund levy and operational millage override. The goult downgrade to A1 from Aa3 reflects the District's decrease in financial flexibility as a result of several years of declining reserve levels. The negative outlook reflects our expectations that the District financial position will experience further deterioration through use of reserves to structurally balance the budget in fiscal 2010 and fiscal 2011."

Moody's also reported, "The negative outlook reflects our expectation that the District financial position will experience further deterioration through use of reserves to structurally balance the budget in fiscal 2010 and fiscal 2011."

Likewise, in February 2011, Standard and Poor's, another leading investment rating agency, lowered "its underlying rating (SPUR) on Fitzgerald Public Schools, Mich's general obligation (GO) debt one notch to "A-" from "A" based on its view of the District's structural imbalances which have resulted in rapid financial deterioration over the past two fiscal years and further decline forecast for fiscal year end 2011, coupled with a recent negative enrollment trend and a corresponding loss of state aid revenues. The outlook is negative."

What more can be said? Do not rely on this Fact Finder. Rely on the nation's two most respected investment rating agencies. They tell the story. And the teachers must understand that. It is no different than testing a child. If the child's test scores indicate that the child is extremely bright, then the expectations from the child should be accordingly. If the test scores indicate that the child is marginal, then the teaching will have to address the issues presented by the child.

Likewise, in economic terms, the finances of the Fitzgerald Public Schools must be recognized by the teachers.

The Proposals

As this Fact Finder noted, when he arrived at his first meeting with the parties, from the MEA/FEA's position there was a proposal as to wages, a proposal as to class size, a proposal as to reimbursement for unused absent days upon retirement, as well as a proposal on supplemental salaries. There was also language concerning the School Improvement Grant (SIG). The parties have led the Fact Finder to believe that as to the SIG the parties will negotiate any bargainable issues involved therein and as such the SIG will not be the subject of this Report.

In regard to the issues other than wages that were on the table from the FEA when the Fact Finder arrived, the Fact Finder recommends that those issues be withdrawn. They represent additional cost to the District and the District cannot afford any additional costs at this time.

The issues are wages and, from the District's standpoint, healthcare costs. These are the two issues that the Fact Finder will make recommendations on as well as recommending that the class size, reimbursement for unused absent days and changes in supplemental salary schedule be withdrawn.

But before addressing the Recommendations and the rationale for same, the Fact Finder will make reference to two other criteria that have been influential on the Fact Finder in making the Recommendations here. Both emanate from Section 9(h) of Act 312, namely, other factors not listed therein that are considered by fact finders.

The Strike Criteria

Fact finding comes as a result of an impasse reached by parties following mediation,

which is the case between the Fitzgerald Education Association and the Fitzgerald School District. Because strikes by public school teachers are supposedly prohibited by State statute, the concept of fact finding has been provided by the Legislature to help resolve an impasse in the place of the right to strike.

With this in mind, if there has been a strike of other employees in the area, even if private, the result of such a strike could serve as a criteria in a fact finding proceeding because the result of a strike is the ultimate end of an impasse.

It so happens that during the dispute between the FEA and the Fitzgerald Public Schools, there was a major strike in a non-profit organization in Detroit, namely, the musicians of the Detroit Symphony Orchestra. In some ways, by analogy, the musicians were similarly situated as the teachers of the Fitzgerald School District. They were part of an organization that had depleting financial reserves. The musicians are highly skilled, as are the teachers. Though from a different perspective, their respective jobs – teachers and musicians – are stressful and demanding. A strike occurred, according to newspaper reports. The result, after six months of the strike, was that the musicians took about a 20-23% pay reduction.

In days gone by, this Fact Finder for one, sometimes use the strike criteria to determine pay increases based upon UAW strikes with the Big Three. But now, with the economic downturn and the Detroit Symphony strike being particularly apropos by analogy, it is an interesting result that should emphasize to the teachers at Fitzgerald that a certain amount of realism must sink in as applied to Fitzgerald. It is the Fitzgerald finances that are at stake.

The FEA has not persuasively been able to establish to this Fact Finder that the District somehow has wasted money and has not taken steps to control costs.

The Art of the Possible

The second criteria that falls within the 9(h) concept is what this Fact Finder has labeled over the years as the "art of the possible," namely, that in labor negotiations a contract is arrived at through the give and take of negotiations, namely, compromise or, by another name, the art of the possible. It is this art of the possible that forms one of the pinnacles of the foundation of this Report. After considering that the teachers in Fitzgerald are reasonably paid in comparison with other teachers in Macomb County and considering the cascading financial disaster occurring in Fitzgerald and noting the strike criteria, the Fact Finder attempted to engage in what he called "super mediation", which he did with great trepidation after realizing that one of the State's best mediators was in Fitzgerald to attempt to bring a sense of realism to both parties for they had been without a contract since 2009. This was the origin of the so-called order to show cause which was set forth in a letter dated February 21, 2011 to Joseph B. Urban, Attorney for the District, and Gerald E. Haymond, Executive Director representing the FEA, wherein this Fact Finder wrote:

> The issues before myself as Fact Finder deal with wages and health care. In the form of a show cause, I am suggesting that the parties show cause why I should not issue a fact finding report as to wages that would provide for a wage freeze for 2009-2010, a wage freeze for 2010- 2011, and a wage freeze for 2011-2012 but with the opportunity for the teachers to receive a half percent off-schedule payment or a 1% off-schedule payment for 2011-2012 based upon the changes in the fund balance between the certified audit of 2009-20 10 and 2010-2011 which is represented should be completed for 2010-2011 by late November 2011. If there is a change that indicates that the decrease in the fund balance is $250,000 or less, this would be considered as no change and would entitle the teachers to the 1 ½% off-schedule payment; that if the fund balance change is a reduction of $250,000 to $450,000, the off-schedule payment would be a half percent. If the fund balance is reduced by more than $450,000, then there would be no off-schedule payment. The off-schedule payment would be due on or before December 1, 2011 for all teachers on the

payroll at that time.

In terms of health care, the parties are to show cause why the District should not go for teachers to a Blue Cross/Blue Shield PP02 program. As to the continuation of the 10/40 drug co-pay, the District paying one-half of $15 of the difference between $10 and $40 for those who are required for medical reasons to purchase brand name drugs.

