

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

FACT FINDING REPORT

IN THE MATTER OF:

CAPAC COMMUNITY SCHOOLS

-and-

CAPAC EDUCATION ASSOCIATION

MERC Case No.D12 F-0620

APPEARANCES

Fact Finder: Frances L. Hill

For the Employer Gary A Fletcher

For the Union: Michele Israel

Union Witness:

Craig Culver MEA Research Consultant

Employer Witnesses:

Deborah Lewis Business Manager

Dr. Charles C. Smith Part Time Interim Superintendent

Date of Hearing: March 6, 2013

Background

The most recent agreement between the Capac Education Association and the Capac Community Schools expired August 20, 2012. Sixteen negotiation sessions, two with Mediator Micki Czerniak, were held between February 15, 2012, and November 14, 2012, when the Association filed a Fact Finding Petition. An additional bargaining session was held on December 13, 2012.

Issues Submitted to the Fact Finder

The Parties identified the following unresolved issues:

1. Association Release Days
2. Insurance (Benefit plan only, both parties agree to a 80/20 cost share)
3. Salary
4. Duration of the contract. The Union declared this issue is no longer in dispute but the issue is still unresolved for the employer. The employer proposes that contract dates are July 1 to June 30 while the Union proposes current contract language, August 20 to August 19.

Discussion

Capac is a small rural K-12 district. Currently there are 53 teachers all of whom, with the exception of two, are on the top of their respective lanes on the salary schedule.

The District has suffered the same problems that many districts have experienced since the economic downturn beginning in 2008. The District has experienced a student enrollment decline from 1,732 in FY 2008 to 1,307 in FY 2013. The District has lost approximately 70 students per year with the corresponding loss of revenue. In addition, a neighboring district with more resources has been successful in actively recruiting about 250 students away from Capac.

The District has been very proactive in addressing the financial challenges. When the former Superintendent retired, he was replaced by a Superintendent on a part-time, interim basis. The District has eliminated or outsourced a number of positions or functions including:

Curriculum Director, High School Assistant Principal, Payroll Coordinator, Accounting/Curriculum Clerk, Facilities Supervisor, Teachers, Custodial Staff, Technology Director (contracted out), Secretaries, Latchkey Supervisor, Transportation Supervisor (shared with another district) and Bus Drivers, due to reduced runs.¹

In addition to the staff reductions, the District instituted pay-to-play, and employee groups have made the following concessions:²

CSSA (Capac Support Staff Association): For the fiscal years 2012 and 2013 10% wage decrease; 20% health care contribution; 10 clerical vacation days; 1.0 clerical sick days; 20% contribution for Health, Dental, Vision.

Transportation: For the fiscal years 2011/2012 & 2012/13 wage decrease 6%; 40% contribution for Dental and 50% for vision, in FY 2013 vision contribution was reduced to 25%.

Administration: 0% salary increase FY2007/2008 – FY 2012/2013

Health insurance contribution 2% FY2007/2008 – FY 2010/2011, 31% FY2011/2012, 20% 2012/2013

¹ Employer exhibit Tab 2.2

² Employer exhibit Tab 3

Teachers gave little, according to Employer's brief:³

A salary table freeze was in place for 2008-2012. However, teachers still received their steps and lanes until 2012-2013. The steps and lanes were froze [sic] in 2012-2013 pursuant to Public Act 54. Their contribution to health care was a mere \$525 per year starting 2012-2013 and they started paying 20% of their healthcare costs per public Act 152.

The Union, as demonstrated in Union exhibits 5.1 thru 5.4 and through the testimony of Craig Culver, agrees with the Employer regarding the financial situation of the District. In fact, Mr. Culver testified that "there is not much fluff" in the budget and that the "spending is out of line with revenue." The disagreement between the parties revolves around what to do about it.

Wages and health insurance are, of course, the two areas of the contract which have the most impact on the financial situation of the District.

Wages

The District proposes:

- 2012-2013 - 10% wage concession retroactive to the beginning of the school year. The amount of each remaining checks will be adjusted to obtain the full 10% before the end of the fiscal year. The District would end the fiscal year with an 8.5% fund balance.
- 2013-2014 - 10% additional salary reduction on top of the 2012/2013 salary cut which will end the year with an 8% fund balance.
- 2014-2015 - teachers will receive a proportion of the revenue over an 8% fund balance but will take an across the board pay reduction for any amount below the 8% fund balance.

The Union proposes:

- 2012-2013 - continue 0% salary increase with no step increases.
- 2013-2014 - 0% salary increase and freeze the salary schedule steps. If nine members accept a \$25,000 buyout by July 1, 2013, salary will increase 1% off schedule to each member at the top of the salary schedule.
- 2014-2015 - Steps and 1% increases only on the top steps.

Health Insurance

The District proposes:

- MESSA ABC Plan I with the \$1,250/\$2,500 maximum in network deductible. Teachers will continue to pay 20% for the premium cost and the District will not contribute to HSA.

