

TESTIMONY

To: House Committee on General, Housing, & Military Affairs

From: Elizabeth Fitzgerald, Board Chair, South Burlington School Board

Re: Collective Bargaining in Education

Date: February 5, 2015

Thank you for the opportunity to come before the committee to provide a school board member's perspective on collective bargaining in education.

I currently serve as the Board Chair for the South Burlington School District and have been a member for the past nine years. I am running uncontested this March for a fifth term. By way of background, I am a native Vermonter who grew up in the public school system in Winooski, went on to Rice Memorial High School and graduated with a Bachelors from UVM and a Masters from Cornell University. I have worked for over 35 years in the healthcare field in a variety of functional capacities in Fortune 500 companies and most recently as the sole proprietor of my own healthcare consulting business. I have served as general manager of multi-million dollar businesses with employees and operations around the world. My purpose in sharing this information is to provide context to my experience providing support as an elected Board member for the oversight of South Burlington's \$45.7 million dollar school budget, its 2400 students and its 443 employees.

I will speak primarily today about elements of the collective bargaining process with the SBEA (South Burlington Educators Association) which resulted in the first strike in 50 years in our community and which was settled in November with a three-year contract which expires in June, 2017. The District and school board have negotiated four other employment contracts during the same period without incident.

Negotiations for a successor agreement with the SBEA began in December, 2013 following a one-year contract which expired on June 30, 2014. At the start of negotiations, the school board identified three goals with the SBEA which it wanted to try to make progress toward;

- Improve total compensation for teachers
- Collaborate toward balancing incremental investment in salaries/benefits with redeployment of expenses (e.g. identify offsets)
- Balance "premium" compensation over Chittenden County averages across all levels

Both parties met together at least six times and the Board declared impasse on April 7, 2014. The parties agreed to utilize the services of a neutral mediator and fact finder. Mediation was unsuccessful and the fact finding hearing was completed in June.

Fact finding recommendations were issued in late July with the school board advocating for a “total compensation” proposal for teachers which provided for increases in wages and improvement in total income through reduced healthcare premiums and payment of co-pays for a three year period. The Association was advocating for wage increases in line with neighboring communities, notably Milton, Winooski, and Burlington and preservation of a “grandfathered” healthcare plan. There were other issues on the table during fact finding as well.

I’m not here to testify to the merits of either parties’ positions during this bargaining process, but to speak to the fact that current fact finding guidelines did not provide for a more rigorous vetting of either sides’ proposals or thorough consideration of the short and longer term funding mechanism to support those proposals by the South Burlington community and the state of Vermont. The current process is, in essence, an “audit” of practices in geographical proximity to the district or supervisory union which has reached this stage of collective bargaining following impasse.

I am here to highlight specific examples of the strong orientation in fact finding toward utilization of “comparables” in neighboring districts as a proxy for what a community can and is willing to pay, largely directed exclusively at salaries alone, and what I would refer to as a pattern of “incrementalism” in the process that does not consider or address total impact to taxpayers. I will also provide examples which I believe represent a process geared to preserving the status quo and not allowing for full consideration of more “novel” proposals.

Examples of process orientation toward “comparables” and lack of consideration of innovative proposals:

a) Healthcare (proposed by SBSB)

Drivers for the District to pursue an alternative healthcare proposal included the following:

- The current healthcare plan for teachers only was estimated to cost \$11 million over the next three years (District’s current share is at 84%)
- Healthcare premiums had increased by 15% in the prior two years
- Property taxes had increased by 13 % in the prior two years
- Continued demand for higher salaries and status quo benefits
- Opportunity to “right size” healthcare benefits based on individual/family needs

- Obligation to all stakeholders to do due diligence

The District sought to shift employees to a plan with a deductible and offered to fund that deductible at 100% for a three year period. The District also offered to absorb employee co-pays, which they currently cover during the same period. The reduction in premiums would have resulted in over \$700,000 savings for teachers. On average, employees would have “pocketed” \$3,500. The District would fund this plan through a Health Reimbursement Account (HRA) and would generate savings not only through its own reduced premiums, but also from utilization rates of the deductible that were less than 100% (estimated at <\$500,000)

From the fact-finding report...

“The District is here seeking to act as a trailblazer in moving South Burlington away from the dominant but more costly Dual Option Plan.