When this Fact Finder refers to an order to show cause, it is the intent that the parties are to argue whether the above recommendations should or should not be adopted by the Fact Finder on the reasons for the parties' position. The reference to exhibits that this Fact Finder desires does not prevent the parties from presenting other exhibits that the parties deem necessary as part of their presentation .

The order to show cause represents the ideas proffered by the Fact Finder and not to by either party. I look forward to working with you on March 19, 2011.

The fact finding hearing held on April 14, 2011 addressed this order to show cause with the Association seeking a modification of the contingencies suggested by this Fact Finder in the order to show cause and the District suggesting a teacher contribution to a Blue Cross/Blue Shield program beginning with a discussion of the PPO 2 program but urging consideration of a PPO 3 program as well as a different drug co-pay. The teachers sought to keep the current Blue Cross/Blue Shield PPO 1 program with no change in the current drug co-pay, including the District's subsidizing those teachers who purchase brand name drugs.

The Cost of the Proposals

In its presentation, the School District suggested that the FEA proposals were as follows:

Wages	09-10: 1% increase, retroactive to September 1, 2009, and 1% increase retroactive to January 25, 2010. 10-11: 1% increase for first trimester; 0.5% for the second trimester; 0.5% for the third trimester and 0.5% off schedule 11-12: 1% increase for first trimester; 0.5% for the second trimester; 0.5% for the third trimester and 0.5% off schedule
Insurance	Status quo. BC/BS PPO 1, no employee contribution. 10/40 Rx, with $30 reimbursement from Board.

The FEA had indicated to the Fact Finder that, since the 2009-2010 school year had passed, the above proposal may not have represented the Association's current proposal. However, the Association's proposal for insurance remained as set forth above.

The District costed out the cost of this proposal and noted that by the 2011-2012 school year the District would be in deficit if such proposal was adopted of $9,254,967, completely wiping out its fund balance. In fact, the District suggested that in 2010-2011, with such a proposal, its fund balance would be deficit $211,127. The District maintained that if the order to show cause was adopted, namely, Blue Cross Community Blue 2 with no teacher contribution, by 2011-2012 the deficit would be $5,332,387 – again wiping out completely the fund balance.

The District was urging a modification in the order to show cause as to the drug co-pay and the teachers' 10% of the health care premium on a Blue Cross Community Blue 2. In this scenario, the 2011-2012 budget would still have a deficit of $4,950,377. The calculation of the order to show cause figure made the following assumptions:

#1 Assumes a 10% reduction in property valuations: $4,000,000 x 10% = ($400,000)

#2 $300 reduction per pupil – 2860.75 FTEs ==> $858,255; Loss

of Declining Enrollment ==> $53,600; Loss of Headlee Data Collection ==> $46,320

#3 No EduJobs Funding: $464,200

#4 Same Teaching Staff with Steps & no Increase to Schedule:

#5 Supplemental Pay - No changes

#6 2 Administrators Retiring

#7 Steps only & no increase to scale

#8 FEA switching to BC Community Blue 2 Plan in FY2012; Teachers Pay 10% of Premium; Pay $15 toward $30 Drug Cost; FY2013 10% cost increase

#9 Severance Pay - 2 Administrators Retiring

#10 Retirement Rate at 24.46% for FY2012 and 27.37% for FY2013

#11 Assumes 10% incr in Heating & Electrical

#12 No bus purchase

If the assumptions turn out not to be correct such as the 10% reduction of property valuations or the $300 reduction for pupils, this could hopefully modify the projected deficit. Yet, based upon the experience in the last four years, the District, unless obtaining relief in wages of some type and in health care costs, will have a substantial deficit fund balance by the end of the 2011-2012 school year that will be approximately 15% of the total revenue. This fact cannot be ignored and only highlights the cascading financial disaster approaching the Fitzgerald School District. This fact caused the Fact Finder to "stop dead" in his tracks, recognizing that with these financial facts the Fact Finder turns to specific Recommendations.

Wages

As to wages, as the order to show cause set forth, the recommendation will be a wage freeze for 2009-2010 across-the-board and a wage freeze for 2010-2011 across the board.

Obviously in those two years there have been step increases which have been factored into the financial figures. However, for 2011-2012, there will be a continued wage freeze across the board as well as a freeze on all steps, namely, there will be no step movement. This is necessary in order to attempt to stabilize the District's finances.

However, as provided in the order to show cause, recognizing that it was the intent that there would be a step freeze, the Fact Finder will recommend that teachers will have the opportunity to receive a ½% off-schedule payment or a 1% off-schedule payment for 2011-2012 based upon the change in the fund balance between the certified audit of 2009-2010 and 2010-2011 which was represented should be completed for 2010-2011 by late November 2011. If there is a change that indicates that the decrease in the fund balance is $250,000 or less, this will be considered as no change and would entitle the teachers to the 1% off-schedule payment for 2011-2012; that if the fund balance changes with a reduction of $250,000 to $450,000 based on the same criteria, the off-schedule payment will be ½%. If the fund balance is reduced by more than $450,000, then there would be no off-schedule payment. The off-schedule payment would be due on or before December 1, 2011 for all teachers on the payroll at that time.

The Fact Finder recognizes that this off-schedule payment probably will not occur. But, in the event that the predictions are wrong, namely, that State funding increases or property valuations stabilize, or that there are otherwise savings that stops the bleeding of the fund balance, then the teachers should share in this result because for three years there are no across-the-board pay increases and for the last year, 2011-2012, there are no step increases. But, unfortunately, the District is in dire financial straits that must be stemmed.

The teachers should recognize that the Fact Finder is not recommending a reduction in

wages. Some fact finders have. Remember what happened applying the strike criteria with the Detroit Symphony Orchestra in an analogous situation with highly skilled individuals, skilled as are the teachers, many of whom have Master's Degrees in music and are world reknown for their abilities.

Health Care

Presently, the non-instructional groups have a different, less expensive health care plan. The teachers enjoy Blue Cross Community Blues 1 which, by any definition, is the Cadillac or Lincoln of health care plans. This plan cost the District in 2010-2011 $3,891,305.20, or about 18.8% of the District's total revenue just for the teachers. Based upon current rates, if the District went to a Blue Cross Community Blues 2 and continues the same dental program as well as Rx, the District would save approximately $372,390 per year over the PPO 1 plan. If the District went to a Blue Cross Community Blues 3, the District would save approximately $704,000 per year over the PPO 1 plan.

