

Murphysboro CUSD #186 Board of Education Most Recent Offer to the Murphysboro Education Association

I. Summary and Overview

The Murphysboro CUSD #186 Board of Education (“Board” or “District”) has actively and diligently engaged in collective bargaining negotiations with the Murphysboro Education Association NEA/IEA (“Union”) since May 2018. The parties have tentatively agreed to several language items, leaving only financial issues to be resolved. A mediator from the Federal Mediation and Conciliation Service (FMCS) was called in to assist with negotiations in August, but said negotiations were unsuccessful. On August 31, 2018, the Union initiated this public posting process.¹

While the Union will likely assert that the District has received a windfall under the modified School Funding Formula, this is far from accurate. As stated in greater detail below, the District simply cannot afford the Union’s requests, and has offered as much as it is able without incurring detrimental penalties or agreeing to excessive employee benefits that would require the District to make staff and program reductions. To illustrate this point, the District provides the following cost estimate totals:

- The estimated costs of the District’s offer total \$709,952.00 in new money for a new two-year contract.
- The Union’s offer would result in an estimated increase of \$1,243,198.00 for a one-year contract.

These calculations do not include any potential TRS penalties that the District would incur under the Union’s excessively high pay demands.

II. Summary of the Changes regarding School Finance

A. Evidence Based Funding

Prior to the implementation of the Evidence Based Model, Murphysboro CUSD #186 lost \$4.2 million dollars during the five years from FY 2012 through FY 2016 due to proration of General State Aid (GSA). The District is dependent on state funding to make ends meet, and five years of GSA proration with a flat foundation level significantly impacted the District’s budget. The stagnant GSA foundation level, on top of the proration of \$4.2 million of GSA, forced the District to spend down fund balance reserves in order to preserve programs and services to students.

The state of Illinois modified the School Funding Formula in 2017. The new Evidence Based Funding model increased the amount of revenue for the District. The State increased the funding so that Districts could make Core Investments toward the Adequacy Target

¹ The date of the expiration of the existing collective bargaining agreement, and the date of the start of the school year, was August 15, 2018.

that will drive improvements in instruction. The Core Investments include: Core Teachers (suggesting K-8th grade classrooms have 15 students per teacher with High school classrooms at 20 students), Specialist Teachers (suggesting that each building should have a Reading/Math Specialist to work with the building teachers), Instructional Facilitators (coaches for district instruction), Core Intervention Teachers, Guidance Counselors, School Nurses, Supervisory Aides, Librarians/Media Technicians and Administration. In order to hold Districts accountable and to ensure that the additional funds are used to improve instruction, the State initiated Site Based Reporting as well as District level reports regarding how we utilized the additional dollars.

The District is accountable for ensuring the additional dollars from the State go toward Core Investments that will improve instruction.

B. TRS Caps and Penalties

The state of Illinois also changed the Teacher Retirement Systems (TRS) rules and regulations regarding the penalties that school districts will incur based on salary increases prior to retirement. Previously, districts were limited to a 6% increase in compensation each year. Any amount above the 6% increase in compensation would result in a district incurring a substantial penalty. In July 2018 this “cap” was lowered to 3%. Because of this, any increase in compensation above and beyond 3% to a TRS employee in the years prior to retirement would cause TRS to penalize the District, and fine the District for the costs TRS would incur based on the retirement actuarial tables.

The District would be financially responsible to the Teacher Retirement System should the District allow individuals to realize more than 3% increases in their compensation prior to retirement.

III. **Murphysboro CUSD #186 Board of Education’s Offer and Cost Estimates**

A. Compensation/Salary

The District is offering a 1.3% increase on the base salary each year for 2018-2019 and 2019-2020, in addition to the “Step Increase” that occurs each year. The “Step Increase” for all teachers is calculated as a 1.6% increase in costs for 2018-2019 and a 1.7% increase in costs for 2019-2020. The District is offering the faculty a total increase of 2.63% for 2018-2019 and 2.66% for 2019-2020 in their collective compensation, with individual salary increases ranging from 1.94% to 3.5% in 2018-2019 and 1.95% to 3.47% in 2019-2020, depending on years of experience and education level. This is a two-year offer and the District would be willing to re-open this section of the agreement should TRS modify their caps on penalties.

The District’s most recent offer of Step plus 1.3% increase on the base salary for each member is a calculated increased cost of \$213,328.00 for the 2018-2019 school year (including TRS costs) or \$8,323,546.00 in total salaries (including TRS costs), distributed among 151 teachers. In other words, an average of \$55,122.82 per teacher.

Step plus 1.3% increase on the base salary for each member is a calculated increased cost of \$221,688.00 for the 2019-2020 school year (including TRS costs) or \$8,545,234.00 in total salaries (including TRS costs), distributed among 151 teachers. In other words, an average of \$56,590.95 per teacher.

B. Health Insurance

The District is offering to continue paying 100% of the single premium for each current employee, and proposing that for any employee hired to begin work in the 2019-20 school year and after, the District would pay up to \$724 per month toward single employee health insurance. This dollar amount is a 2.5% increase over the current cost for single employee health insurance, so any increases in health insurance premiums above the 2.5% amount would need to be paid by the employee in future years. The Board proposes to eliminate the practice of allowing employees to opt out of District health insurance and paying the employee who opts out a stipend of \$150 per month.

The District's most recent offer of continued 100% of single premium for the 2018-19 school year is a calculated increased cost of \$61,608.00 or \$1,279,272.00 in total costs for employees covered under this contract.