“But fact finders generally resist recommending “game-changing” modifications to existing contract language... “

“No other district in Chittenden County and only a very few in the state have replaced the Dual Option Plan with the 1200 Comp Plan. It is **difficult to articulate a justification for South Burlington to step away from the pattern...**”

“In this period of uncertainty as the ACA and Vermont health care policy are dramatically evolving, the Association is justified in its goal to maintain the status quo.”

b) Early retirement Incentive (proposed by Association)

The Association also proposed that “Any teacher, who by the fiscal year 2014-2015 has at least 20 years of service to the South Burlington School District, and who by February 1, 2015 notifies the school district of his or her intent to leave the service of the South Burlington school district as a teacher shall be entitled to 80% or the average of their last three years’ salary paid out over three years”

The fact finders’ response follows: “Early retirement incentives are complex and best resolved through direct negotiations between the parties.

c) “New Money” (proposed by the Association)

In comments to a draft report from the fact finder, a Uniserv director from VT-NEA noted the South Burlington School Board’s proposal for increase “are far out of line with increases

to teachers in the **area of comparability**. A number of those increases in the last year, notably Milton, Winooski, and Burlington average out at 4% per year, some were at 3.5% and no increase was less than 3% in terms of “new money”.”

Fact Finding recommendation:

“Accordingly I here recommend an increase of 3% total new money for each year of a two-year contract, intended to **retain South Burlington’s position at the “top of the heap” among public schools in Chittenden County** but not to augment that already enviable position.”

Example of preservation of process orientation toward preserving status quo/“incrementalism”:

a) Long-term Disability (proposed by SBSB)

From the fact finding report...

“The District proposes the elimination of employer paid long-term disability insurance as part of its overall effort to reduce its growing employee benefit costs. It estimates that the cost savings over the term of the three-year agreement would be \$111,000. The District points out that this would have a minimal impact since over the past decade only two employees haven take advantage of this benefit. South Burlington is one of only four school districts in Chittenden County that offers this benefit. Only 45 districts in the state provide employer-paid long-term disability coverage.”

Fact Finding recommendation:

“**In terms of comparability**, it (e.g. LTD) is made available in some but not all of the districts in Chittenden County. Meager usage is not a reason to eliminate this benefit. By way of its nature, long-term disability protects against the unexpected, and fortunately, infrequent health crisis that can prove financially devastating in the absence of insurance protection. This proposal is not recommended.”

b) Orthodontic Reimbursement (proposed by the Association)

In response to a request by the Association to increase the orthodontic maximum lifetime reimbursement fee from \$3,000 to \$3,500, the fact finder noted that “there is no evidence that the orthodontic coverage now provided is inadequate or **out of sync with comparable communities in Chittenden County.**”

c) Salary Index Adjustment (proposed by SBSB)

The District proposed an adjustment to the salary grid which is the current “formula” for administering salary increases to teachers based on years of experience and educational

credentialing. The board recognized that salaries of teachers just entering the profession and the school district were becoming less competitive (only 2.9% higher than the Chittenden County averages) while teachers at the most senior levels in South Burlington were compensated 8.0% higher than their peers in the county. In addition entry-level teachers pay a higher percentage of their salaries toward healthcare and were being asked to contribute more through “fair share” legislation and to subsidize the teachers’ retirement fund deficit along with any personal loans associated with completing their education. The mechanism to shift money to these more junior levels came in the form of a recommendation to reduce the top end multiplier from 2.08 to 2.01 over a three-year period.

Fact Finding recommendation:

“A more reasonable goal would be to adjust indexing in this contract term in a manner that would bring to a level in **keeping with the second highest comparable community – 2.068**” (vs. (2.08 at the time)

Closing remarks:

There sometimes seems to be a perception that South Burlington retains the moniker of a “gold town” from the inception of Act 60. The demographics in SB are changing as they are throughout the state. About 70% of our taxpayers pay property tax based on income sensitivity. 75% of our residents do not have children in the school system. Our enrollment is relatively flat, but our District draws many students by choice (6%). 80% of our tax rate is in support of public schools.

Some of the guidelines that come to mind for me, based on my nine years tenure on the South Burlington School, Board and my experience through several fact finding processes reflect the need for an objective third party to value and weigh in on innovative proposals, which might generate cost savings for school Districts without compromising the quality of total compensation for employees. These proposals may deviate from the “status quo” but deserve to be fully vetted in efforts to reach a contract settlement. Strict comparison to neighboring school systems unduly limits real opportunities for Districts and Associations to partner to focus on the work of preparing our students for their next steps.

Some of the guidelines which may be considered for inclusion by a fact finder as a more relevant and accurate assessment of a community’s ability and willingness to pay are as follows:

- Total compensation
- Proximity to excess spending threshold

- City tax requirements/initiatives
- Encumbrances on revenues (school choice, alternative programs, teachers' retirement fund deficit...)
- Accrued liabilities (deficits, bonds, enterprise funds such as nutritional services)
- Community economic indicators (median income, tax burden, CLA/foreclosures, unemployment/underemployment...)
- Student outcomes
- Job description, complexity and comparability
- Commercial tax base
- Student enrollment and trends
- Other demands on budget/unfunded state and Federal mandates

I believe H.102, which is before you for consideration, provides the right framework for this process.

Thank you for the opportunity to address you on this important topic.