Health care insurance over the past years has continued to increase in premiums on an annual basis. The experience among the two major insurance carriers of teachers' health care insurance – MESSA and Blue Cross/Blue Shield – has varied, but usually averages 10% per year. The Fitzgerald School District has between 2009-2010 and 2010-2011 experienced an increase of a 19% increase in premiums to provide teachers for full family coverage under the current Blue Cross Community Blues 1. Such increases have put considerable pressure on the District's finances.

Assuming that rate increases will continue and the rate increase is in the area of 10%, the District cost for health care insurance for teachers would be around $4.1 million for 2011-2012.

Even going to Blue Cross Community Blues 2, what probably would happen with the increased projected cost, the District would experience about the same health care cost for 2011-2012 as presently because the increase would "eat up", so to speak, the savings represented by going to a PPO 2 plan. If the District went to Community Blues 3, the District, recognizing there might be a 10% increase, might only realize a savings of around $350,000 for the 2011-2012 school year.

If the District was successful in obtaining a 10% contribution from the teachers and the District, if going to Blue Cross Community Blues 2, would be assured of a $372,000 savings, which would affect the District's bottom line and impact on the amount of the deficit or maybe help avoid a deficit, depending on other savings.

The current Community Blues 1 program virtually has no deductibles, but does have some co-pays. The Fact Finder recognizes that in the comparable districts in Macomb County the districts either have Blue Cross/Blue Shield 1 or MESSA with some form of deductible. The Blue Cross/Blue Shield 1 plans in some Macomb Districts do have some deductibles. Romeo has a MESSA plan with a $500/$1,000 deductible. In terms of drug co-pays, the comparables vary. Fraser, for instance, has a $15/$30/$60 co-pay with an office visit of $20.

The Rx plan in Fitzgerald is $10/$40 with the District paying the difference for brand drugs for those teachers who are required to have a brand drug. Over the years, this cost has been reducing. Nevertheless, for the fiscal year 2010-2011, this subsidy cost the District $25,617 which in a District that is watching overtime and is not calling in substitutes on a short term basis for its clerical and custodial staff in order to conserve money, is not an amount that can be ignored. Furthermore, since fiscal year 2006-2007 through 2010-2011, this subsidy has cost the District $197,000 which, if available to the District, could assist in alleviating the cascading

toward a deficit.

With the District's financial condition, the District can no longer afford to provide teachers with what this Fact Finder describes as the Cadillac of health care programs. Despite the comparables, when the Fact finder suggested Community Blues PPO 2, it was against a background of recognizing that in many public employer units in Southeastern Michigan such programs, and PPO 3's, have been adopted.

Community Blues PPO 2 provides excellent coverage, including preventive care for those who are so insured. It does discourage emergency room use and there is $100 for one member and $200 for a family deductible plus a co-pay maximum of $500 for one member and $1,000 for two members, for a total for a family of $1,200 a year maximum. There are some deductibles for some services. A summary of the plan is attached to this Report as Appendix A.

Though teachers who use the service might be liable for some fees, the teachers are receiving excellent coverage, including 100% coverage in common preventive procedures and in well baby care. Community Blues PPO 2 is excellent coverage. As pointed out, a number of public employers in Southeastern Michigan provide Community Blues PPO 2. For example, it is provided in a number of urban police departments whose unions are most vigilant and have found that such a program serves their members well.

If the Community Blues 1 is continued and a 10% increase comes to pass, the District is going to be forced into paying another $380,000 for health care for teachers in 2011-2012, putting additional pressure on the District's finances. Even going to Community Blues 2 at best, if there is a premium increase, might stabilize the cost and might not result in savings.

Some public employers in Southeastern Michigan have opted for a Community Blues

PPO Plan 3. If Community Blues PPO Plan 3 is adopted, essentially it is the same plan as Community Blues PPO 2 except the deductible is $250 for one member, $500 for a family, and a maximum co-pay of $1,000 for one member and $2,000 for two. This means for a family the maximum out of pocket other than for fixed co-pay would be $2,500 for the same benefits as Community Blues 2. PPO Plan 3 has the same preventive services and well baby care with no deductibles as PPO Plan 2. There are some deductibles for some services in the PPO Plan 3 that are higher than PPO Plan 2. A summary of the PPO Plan 3 is attached hereto as Appendix B.

The savings by adopting a PPO Plan 3, based upon current rates, as noted, is around $700,000. Even if there is a 10% increase, the District stands to save over current health care costs about $350,000 in 2011-2012 over 2010-2011. In turn, this savings could help avoid a deficit.

When the Fact Finder reflected on the cost analysis presented by the District on his show cause and considered the interest of the teachers, this is what the Fact Finder came up with. The teachers as a group can keep their Blue Cross Community Blues 1 as it is, providing that the teachers will contribute 15% of the premium cost over 12 months of their policy. Based upon current rates, the Fact Finder believes that this would result in those teachers having a family plan paying approximately $322 per month toward health care, if the premiums go up for 2011-2012, this amount would increase.

The reason the Fact Finder has picked 15% is to discourage the FEA from insisting on the Blue Cross Community Blues 1 and instead to encourage the adoption of either a Community Blues 2 or 3 plan. The cost for Plan 1 is too rich for Fitzgerald. The District cannot sustain these costs. And if the teachers wish to continue this plan, the teachers must contribute to the cost of

it. And if the premiums go up for 2011-2012, the estimated monthly payment will be higher.

Using an automobile analogy, it is not necessary to have a Cadillac. Driving a Buick or a Ford Taurus can furnish adequate transportation. That is the situation with Community Blues 2. It is not the Cadillac of health care plans. But the teachers, if they wish to have a Cadillac, have no choice but to pay for same.

If the teachers are willing, using the automobile analogy, to drive a Buick or a Ford Taurus, then the teachers as a group can elect to agree as a group (not individually, but as a group) to Community Blues 2 with no contribution as long as the rates stay at the quote given and set forth in the exhibits for 2010-2011, namely, including Rx, dental and vision $716.57 a month for one person, $1,719.81 a month for two persons and $2,149.68 for a family. If the quoted rates for 2011-2012 exceed these rates by 10%, but only if these rates are exceeded, the teachers shall contribute one-half (½) of the cost of the increase above 10% with a cap of $50 a month for a single subscriber, $75 a month for a two person subscriber and $100 a month for a family plan.

