4-7-2009

# New York Mills Union Free School District and New York Mills Teachers' Association

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## Abstract

In the Matter of the Factfinding between New York Mills Union Free School District and New York Mills Teachers' Association. Case no. M2008-056.



## Keywords

New York State, PERB, fact finding

M2008-056

# NEW YORK STATE PUBLIC EMPLOYMENT RELATIONS BOARD

## IN THE MATTER OF THE FACTFINDING BETWEEN

**NEW YORK MILLS UNION FREE SCHOOL DISTRICT**

**AND**

**NEW YORK MILLS TEACHERS' ASSOCIATION**

## FACTFINDERS REPORT AND RECOMMENDATIONS

The New York Mills Union Free School District (hereinafter called the "District") and the New York Mills Teachers' Association (hereinafter called "Association") are parties to a Collective Bargaining Agreement ("Agreement") which expired June 30, 2008. After five negotiating sessions, a declaration of impasse was filed on or about May 27, 2008. A mediator was appointed by the New York State Public Employment Relations Board. Despite the efforts of the mediator, no resolution was reached. The Association requested a Fact Finder on December 11, 2008, and the undersigned was appointed to serve as a Fact Finder by the New York State Public Employment Relations Board (Case No. M2008-056), pursuant to the provisions of the New York State Public Employees, Fair Employment Act, ("The Taylor Law"), Civil Service Law, Article 14, §209.

By agreement of the parties, a mediation session was conducted by the fact finder on February 4, 2009. The parties were unable to reach an agreement at that time. Fact finding briefs were received on or about March 23, 2009. The District was represented by Andrew V. Lalonde, Labor Relations Specialist, Madison-Oneida BOCES, and the Association was represented by James Henck, Labor Relations Specialist, New York State United Teachers (NYSUT).

Factfinding is a statutorily mandated proceeding that should be considered an extension of the collective bargaining process in which a neutral delivers a written report recommending a reasonable basis for settlement. In making recommendations, factfinders traditionally take into account such factors as the prevailing standards that exist in other comparable school districts; the financial impact upon the community; the tax burden compared to other communities; the consumer price index; the bargaining history and historical relationship between the parties. It is unusual for factfinders to introduce novel or unusual concepts into the collective bargaining relationship. These principles have guided me in making the recommendations that follow.

My recommendations should be viewed as a whole in an effort to resolve the entire collective bargaining dispute, striving to strike a fair and workable balance between the outstanding issues.

## BACKGROUND

The Village of New York Mills is located in Oneida County, just outside Utica. It is a small town encompassing a 1.1 square mile radius with just over 3000 residents. The District is composed of two schools spanning kindergarten to twelfth grade. There are approximately 54 teachers and 628 students.

During the negotiations, the parties agreed to a number of items pending a complete package agreement. These items included language modifications in the area of new/graduate credits (Section II), transfer credit (Section II), child care leave (Section VII (A)), stipend provisions (Section II), retirement incentive (Section XXXI), and in-service credit (Section II).

## OUTSTANDING ISSUES

There were only two items submitted for analysis by the Factfinder – wages and health insurance. These items comprise the two most significant parts of any school budget and are inextricably intertwined. My recommendations should be viewed as a total package and include **both** the cost of the wage increase and modifications in the prescription drug program.

### 1. HEALTH INSURANCE

The pertinent portion of Section XX, Health and Dental Insurance, provides the following:

4. The District will pay 95% of the cost of individual coverage and 85% of the cost of family coverage.

5. Beginning with retirees in 2001-02 school year, the district will pay 55% for individual coverage and 40% for family coverage.

   For retirees in 2003-04, the district will pay 60% for individual and 45% for family coverage.

   For anyone retiring during the school years of 2004-05 and beyond, the district will pay 65% for individual and 50% for family coverage.

6. During the life of this agreement, the District will become a component of the Oneida Herkimer Madison BOCES Health Insurance Consortium with a \$3/\$8 prescription co-pay. The mail in prescription co-pay shall be \$0. If during the life of this agreement, the district wishes to unilaterally change health insurance, the following conditions must be met:

**Position of the District.** The District proposed altering the prescription co-pays in the current Excellus Blue Cross/Blue Shield PPO Plan with the following modifications:

a. The co-pay for a generic drug would increase from the current cost of three dollars (\$3.00) to five dollars (\$5.00).

b. The co-pay for a brand-name drug would increase from the current cost of eight dollars (\$8.00) to twenty dollars (\$20.00).

c. The co-pay costs for those prescription drugs available through the mail order program offered through the Excellus Blue Cross/Blue Shield PPO Plan would increase from the current zero dollar ($0.00) co-pay amount to a rate of two times the cost of a generic or brand-name prescription drug for a ninety (90) day supply, or ten dollars ($10.00) for a ninety (90) day supply of a ninety (90) day supply of a generic prescription drug, and forty dollars ($40.00) for a ninety (90) day supply of brand-name prescription drugs.

**Position of the Association.** The Association sought to maintain the current contract.

**Discussion.** There is no more explosive issue in collective bargaining today than the cost and benefits of the health insurance program. With health insurance increasing at the rate of an average of about 10% per year, the cost of the premium and the impact of any changes in coverage can be significant to both the employer and the employee.