The Union proposes:

- MESSA Choices II, \$300/\$600 deductible, \$5 Office Visit and continue 20% contribution

The chart below demonstrates the cost savings for the board and the cost increases for the teachers of the respective proposals of the Union and the Board for wages and insurance.

³ Employer brief page 2

BA Max - Union Proposal without a 10% reduction in wages and with a 10% reduction in wages.

Salary	0%	FF Insurance	20%	+ Deductible	Total Employee Cost
\$62,301	\$0.00	\$1,365.76 x 12= \$16,389.12	\$3,277.82	\$600.00	\$3,877.82/6%
Salary	10%	FF Insurance	20%	+ Deductible	Total Employee Cost
\$62,301	\$6,230	\$1,365.76 x 12= \$16,389.12	\$3,277.82	\$600.00	\$10,107.82/16%
Board Savings	0.00	0 % Salary Reduction	\$6,230.00	10% Salary Reduction	
	<u>\$3,277.82</u>	20% Insurance Cost Sharing	<u>\$3,277.82</u>	20% Insurance Cost Sharing	
Total			\$3,277.82		\$9,507.82

BA Max - Board Proposal

Salary	10%	FF Insurance	20%	+Deductible	Total Employee Cost
\$62,301	\$6,230	\$1,136.02 x 12= \$13,632.24	\$2,766.45	\$2,500	\$11,496.45/18.4%
Board Savings	\$6,230	10% Salary Reduction			
	\$2,766.45	20% Insurance Cost Sharing			
	<u>\$2,756.88</u>	Difference in the cost of the plans			
Total		\$11,753.33			

MA Max - Union Proposal without a 10% reduction in wages and with a 10% reduction in wages.

Salary	0%	FF Insurance	20%	+Deductible	Total Employee Cost
\$66,244	\$0.00	\$1,365.76 x 12= \$16,389.	\$3,277.82	\$600.00	\$3,877.82/5.8%
Salary	10%	FF Insurance	20%	+Deductible	Total Employee Cost
\$66,244	\$6,624	\$1,365.76 x 12= \$16,389.	\$3,277.82	\$600.00	\$10,107.82/15.2%
Board Savings	0.00	0 % Salary Reduction	\$6,624.00	10% Salary Reduction	
	<u>\$3,277.82</u>	20% Insurance Cost Sharing	<u>\$3,277.82</u>	20% Insurance Cost Sharing	
Total		\$3,277.82		\$9,901.82	

MA Max - Board Proposal

Salary	10%	FF Insurance	20%	+Deductible	Total Employee Cost
\$66,244	\$6,624	\$1136.02 x 12= \$13,632.24	\$2,766.45	\$2,500	\$11,890.45/17.9%
Board Savings	\$6,624.00	10% Salary Reduction			
	\$3,277.82	20% Insurance Cost Sharing			
	<u>\$2,756.88</u>	Difference in the cost of the plans			
Total		\$12,658.70			

The Fact Finder used only the BA maximum and the MA maximum in the chart above. The Union testified that all of the teachers, with the exception of two, are at the maximum step in their lane. Union Exhibit 6C showed 43 members with Full Family coverage, 14 with Member and Spouse and 8 with Member only coverage. The two differing wage and health insurance proposals have serious consequences both for the employees and for the Employer.

The current health insurance is MESSA Choices \$200/\$400 \$5/\$10/\$25 RX \$10/\$20 at a PAK rate of \$667.16 - 1p; \$1,444.96 - 2p; \$1,649.83 - FF. The Union proposes, MESSA Choices II at a cost of \$1,365 for full family pack which will save approximately \$284.83.00 per month or about 17% on full family over what the board is currently paying. Both the Union and the employer are using a projected 10% increase in the rates beginning with FY 2013/14.⁴

For employees, adjusting their budget for a reduction in salary ranging from \$6,200 to as much as \$7,000 per year will be a difficult task. In addition, when adding in the health insurance cost increase as proposed by the employer, from the current \$525 per year to \$1,250/\$2,500 annual co-pay, plus the 20% insurance premium increase already absorbed this year; an employee could see their health insurance costs increase more than \$11,500. The total impact on the wages of an employee at the BA max could be a reduction of as much as 18.4% of salary.

At the same time, the District is in danger of being in deficit. The board cannot, by law, adopt a deficit budget and if the board is unable to remedy the situation, could be facing the appointment an Emergency Manager by the State.

While the Board has done an admirable job of cutting expenses already, the District administration is still looking to squeeze a few more savings from operating costs. Dr. Smith testified that the District is planning on moving from a trimester schedule to a regular semester schedule at the high school. Some savings will be achieved by this change by possibly reducing 1 or 2 FTE teacher service.

Dr. Smith also testified that class sizes at the elementary and middle school levels are at maximum. According to the Union, however, some high school classes are at 20 students or below. The District did acknowledge that some AP classes do have lower numbers because of the nature of those offerings. Eliminating those AP classes would have a negative impact on student retention. The Fact Finder suggests that there may be the possibility of decreasing the cost of such offerings by exploring, if the District has not already done so, a compact or consortium cooperative agreement with the ISD, community college or another nearby district to offer AP classes in classrooms or as online offerings.