Originally, in the order to show cause, the Fact Finder was hoping to opt with no contribution for the Community Blues 2. But the District needs to stabilize its health care costs. If the premium costs go up, this may not be possible unless there is some teacher contribution. The contribution is modest, has a cap on it, and should be acceptable to the teachers if the teachers accept Community Blues Plan 2.

The Fact Finder will offer the teachers a third alternative. That alternative is to adopt as a group Blue Cross Community Blues Plan 3 without any contribution, even if the premium costs go up.

So that all will understand in terms of health care, the Fact Finder has provided three options. The District should allow the teachers to select either of the three options on the conditions set forth by the Fact Finder. Obviously, the first option as to Blue Cross Community Blues PPO Plan 1, to repeat, is designed to encourage the teachers to move to either Blue Cross Community Blues PPO Plan 2 or Blue Cross Community Blues PPO Plan 3. If the teachers make such a move, then the teachers have to decide as a group which plan to adopt. So that the Recommendations are clear, individual teachers cannot make individual selections. Either the FEA as a group has Plan 1 or as a group has Plan 2 or Plan 3. It is assumed that the Recommendation is based on continuing the same dental and vision plans that currently exist.

In regard to the drug co-pay, the Recommendation is that the drug co-pay would be $10 for generic and $40 for brand name. There will be no subsidy. The teachers are reminded that at least one of the comparables, Fraser, has a $15 co-pay for generic. It is noted that in Southeastern Michigan, a $20 co-pay for generics is not unusual. There is a change in the drug co-pay recommended by eliminating the subsidy which, though modest, is one item in cost savings that the District must adopt. Furthermore, the subsidy is not prevalent among other teacher groups or public employer groups in Southeastern Michigan.

The adoption of these health care Recommendations will stabilize the District's health care costs and permit the District to address its financial crisis and attempt to avoid a deficit.

Other Health Care Considerations

During the course of the fact finding, the teachers suggested that there be a delay in order to receive a bid from MESSA toward the health care. The Fact Finder rejected such a suggestion and again does so. These negotiations have gone on too long. The fact is if the teachers had

come up with Community Blues Plan 2 back in 2009 this Fact Finder estimates that the District would have saved about $1 million and the teachers still would have had excellent health care coverage. The saving of $1 million would have been a potential safety net to avoid a looming deficit. Right now, without delay, the health care issue must be addressed. Furthermore, this Fact Finder is aware through testimony presented to the Fact Finder in another case that MESSA is now working on new products which may not be available until January 2012 or even as late as June 2012. Likewise, it is possible that Blue Cross/Blue Shield is doing the same. There are also other factors in the health care arena taking place. Until all these factors come together, there is no reason to delay.

Having said the above, the Fact Finder notes that in the teachers' presentation, it was suggested that the total annual premiums were approximately $3.5 million whereas the annual claims were approximately $1.3 million for a difference between premiums and claims of $2.28 million. If this is correct, then it is time for the District to perhaps consider self-insurance with a stop gap insurance program if it has not done so already and if this is feasible. This may be a consideration for the future.

And this leads the Fact Finder to another health care Recommendation not discussed. The Recommendation will be that there be a committee formed, led by the Board, with two members selected by the FEA and two members by the District, to investigate health care alternatives, including self-insurance if that is possible or other possibilities, so that when the parties return to the bargaining table sometime in the Spring of 2012, after the audit of the 2010-2011 school year has been completed, the parties can again review the health care situation because it is a substantial drain on the District. This committee should report back to the District

and the FEA of its findings and recommendations no later than February 15, 2012.

Final Health Care Point

There is one other point about the health care. The other bargaining units do have a wrap around. But the Fact Finder is led to believe that the District will negotiate to remove same. All the Recommendations do here is attempt to stabilize the budget and yet provide the teachers with excellent health care. The Recommendations give the teachers a choice to select what program they want. Individuals cannot make such a selection. Either the teachers go with PPO 1 as a group, PPO 2 as a group, or PPO 3 as a group.

The Art of the Possible Revisited

Negotiations represent compromises. Wages were a factor. But with the deteriorating financial situation in Fitzgerald and the fact that Fitzgerald teachers will remain competitively paid, the wage freeze recommended is realistic. Arguably, for three years there are no wage increases. This may be true for teachers at the MA 11 on September 1, 2009. But all other teachers did move up on the scale and, as a practical matter, did receive a wage increase for at least two years of the three. It is only the third year that there will be no wage increase at any level.

Health care costs is a serious problem. The Recommendations give the teachers a choice. Community Blues 2 and 3 will provide the teachers a reasonable health care plan and the teachers have the option of avoiding any sharing in premiums by choosing Community Blues 3 if that is their desire as a group. The choice is the teachers'. But if the teachers wish to continue the present plan, the teachers would be expected to pay for same. Obviously, the 15% contribution is designed to encourage the teachers to be realistic in their choice and to join many public

employees in opting for either PPO 2 or PPO 3. The Board should permit the teachers to make one of the three choices on health care recommended by the Fact Finder. The fact that PPO 1 comes with a contribution might tempt the Board to insist on PPO 1. But it has been a long and difficult negotiations. The Board should give the teachers the option to wean themselves from PPO 1 in the best interest of the District. And the teachers should do so.

The Stakes

The stakes for both the FEA, the other employees of the District, the Board and the children of the District are high in this situation. If this District goes into deficit, there is the potential that the Michigan Board of Education will insist, along with the State Department of Treasury, on a deficit elimination plan, as was the case in River Rouge which required substantial wage reductions. The whole purpose of this Fact Finding Report and Recommendations is to avoid such a scenario for Fitzgerald. All the parties should recognize that the stakes are high for the reasons just stated.

Epilogue

As the Fact Finder ends this Report, he is reminded of the last scene in that great American classic – Death of a Salesman – where Willy Loman in complete frustration shakes his body and arms. It is frustrating to be a fact finder in these difficult times dealing with such devoted employees as teachers. But there is a time of realism and this Report and the Recommendations that follow hopefully will bring about a contract for there is no other way in Fitzgerald at this point in time. Hopefully, the future will bring more resources to the District. It is most important that a collective bargaining agreement be consummated between the parties post haste to realistically address the District's financial crisis.