C. Retirement Language

Currently the District pays up to a \$10,000.00 retirement incentive over four (4) years or less, that can be added to an employee's TRS creditable earnings provided he/she meets some minimum requirements (must have 35 years of creditable service or have attained the age of 60 upon retirement, and work 20 years for the District) and have provided an irrevocable letter of intent to retire to the Board of Education. This current retirement incentive is meant to allow the employee to maximize his/her salary up to the previous 6% cap set by TRS. The District is offering to continue this process with the new 3% cap set by TRS. Due to the lower percentage, any remaining retirement incentive dollars that could not be paid to the employee as creditable earnings would be paid to the employee as a post-retirement payment.

The District's most recent offer of continuation of past practice with a lower threshold (3% increase in salary) is a calculated cost with no increase. However, this ensures that the District is not sending additional funds to the State Retirement System in the form of penalties.

IV. **Murphysboro Education Association NEA/IEA's Offer and Cost Estimates**

A. Compensation/Salary

The Union is asking for a 3% increase on the base salary schedule in addition to the "Step Increase" that occurs each year. The "Step Increase" for all teachers is calculated as a 1.6% increase in costs. The Union is requesting a total increase of 3.9% in their compensation, with individual salary increases ranging from 2.88% to 5.2%, depending on years of

experience and education level. Based on the salary increases proposed, 95% of the steps on the salary schedule (from BA to MA+32) would result in excessive TRS penalties for exceeding the prior year's salary by more than 3% if the employee retires and the 2018-2019 school is used in the calculation of the employee's pension. This is a one-year proposal.

The District feels that the Union's salary proposal is excessive due to the 3% TRS cap. The District has reviewed employee information, and based on employee age and years of service credit, it is reasonable to believe that there could be TRS penalty costs to the District due to the fact that as many as 17 employees (not including the 13 employees who have already submitted an irrevocable letter of retirement and are grandfathered under the previous CBA) are eligible for retirement under TRS guidelines and could choose to retire at the end of the 2018-2019 school year.

The Union's most recent offer of Step plus 3.0% increase on the base salary for each member is a calculated increased cost of \$320,501.00 (including TRS costs) or \$8,430,719.00 in total salaries (including TRS costs) distributed among 151 teachers. In other words, an average of \$55,832.58. The potential costs (penalties) to TRS for allowing individuals to realize more than a 3% increase are difficult to calculate because there are so many factors involved. However, based on preliminary calculations, the Union's offer could cost the District \$40,000.00 or more in penalties assuming that 6 out of the 17 individuals eligible to retire do so by the end of the 2018-2019 school year.

B. Health Insurance

The Union is asking that individuals continue receiving 100% of the single premium paid by the District for full time employees, and proposing that the District also pay dental and vision insurance for employees and their families. The Union has also proposed that the District fully fund a flexible spending account for all eligible employees.

The Union's most recent offer of continued 100% of single premium for the 2018-19 school year is a calculated increased cost of \$61,608.00 or \$1,279,272.00 in total costs for employees covered under this contract. Employee and family dental and vision insurance is a calculated increased (new) cost of \$227,370.00. A fully funded flexible spending account for all eligible employees is a calculated increased (new) cost of \$400,150.00. Total calculated increased costs under the Union's proposal for insurance is \$689,128.00.

C. Retirement Language

Currently the District pays up to a \$10,000.00 retirement incentive over four (4) years or less, that can be added to an employee's TRS creditable earnings provided he/she meets some minimum requirements (must have 35 years of creditable service or have attained the age of 60 upon retirement, and work 20 years for the District) and have provided an irrevocable letter of intent to retire to the Board of Education. The current retirement incentive is meant to allow the employee to maximize his/her salary up to the previous 6%

cap set by TRS. The Union is proposing to increase the retirement incentive amount to up to \$20,000.00, and also proposes that the District continue to pay the incentive allowing the employee to maximize his/her salary up to the state allowed maximum without incurring a TRS penalty. The Union proposes that any remaining retirement incentive dollars that could not be paid to the employee as creditable earnings would be paid to the employee as a post-retirement severance payment.

The Union also proposes that if an employee retires mid-semester and does not continue to work until the semester ends, the employee will forfeit that year's retirement bonus. Current contract language states that if an employee retires mid-semester and does not continue to work until the semester ends, the employee will forfeit the entire bonus.

The Union's most recent offer of increasing the Retirement Incentive to \$20,000.00 (a \$10,000.00 increase per teacher) is a potential increased calculated cost that the District cannot control. For example, if 10 teachers were to take advantage of such an increase and retire, this would cost the District an additional \$100,000.00. Of course, over time, all of the teachers in the District will retire and thus the MEA's proposal would eventually cost the District the additional \$1,380,000.00.

D. Additional Compensation

The Union has proposed an increase in the hourly rate that the District pays employees for time worked outside the contract year from \$16.00 per hour to \$26.38 per hour. In addition to the hours that employees work outside the contract year for duties such as summer school, summer driver's education, tutoring and other duties, the Union has suggested that each employee be allowed up to 16 hours (2 days) prior to the start of each school year to set up his/her classroom and prepare for the school year.

The Union's most recent offer would result in a 62% increase in the hourly rate that the District pays employees for time worked outside the contract year. Increasing the hourly additional compensation rate from \$16.00 per hour to \$26.38 per hour is an estimated increased calculated cost of \$29,835.00 for the hours that employees work outside the contract year for duties such as summer school, summer driver's education, tutoring and other duties. This figure is based on amounts paid during the 2017-2018 school year. Paying each employee 16 hours per school year to set up his/her classroom at the beginning of each school year is a calculated cost of \$63,734.00. Moreover, the proposed increase could put the District at risk for additional TRS 3% salary cap penalties.

CERTIFICATE OF SERVICE

This is to certify that on September 7, 2018, the attached letter and attachments were delivered to the following persons by depositing in the U.S. Mail box with proper postage attached on the date indicated above, and by electronic mail.

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