The Union has proposed that the District offer a buyout. According to Ms. Lewis, there have been four buyouts in recent years but no dates were provided. The Union proposes that if nine teachers take a \$25,000 buyout, the District could replace those teachers with lower paid new hires. No data was offered by the Union to support this contention.

The Employer points out in its brief⁵

Assuming the District will lose 75 students as both parties assume and based on all of the buildings having been staffed as tightly as they can (as Dr. Smith Testified), the District will have to lay off 3 or 4 teachers without a buyout. Then why would the District spend \$200,000 to get 8 teachers to retire only to have to call back 4 or 5 at the top of the salary schedule.

It is significant that there are teachers on the layoff list who would have a right to recall. No one at the hearing was able say how many are currently on layoff, what step they are on, or what certification they have. It is, therefore, impossible to determine if a buyout could be a viable cost saving measure.

⁴ Union Exhibit 6A

⁵ Employer brief page 5

The Union proposes that wages for 2012/2013 maintain 0% salary increase with steps frozen. In year two, if the buyout occurs, 1% off schedule for the top step of the salary schedule only. In year three, steps will be restored and 1% salary increase at the top step only.

Contract Article XXI - Teacher Compensation – H. Each teacher shall receive an increment of \$400 after accumulating 11 years of seniority in the District and an increase of \$500 after years 15, 20, 25.

The Fact Finder is compelled to point out again, that all but two of the teachers currently employed by the District are at the top of their respective lanes on the salary schedule. Therefore, any raise *at the top step only* is, basically, a raise for all. While the teacher salary schedule was frozen beginning in 2008-2009, teacher continued to receive steps and lane changes until they were frozen by law in 2012-2013.

Association Days

Contract Article XIV PAID LEAVE OF ABSENCE – H Twenty (20) days shall be available for the officer and representatives of the Association to attend conferences, workshops, hearings, and seminars conducted by the MEA, NEA and/or affiliate departments thereof, and the various governmental units involved in the education process. The Association agrees to pay the substitutes costs and to notify the Board no less than forty-eight hours in advance of taking such leave. In addition, four 4 hours per month, as needed, shall be available to union officers for in-district business.

The Union proposes current contract language. The Board proposes 10 days.

Superintendent Smith testified that the number of days was increased in the last contract from 10 days to 20 days. He expressed that the District's position is that the best place for the teachers is in the classroom with their students as opposed to using substitutes. Therefore, the number of association days should revert back to 10.

Michelle Israel testified that the association days are at no additional cost to the District because the Union pays for the substitutes. In addition, the Union has not used all of the twenty days that are allotted. Union Exhibit 2 compares association leave days with other districts. Algonac, at the low end, has 15 days with an additional 10 days available when the Union reimburses the cost of the sub. Capac and Memphis both have 20 days, however, Capac pays for the subs for all 20 days, while in Memphis, the Union reimburses days 20-40. East China District grants 35 association leave days. The Union pays for the sub costs after the first 10 and 1/6 release time is provided for the Union president. Marysville gets 16 days with 5 additional when the Union reimburses the sub costs. Port Huron has 85 days granted and the Union reimburses the District for the sub after 50. Yale has unlimited days but the Union reimburses the District for the sub after the first 6.

Contract Dates

Under the current contract language, duration of the contract runs from August 21 to August 20 each year. The Union requests current contract language, while the board proposes July 1 to June 30.

Ms. Lewis testified that the purpose of this proposal is to align the contract year with the statutory school year. She also explained this will save the District time and money in accounting and administration. As a cost saving measure the Board has outsourced some accounting functions to the ISD and reduced central office administration by 50%.⁶

Ms. Israel testified that the contract dates have always been that way and that there is no cost to the District. Traditionally many contracts have had August end dates. There does not seem to be a compelling reason not to change the end dates to coincide with the fiscal year.

⁶ Employer brief page 7

Fact Finders Recommendations

For the reasons discussed above the Fact Finder makes the following recommendations:

1. **Wages** - The Fact Finder recommends that the salary of teachers be reduced by 10% for 20 pays each year for a total of 40 checks, over a two year period beginning with May 2013. The Employer's request for a 10% salary reduction is reasonable, however, it is not reasonable to reduce the salary retroactively and take the total from the last checks of the year.
2. **Insurance** – The Fact Finder recommends the Union's proposal, MESSA Choices II, \$300/\$600 deductible, \$5 Office Visit and to continue the 20% contribution. The cost to the employee of the Board's proposal is too great without any Employer contribution to the Health Savings Account.
3. **Association Release Days** – The Fact Finder recommends the Union's proposal. The 20 negotiated days for release time are not unreasonable and are in line with other districts. There is no additional cost to the District because the Union pays for the substitutes for all 20 days.
4. **Duration** – The Fact Finder recommends the Employer's position. While the history of the Union's position is compelling, it does require some additional work to accommodate the difference between the school year and fiscal year.



Frances L. Hill
Fact Finder

April 16, 2012