RECOMMENDATIONS

1. The Collective Bargaining Agreement shall cover a three year period commencing September 1, 2009 and ending August 31, 2012.

2. It is recommended that the proposal that class size, payment for unused absent time and supplemental pay, as proposed by the FEA, be withdrawn.

3. Wages. It is recommended that wages be as follows.

2009-2010 Freeze across-the-board, but step increases.

2010-2011 Freeze across-the-board, but step increases.

2011-2012 Freeze across-the-board and freeze of all step increases.

Based upon a comparison of the certified audit of 2009-2010 and 2010-2011, if the fund balance from 2009-2010 has not decreased more than $250,000 at the end of 2010-2011 as revealed in the certified audits, then teachers shall receive a 1% off-schedule payment. If the fund balance change based upon the certified audit between 2009-2010 and 2010-2011 has decreased only between $250,000 and $450,000, the off-schedule payment shall be a ½% rather than 1%. If the fund balance reduction between 2009-2010 and 2010-2011 is more than $450,000, there shall be no off-schedule payment. The off-schedule payment, if due, is to be due on or before December 1, 2011 for all teachers on the payroll at that time.

4. Health Care. Beginning with the forthcoming insurance year covering the 2011-2012 school year, if the teachers as a group elect to continue the current PPO Community Blues 1 program, the teachers shall pay 15% toward the premium cost.

If teachers instead, as a group, for the forthcoming insurance year covering the 2011-2012 school year, select the Community Blues PPO 2 plan, the teachers shall not contribute to the

premium costs if there is an increase in the premium cost of 10% or less over the cost quote for Community Blues PPO 2 plan for 2010-2011. If the increase is more than 10%, then the teachers shall contribute one-half (½) of the cost of the increase above 10% with a cap of $50 a month for a single subscriber, $75 a month for a two person plan and $100 a month for a family plan.

If teachers as a group instead select to be covered by a Community Blues PPO 3 plan, the teachers shall not pay any premium co-pay during the life of the recommended Agreement.

The health care plan shall include the current dental and vision plan and Rx plan, except that the Rx plan shall be $10 generic, $40 brand name, with no subsidy for those who select brand names.

4. There shall be a committee composed of two representatives selected by the Board and two representatives selected by the FEA to review health care options as discussed in the Report. The committee is to report back to the Board no later than February 15, 2012 as to their findings, if not before.

GEORGE T. ROUMELL, JR.
Fact Finder

May 5, 2011

Prepared for Fitzgerald Public Schools

Community Blue[SM] PPO – Plan 2 w/MHP
Benefits-at-a-Glance

Packaged Riders: CB-PCM,

This is intended as an easy-to-read summary and provides only a general overview of your benefits. It is not a contract. Additional limitations and exclusions may apply to covered services. For a complete description of benefits, please see the applicable Blue Cross Blue Shield of Michigan certificates and riders. Payment amounts are based on the Blue Cross Blue Shield of Michigan approved amount, less any applicable deductible and/or copay amounts required by your plan. This coverage is provided pursuant to a contract entered into in the state of Michigan and will be construed under the jurisdiction of and according to the laws of the state of Michigan.

	In-network	Out-of-network**
Member's responsibility (deductibles, copays and dollar maximums)		
Deductibles	$100 for one member, $200 for the family (when two or more members are covered under your contract) each calendar year **Note:** Deductible may be waived if service is performed in a PPO physicians's office.	$250 for one member, $500 for the family (when two or more members are covered under your contract) each calendar year **Note:** Out-of-network deductible amounts also apply toward the in-network deductible.
Copays		
• Fixed dollar copays	• $10 copay for office visits • $50 copay for emergency room visits	$50 copay for emergency room visits
• Percent copays	• 50% of approved amount for private duty nursing • 10% of approved amount for most other covered services (copay waived if service is performed in a PPO physician's office)	• 50% of approved amount for private duty nursing • 30% of approved amount for most other covered services
	See "Mental health care and substance abuse treatment" section for mental health and substance abuse percent copay amounts.	See "Mental health care and substance abuse treatment" section for mental health and substance abuse percent copay amounts.
Copay dollar maximums – applies to copays for all covered services – including mental health and substance abuse services – but does not apply to fixed dollar copays and private duty nursing percent copays **Note:** For groups with 50 or fewer employees or groups that are not subject to the MHP law, mental health care and substance abuse treatment copays do not contribute to the copay dollar maximum.	$500 for one member, $1,000 for two or more members each calendar year	$1,500 for one member, $3,000 for two or more members each calendar year **Note:** Out-of-network copays also apply toward the in-network maximum.
Dollar maximums	None	

** Services from a provider for which there is no Michigan PPO network and services from a non-network provider in a geographic area of Michigan deemed a "low access area" by BCBSM for that particular provider specialty are covered at the in-network benefit level. Cost-sharing may differ when you obtain covered services outside of Michigan. If you receive care from a nonparticipating provider, even when referred, you may be billed for the difference between our approved amount and the provider's charge.