The District argued that the cost of health insurance has increased dramatically and its proposal was necessary as a cost saving measure. It noted that the total cost of health insurance for those employees governed by the Agreement (individual, family and retiree coverage) was roughly six percent of the school district's total annual budget. It maintained that, with a projected 10% increase in 2009-2010 and anticipated costs of 9% in future years,[1] mechanisms to help control costs are necessary.

The District discussed internally and with the Association a number of different options to the current health insurance program, including changes in the percentage contribution to both individual and family insurance plans, changes to the percentage of retiree health insurance, and modifications to the prescription drug program. Other changes in plan design, such as increased costs of doctor visits or other co-payments, are prevented by the guidelines set down by the plan administrator. The District concluded that the proposed change in the prescription drug payment

1 These increases have been estimated by the Oneida-Herkimer-Madison Health Insurance Consortium, the administrator of the plan offered by the District.

would save it 6% in health insurance costs annually and would be the fairest approach for teachers, pushing the cost onto the employees that use the benefit the most. It noted that teachers could limit the impact of the increases by using generic drug and the IRS Section 125 plan.[2]

The Association argued against any type of health insurance modification. It argued that, while employees in the District fare slightly better than other teachers in the surrounding area with the prescription drug program and the health insurance premium contribution, the health insurance benefit for retirees is significantly below other districts in the area. Since the prescription drug modification would also be applied to retirees covered by the plan, the impact of the cost of the proposed prescription drug program would have a significant adverse impact on those retirees.

The District believes that modification in the health insurance is necessary to slow down the growth of health insurance costs and show taxpayers, when asked to vote on the budget, that the teachers are paying a fair share of the health insurance costs. The Association maintains that the benefits are consistent with those of other teachers in the surrounding area and does not want to see its members pay any additional costs. Both positions are understandable and predictable.

Both sides have submitted data regarding health insurance benefits in comparable districts. The data for the 14 districts submitted by the Association [3] and the 22 districts referred to by the District[4] shows that the health insurance premium contribution is consistent with that offered by the other districts. Depending on the data used, the average employer contribution is

2 This section of the IRS Code allows for certain medical payments to be made with pre-tax dollars.
3 These districts include Adirondack, Oneida BOCES, Camden, Clinton, Holland Patent, New Hartford, Oriskany, Remsen, Sauquoit, Waterville, Westmoreland, Whitesboro, Vernon-Verone-Sherrill, and New York Mills.
4 These districts include Brookfield, Camden, Canastota, Clinton, Hamilton, Holland-Patent, Ilion, Madison, Madison-Oneida BOCES, Morrisville-Eaton, New Hartford, New York Mills, Oneida-Herkimer-Madison BOCES, Oneida, Oriskany, Poland, Remsen, Rome, Sauquoit Valley, Stockbridge, Utica, Vernon-Verona-Sherrill, Waterville and Whitesboro.

93.6% (Association) or 93% (District) for an individual and 79.3% (Association) or 80% (District) for a family. The contributions at New York Mills of 95% for a single and 85% for a family are consistent with this contribution. The average prescription co-pay is $5 (Association) or $6.40 (District) for a generic and just under $10 (Association) or $14.00 (District) for a brand name. The New York Mills benefit at $3 and $8 is slightly below these averages. The rules regarding mail order are too diverse for any meaningful comparison.

Further analysis of the prescription drug comparables indicates that only one district in the Association peer group had a name brand co-pay of $20.00 or more. In the District peer group, seven districts had a name brand co-pay of $20.00 or more. Even though the expiration date of these agreements was not available, it is logical to assume that recent trends indicate a move toward higher prescription drug co-pays. In other parts of the State and nation, it is not unusual to see co-pays at significantly higher levels than the co-pays proposed by the District.

The major difference between New York Mills and other contracts is in the area of retiree health insurance.[5] The peer group has an average of 85% employer contribution for a single plan, compared to 65% at New York Mills; only 3 of the 14 districts are below 75%. For a family plan, the average is 70% compared to 50% at New York Mills; however, its family contribution is consistent with five other districts in the peer group.[6]

The facts indicate that an increase in the prescription drug co-pay is warranted. I am not persuaded that the retiree health insurance payment justifies maintaining the status quo on prescription drugs. The liability for retiree health insurance has become a significant concern for many employers in recent years. Benefits thought to be magnanimous and proper have become

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5 This is based on the Association's brief. The District's brief did not reference retiree health insurance.
6 In other words, almost half the locals in the Association peer group have the retiree health insurance premium contribution for a family plan at the same level or below that of New York Mills.

exceedingly expensive and a drain on the budgets of many employers, including school districts. Many private sector employers have attempted to eliminate or significantly curtail health insurance for retirees. For example, companies and unions in the auto industry have been grappling with the cost of retiree health insurance for over a decade and still have not reached any satisfactory resolution. Few, if any, employers are starting or improving programs to pay for retiree health insurance.