bcbsm.com

APPENDIX A

	In-network	Out-of-network**
Preventive care services		
Health maintenance exam – includes chest x-ray, EKG, cholesterol screening and other select lab procedures	100% (no deductible or copay), one per member per calendar year	Not covered
Gynecological exam	100% (no deductible or copay), one per member per calendar year	Not covered
Pap smear screening – laboratory and pathology services	100% (no deductible or copay), one per member per calendar year	Not covered
Well-baby and child care visits	100% (no deductible or copay) • 6 visits, birth through 12 months • 6 visits, 13 months through 23 months • 6 visits, 24 months through 35 months • 2 visits, 36 months through 47 months • Visits beyond 47 months are limited to one per member per calendar year under the health maintenance exam benefit	Not covered
Adult and childhood preventive services and immunizations as recommended by the USPSTF, ACIP, HRSA or other sources as recognized by BCBSM that are in compliance with the provisions of the Patient Protection and Affordable Care Act	100% (no deductible or copay)	Not covered
Fecal occult blood screening	100% (no deductible or copay), one per member per calendar year	Not covered
Flexible sigmoidoscopy exam	100% (no deductible or copay), one per member per calendar year	Not covered
Prostate specific antigen (PSA) screening	100% (no deductible or copay), one per member per calendar year	Not covered
Routine mammogram and related reading	100% (no deductible or copay) **Note:** Subsequent medically necessary mammograms performed during the same calendar year are subject to your deductible and percent copay.	60% after out-of-network deductible **Note:** Non-network readings and interpretations are payable only when the screening mammogram itself is performed by a network provider.
	One per member per calendar year	
Colonoscopy – routine or medically necessary	100% for routine colonoscopy (no deductible or copay) **Note:** Subsequent medically necessary colonoscopies performed during the same calendar year are subject to your deductible and percent copay.	60% after out-of-network deductible
	One routine colonoscopy per member per calendar year	
Physician office services		
Office visits	Covered - $10 copay per office visit	Covered - 70% after deductible, must be medically necessary
Outpatient and home medical care visits	Covered – 90% after deductible	Covered – 70% after deductible, must be medically necessary
Office consultations	Covered - $10 copay per office visit	Covered - 70% after deductible, must be medically necessary
Urgent care visits	Covered - $10 copay per office visit	Covered - 70% after deductible, must be medically necessary

** Services from a provider for which there is no Michigan PPO network and services from a non-network provider in a geographic area of Michigan deemed a "low access area" by BCBSM for that particular provider specialty are covered at the in-network benefit level. Cost-sharing may differ when you obtain covered services outside of Michigan. If you receive care from a nonparticipating provider, even when referred, you may be billed for the difference between our approved amount and the provider's charge.

Emergency medical care	In-network	Out-of-network**
Hospital emergency room	Covered – $50 copay per visit (copay waived if admitted or for an accidental injury)	Covered – $50 copay per visit (copay waived if admitted or for an accidental injury)
Ambulance services – must be medically necessary	Covered – 90% after deductible	Covered – 90% after deductible
Diagnostic services		
Laboratory and pathology services	Covered – 90% after deductible	Covered – 70% after deductible
Diagnostic tests and x-rays	Covered – 90% after deductible	Covered – 70% after deductible
Therapeutic radiology	Covered – 90% after deductible	Covered – 70% after deductible
Maternity services provided by a physician		
Prenatal and postnatal care	Covered – 100%	Covered – 70% after deductible
	Includes covered services provided by a certified nurse midwife	
Delivery and nursery care	Covered – 90% after deductible	Covered – 70% after deductible
	Includes covered services provided by a certified nurse midwife	
Hospital care		
Semiprivate room, inpatient physician care, general nursing care, hospital services and supplies	Covered – 90% after deductible	Covered – 70% after deductible
Note: Nonemergency services must be rendered in a participating hospital.	Unlimited days	
Inpatient consultations	Covered – 90% after deductible	Covered – 70% after deductible
Chemotherapy	Covered – 90% after deductible	Covered – 70% after deductible
Alternatives to hospital care		
Skilled nursing care	Covered – 90% after deductible	Covered – 90% after deductible
	Up to 120 days per calendar year per member	
Hospice care	Covered – 100%	Covered – 100%
	Up to 28 pre-hospice counseling visits before electing hospice services; when elected, four 90-day periods – provided through a participating hospice program only; limited to dollar maximum that is reviewed and adjusted periodically	
Home health care – must be medically necessary	Covered – 90% after deductible	Covered – 90% after deductible
Home infusion therapy – must be medically necessary	Covered – 90% after deductible	Covered – 90% after deductible
Surgical services		
Surgery – includes related surgical services and medically necessary facility services by a participating ambulatory surgery facility	Covered – 90% after deductible	Covered – 70% after deductible
Presurgical consultations	Covered – 100%	Covered – 70% after deductible
Colonoscopy	Covered - 90% after deductible	Covered – 70% after deductible
Voluntary sterilization	Covered – 90% after deductible	Covered – 70% after deductible

** Services from a provider for which there is no Michigan PPO network and services from a non-network provider in a geographic area of Michigan deemed a "low access area" by BCBSM for that particular provider specialty are covered at the in-network benefit level. Cost-sharing may differ when you obtain covered services outside of Michigan. If you receive care from a nonparticipating provider, even when referred, you may be billed for the difference between our approved amount and the provider's charge.

	In-network	Out-of-network**
Human organ transplants		
Specified human organ transplants – in designated facilities only, when coordinated through the BCBSM Human Organ Transplant Program (800-242-3504)	Covered – 100%	Covered – in designated facilities only
	Limited to $1 million lifetime maximum per member per transplant type for transplant procedure(s) and related professional, hospital and pharmacy services	
Bone marrow transplants – when coordinated through the BCBSM Human Organ Transplant Program (800-242-3504)	Covered – 90% after deductible	Covered – 70% after deductible
Specified oncology clinical trials	Covered – 90% after deductible	Covered – 70% after deductible
Kidney, cornea and skin transplants	Covered – 90% after deductible	Covered – 70% after deductible
Mental health care and substance abuse treatment Note: If your employer has 51 or more employees (including seasonal and part-time) and is subject to the MHP law, covered mental health care and substance abuse treatment are subject to the following copays. Your copays for mental health care and substance abuse treatment are subject to a separate, combined annual copay dollar maximum. See "Copay dollar maximums" section for these amounts. If you are employed by a union group with a collective bargaining agreement, please contact your employer to determine if this benefit level applies to you.		
Inpatient mental health care	Covered – 90% after deductible	Covered – 70% after deductible
	Unlimited days	
Inpatient substance abuse treatment	Covered – 90% after deductible	Covered – 70% after deductible
	Unlimited days	
Outpatient mental health care		
• Facility and clinic	Covered – 90% after deductible	Covered – 90% after deductible
• Physician's office	Covered – 90% after deductible***	Covered – 70% after deductible
Outpatient substance abuse treatment – in approved facilities only	Covered – 90% after deductible***	Covered – 90% after deductible
	*** Mental health and substances abuse procedures that are the equivalent of an office visit (consultative services rendered in the physician's office) will be treated and processed like an office visit, subject to the fixed dollar office visit copay.	
Note: If your employer has 50 or fewer employees (all employees, not just eligible employees) and is subject to the MHP law, covered mental health care and substance abuse treatment are subject to the following copays. Your copays for mental health care and substance abuse treatment are not limited to a copay dollar maximum. If you are employed by a union group with a collective bargaining agreement, please contact your employer to determine if this benefit level applies to you.		
Inpatient mental health care	Covered – 50% after deductible	Covered – 50% after deductible
	Unlimited days	
Inpatient substance abuse treatment	Covered – 50% after deductible	Covered – 50% after deductible
	Unlimited days, up to $15,000 annual, $30,000 lifetime maximum	
Outpatient mental health care		
• Facility and clinic	Covered – 50% after deductible	Covered – 50% after deductible
• Physician's office	Covered – 50%	Covered – 50% after deductible
Outpatient substance abuse treatment – in approved facilities only	Covered – 50% after deductible	Covered – 50% after deductible
	Up to the state-dollar amount that is adjusted annually	

** Services from a provider for which there is no Michigan PPO network and services from a non-network provider in a geographic area of Michigan deemed a "low access area" by BCBSM for that particular provider specialty are covered at the in-network benefit level. Cost-sharing may differ when you obtain covered services outside of Michigan. If you receive care from a nonparticipating provider, even when referred, you may be billed for the difference between our approved amount and the provider's charge.

	In-network	Out-of-network**
Other covered services		
Outpatient Diabetes Management Program (ODMP)	Covered – 90% after deductible	Covered – 70% after deductible
Allergy testing and therapy	Covered – 100%	Covered – 70% after deductible
Chiropractic manipulation treatment and osteopathic manipulation treatment	Covered - $10 copay per office visit	Covered - 70% after deductible
	Up to a maximum of 24 visits per member per calendar year	
Outpatient physical, speech and occupational therapy	Covered – 90% after deductible	Covered – 70% after deductible
	Limited to a combined maximum of 60 visits per calendar year per member	
Durable medical equipment	Covered – 90% after deductible	Covered – 90% after deductible
Prosthetic and orthotic appliances	Covered – 90% after deductible	Covered – 90% after deductible
Private duty nursing	Covered – 50% after deductible	Covered – 50% after deductible
Prescription drugs	Not covered	Not covered

Optional riders selected	
None	

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Prepared for Fitzgerald Public Schools

Community Blue[SM] PPO – Plan 3 w/MHP
Benefits-at-a-Glance

Packaged Riders: CB-PCM,

This is intended as an easy-to-read summary and provides only a general overview of your benefits. It is **not a contract.** Additional limitations and exclusions may apply to covered services. For a complete description of benefits, please see the applicable Blue Cross Blue Shield of Michigan certificates and riders. Payment amounts are based on the Blue Cross Blue Shield of Michigan approved amount, less any applicable deductible and/or copay amounts required by your plan. This coverage is provided pursuant to a contract entered into in the state of Michigan and will be construed under the jurisdiction of and according to the laws of the state of Michigan.

	In-network	Out-of-network**
Member's responsibility (deductibles, copays and dollar maximums)		
Deductibles	$250 for one member, $500 for the family (when two or more members are covered under your contract) each calendar year **Note:** Deductible may be waived if service is performed in a PPO physicians's office.	$500 for one member, $1,000 for the family (when two or more members are covered under your contract) each calendar year **Note:** Out-of-network deductible amounts also apply toward the in-network deductible.
Copays		
• Fixed dollar copays	• $10 copay for office visits • $50 copay for emergency room visits	$50 copay for emergency room visits
• Percent copays	• 50% of approved amount for private duty nursing • 20% of approved amount for most other covered services (copay waived if service is performed in a PPO physician's office)	• 50% of approved amount for private duty nursing • 40% of approved amount for most other covered services
	See "Mental health care and substance abuse treatment" section for mental health and substance abuse percent copay amounts.	See "Mental health care and substance abuse treatment" section for mental health and substance abuse percent copay amounts.
Copay dollar maximums – applies to copays for all covered services – including mental health and substance abuse services – but **does not** apply to fixed dollar copays and private duty nursing percent copays **Note:** For groups with 50 or fewer employees or groups that are not subject to the MHP law, mental health care and substance abuse treatment copays do not contribute to the copay dollar maximum.	$1,000 for one member, $2,000 for two or more members each calendar year	$3,000 for one member, $6,000 for two or more members each calendar year **Note:** Out-of-network copays also apply toward the in-network maximum.
Dollar maximums	None	

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APPENDIX B

	In-network	Out-of-network**
Preventive care services		
Health maintenance exam – includes chest x-ray, EKG, cholesterol screening and other select lab procedures	100% (no deductible or copay), one per member per calendar year	Not covered
Gynecological exam	100% (no deductible or copay), one per member per calendar year	Not covered
Pap smear screening – laboratory and pathology services	100% (no deductible or copay), one per member per calendar year	Not covered
Well-baby and child care visits	100% (no deductible or copay) • 6 visits, birth through 12 months • 6 visits, 13 months through 23 months • 6 visits, 24 months through 35 months • 2 visits, 36 months through 47 months • Visits beyond 47 months are limited to one per member per calendar year under the health maintenance exam benefit	Not covered
Adult and childhood preventive services and immunizations as recommended by the USPSTF, ACIP, HRSA or other sources as recognized by BCBSM that are in compliance with the provisions of the Patient Protection and Affordable Care Act	100% (no deductible or copay)	Not covered
Fecal occult blood screening	100% (no deductible or copay), one per member per calendar year	Not covered
Flexible sigmoidoscopy exam	100% (no deductible or copay), one per member per calendar year	Not covered
Prostate specific antigen (PSA) screening	100% (no deductible or copay), one per member per calendar year	Not covered
Routine mammogram and related reading	100% (no deductible or copay) **Note:** Subsequent medically necessary mammograms performed during the same calendar year are subject to your deductible and percent copay.	60% after out-of-network deductible **Note:** Non-network readings and interpretations are payable only when the screening mammogram itself is performed by a network provider.
	One per member per calendar year	
Colonoscopy – routine or medically necessary	100% for routine colonoscopy (no deductible or copay) **Note:** Subsequent medically necessary colonoscopies performed during the same calendar year are subject to your deductible and percent copay.	60% after out-of-network deductible
	One routine colonoscopy per member per calendar year	
Physician office services		
Office visits	Covered - $10 copay per office visit	Covered - 60% after deductible, must be medically necessary
Outpatient and home medical care visits	Covered – 80% after deductible	Covered – 60% after deductible, must be medically necessary
Office consultations	Covered - $10 copay per office visit	Covered - 60% after deductible, must be medically necessary
Urgent care visits	Covered - $10 copay per office visit	Covered - 60% after deductible, must be medically necessary