The parties increased the District's retiree health insurance in the last contract to a level that is still at the low end of comparable districts in the surrounding area. It can be assumed that, in the past, for whatever reason, the parties – the Association and the District - decided that retiree health insurance was not a priority and put their emphasis in other benefits or other areas of the contract. Given this bargaining history, there is no justification for maintaining the status quo in the prescription drug program.

The proposal of the District to increase the prescription drug co-pay to $5 for a generic, $20.00 for a name brand, and $10.00 for mail order is reasonable and consistent with the practices in the surrounding area. Even with the increase, it is an excellent benefit when compared to employees elsewhere, in both education and other industries.

The increase in prescription drug co-pays could also encourage members to use generic drugs to a greater degree. Currently, comparing utilization within the District to other groups within the Consortium, the use of generics is much lower and the use of mail order drugs is significantly higher than the average utilization in the overall plan. This is not surprising given the absence of a mail order fee and the small difference in cost between generic and name brand. The recommended change should encourage more employees to use the generic brand, both in the local pharmacy and through mail-order, and serve to moderate premium increases.

***Recommendation.*** The Agreement should be modified to increase the prescription drug co-pay to $5 for a generic, $20.00 for a name brand and $10.00 for mail order.

**2. WAGES**

**Position of the Association.** The Association has proposed increases of 3.5% for school year 2008-09, 3.5% for 2009-10, and 3.75% for 2010-11, inclusive of the cost of increment.

**Position of the District.** The District proposed wage increase of 3.0% (inclusive of step) for 2008-2009 and 3.3% for 2009-10 and 2010-11 if the prescription drug plan it sought is adopted. In the alternative, it proposed a 3% wage increase for all three years if it was not possible to implement the changes in the District's health insurance plan.

**Discussion**. The Association submitted wage data that indicates wages in New York Mills are average for the surrounding area, although it noted that such comparisons are not always accurate due to the teachers who have been frozen on step. Adoption of its proposal would be less than the average settlement for the three years in question. Given the general state of the economy, the Association maintained that its proposal was appropriate and should be adopted.

The comparisons submitted by the District are consistent with those of the Association. It maintained, however, that, in light of the projected increases in health insurance costs and the proposed 8.9% reduction in State aid, a more moderate increase in wages is appropriate. It maintained that its proposal would keep teachers in the District in the middle of the pact in terms of salary and was an appropriate percentage increase in tough economic times.

The information provided by both sides confirms that current salaries are comparable to salaries of other small school districts in the area. Neither side has proposed modifying the salary schedule. With comparable salaries, the appropriate percentage increase is the principal variable to be considered. The Association noted that the average increase was 4.5% in 2009-09, 3.7% in 2009-10 and 4.28% in 2010-11. Only about half the contracts are settled for 2009-2010, and it is not clear whether these settlements were made before or after the downturn in the economy.

This information could be used to justify a 4% wage increase for each year **if** comparability were the only benchmark and **if** the contract was being negotiated six months ago. However, Factfinders are required to consider other criteria (see the introductory comments). At the time of the writing of this Report and Recommendations, the unemployment rate increased to 7.6%, up from 4.9% a year ago. Retail sales have slowed dramatically. Banks and the auto industry are clearly in trouble and the impact of the stimulus package proposed by President Obama is uncertain. The Consumer Price Index (CPI), long a key barometer in assessing appropriate wage increases, increased by 4.2% for the first half of 2008 (July, 2008), but decreased by 1.2% in December. These numbers are based on the 12 months previous to the month issued. These rapid gyrations make the CPI an uncertain barometer for forecasting future increases. Through its proposal, the Association has acknowledged that comparable settlements should not be the sole and exclusive guide in determining the appropriate salary number and that the general economy must be taken into account.

The Association's proposal is a significant drop from the average percentage settlement in comparable districts and should be adopted. However, its proposal should be incorporated as a "net" increase – the true value of the proposed wage increased. The increases in the prescription drug co-pays cannot become effective until the second year of the contract. In 2009-2010, the value of its cost should be added to the wage adjustment so that employees will have a net increase of about 3.5% (wage increase minus the value of the prescription drug co-pay).

While it is understood that the recommended changes in health insurance affect people differently, the impact on the entire bargaining unit must be evaluated. The District has estimated that the savings could amount to about 6% of the costs of the prescription drug component of the Excellus Blue Cross/Blue Shield PPO Plan; based on my calculations, this should amount to the equivalent of a 0.25% wage increase. If the second year Association proposal is increased to 3.75%, the net impact on overall teacher's salaries will be equivalent to the Association proposal of 3.5%.

In the 3rd year (2010-11), the 3.75% should be adopted. The cost of the increased prescription drug co-pay will be included in the salary by virtue of the higher percentage increase in the 2nd year.

***Recommendation.*** The wages increases shall be as follows:

School year 2008-09 – 3.5% total new money (increment plus base increase)
School year 2009-10 – 3.75% total new money (increment plus base increase)
School year 2010-11 – 3.75% total new money (increment plus base increase)

## CONCLUSION

These recommendations have attempted to balance the interests of the School District, the employees and the citizens of the community. I hope that these recommendations are helpful to the parties in reaching a successor agreement.

Dated this the 6 day of April, 2009.

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