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	In-network	Out-of-network**
Emergency medical care		
Hospital emergency room	Covered – $50 copay per visit (copay waived if admitted or for an accidental injury)	Covered – $50 copay per visit (copay waived if admitted or for an accidental injury)
Ambulance services – must be medically necessary	Covered – 80% after deductible	Covered – 80% after deductible
Diagnostic services		
Laboratory and pathology services	Covered – 80% after deductible	Covered – 60% after deductible
Diagnostic tests and x-rays	Covered – 80% after deductible	Covered – 60% after deductible
Therapeutic radiology	Covered – 80% after deductible	Covered – 60% after deductible
Maternity services provided by a physician		
Prenatal and postnatal care	Covered – 100%	Covered – 60% after deductible
	Includes covered services provided by a certified nurse midwife	
Delivery and nursery care	Covered – 80% after deductible	Covered – 60% after deductible
	Includes covered services provided by a certified nurse midwife	
Hospital care		
Semiprivate room, inpatient physician care, general nursing care, hospital services and supplies	Covered – 80% after deductible	Covered – 60% after deductible
Note: Nonemergency services must be rendered in a **participating** hospital.	Unlimited days	
Inpatient consultations	Covered – 80% after deductible	Covered – 60% after deductible
Chemotherapy	Covered – 80% after deductible	Covered – 60% after deductible
Alternatives to hospital care		
Skilled nursing care	Covered – 80% after deductible	Covered – 80% after deductible
	Up to 120 days per calendar year per member	
Hospice care	Covered – 100%	Covered – 100%
	Up to 28 pre-hospice counseling visits before electing hospice services; when elected, four 90-day periods – provided through a **participating** hospice program only; limited to dollar maximum that is reviewed and adjusted periodically	
Home health care – must be medically necessary	Covered – 80% after deductible	Covered – 80% after deductible
Home infusion therapy – must be medically necessary	Covered – 80% after deductible	Covered – 80% after deductible
Surgical services		
Surgery – includes related surgical services and medically necessary facility services by a **participating** ambulatory surgery facility	Covered – 80% after deductible	Covered – 60% after deductible
Presurgical consultations	Covered – 100%	Covered – 60% after deductible
Colonoscopy	Covered - 80% after deductible	Covered – 60% after deductible
Voluntary sterilization	Covered – 80% after deductible	Covered – 60% after deductible

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	In-network	Out-of-network**
Human organ transplants		
Specified human organ transplants – in designated facilities only, when coordinated through the BCBSM Human Organ Transplant Program (800-242-3504)	Covered – 100%	Covered – in designated facilities only
	Limited to $1 million lifetime maximum per member per transplant type for transplant procedure(s) and related professional, hospital and pharmacy services	
Bone marrow transplants – when coordinated through the BCBSM Human Organ Transplant Program (800-242-3504)	Covered – 80% after deductible	Covered – 60% after deductible
Specified oncology clinical trials	Covered – 80% after deductible	Covered – 60% after deductible
Kidney, cornea and skin transplants	Covered – 80% after deductible	Covered – 60% after deductible
Mental health care and substance abuse treatment **Note:** If your employer has 51 or more employees (including seasonal and part-time) and is subject to the MHP law, covered mental health care and substance abuse treatment are subject to the following copays. Your copays for mental health care and substance abuse treatment are subject to a separate, combined annual copay dollar maximum. See "Copay dollar maximums" section for these amounts. If you are employed by a union group with a collective bargaining agreement, please contact your employer to determine if this benefit level applies to you.		
Inpatient mental health care	Covered – 80% after deductible	Covered – 60% after deductible
	Unlimited days	
Inpatient substance abuse treatment	Covered – 80% after deductible	Covered – 60% after deductible
	Unlimited days	
Outpatient mental health care		
• Facility and clinic	Covered – 80% after deductible	Covered – 80% after deductible
• Physician's office	Covered – 80% after deductible***	Covered – 60% after deductible
Outpatient substance abuse treatment – in approved facilities only	Covered – 80% after deductible***	Covered – 80% after deductible
	*** Mental health and substances abuse procedures that are the equivalent of an office visit (consultative services rendered in the physician's office) will be treated and processed like an office visit, subject to the fixed dollar office visit copay.	
Note: If your employer has 50 or fewer employees (all employees, not just eligible employees) and is subject to the MHP law, covered mental health care and substance abuse treatment are subject to the following copays. Your copays for mental health care and substance abuse treatment are not limited to a copay dollar maximum. If you are employed by a union group with a collective bargaining agreement, please contact your employer to determine if this benefit level applies to you.		
Inpatient mental health care	Covered – 50% after deductible	Covered – 50% after deductible
	Unlimited days	
Inpatient substance abuse treatment	Covered – 50% after deductible	Covered – 50% after deductible
	Unlimited days, up to $15,000 annual, $30,000 lifetime maximum	
Outpatient mental health care		
• Facility and clinic	Covered – 50% after deductible	Covered – 50% after deductible
• Physician's office	Covered – 50%	Covered – 50% after deductible
Outpatient substance abuse treatment – in approved facilities only	Covered – 50% after deductible	Covered – 50% after deductible
	Up to the state-dollar amount that is adjusted annually	

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Allergy testing and therapy	Covered – 100%	Covered – 60% after deductible
Chiropractic manipulation treatment and osteopathic manipulation treatment	Covered - $10 copay per office visit	Covered - 60% after deductible
	Up to a maximum of 24 visits per member per calendar year	
Outpatient physical, speech and occupational therapy	Covered – 80% after deductible	Covered – 60% after deductible
	Limited to a combined maximum of 60 visits per calendar year per member	
Durable medical equipment	Covered – 80% after deductible	Covered – 80% after deductible
Prosthetic and orthotic appliances	Covered – 80% after deductible	Covered – 80% after deductible
Private duty nursing	Covered – 50% after deductible	Covered – 50% after deductible
Prescription drugs	Not covered	Not covered

Optional riders selected	
None	

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