

Intermediate District 287

RESPONSIVE. INNOVATIVE. SOLUTIONS.

Local 2209 Negotiations | FAQ

March 1, 2010

Background

Negotiators from District 287 and Education Minnesota Local 2209 have been working diligently since last March to agree on a new contract. The negotiators began working with a mediator in December.

Both sides have offered multiple financial proposals but have not been able to reach an agreement. Because the contract was not settled by the State's deadline of January 15, the District incurred a fine of approximately \$42,000.

Why haven't the two sides been able to reach an agreement?

The biggest stumbling block has been the cost of health insurance. Premium increases have outpaced the rate of inflation for many years now. The biggest factor in the premium increases has been the Open Access and Select Choice plans. *They both provide 100% coverage which is a level of coverage rarely seen anymore because of its high cost to both the employer and employee.* The District pays most of the cost of employee coverage, and is interested in working with employees to redesign health insurance plans to achieve quality affordable health care at a reasonable cost. The District's current cost for health insurance for Local 2209 members and their dependents is \$6.3 million and represents a \$700,000 increase over last year. This type of yearly increase is largely due to the health insurance plan designs which are no longer sustainable. We must find a way to reverse this trend.

In addition to health insurance, there is the issue of salary increases. If steps were paid for both years of the contract, the cost would be more than \$1 million. The addition of lanes and career stipends would bring the total cost for salary increases to almost \$1.3 million. By year 2 of a new contract that included steps, lanes, and career stipend increases, the District would pay \$29.6 million for salaries alone.

The District 287 Board is composed of member district representatives who expect that District employees will be fairly compensated and have access to affordable health care. They know that the settlements reached in their own districts reflect the reality of the current economic times and expect the same of District 287. The District cannot afford to continue business as usual when economic times are anything but usual.

What changes is the District proposing to our health insurance plans?

All proposed changes to the District's health insurance plans have originated with the Local 2209 negotiators. They have sought to redesign current health insurance plans to make them

more affordable without sacrificing quality. The District is encouraged by the Local's proposals and is hopeful that some meaningful changes will result from negotiations.

Health care costs are out of control, but we have a chance to do something about our plans that would not significantly change coverage or access, but would significantly affect our premiums.

Have the negotiating teams continued to meet since January 15?

At the time of the January 15 deadline, the District had three settlement offers on the table. Two of them were offers that expired if they were not accepted before the deadline. All three were rejected.

District negotiators were disappointed that none of these offers were taken to the Local 2209 membership for a vote. We believed that the offers were fair, in line with member district settlements, and had a good chance of being accepted. The largest settlement package provided steps both years and 1% at the top of the schedule, and incorporated the health insurance plan redesign advocated by the Local in order to reduce premiums for employees and the District.

It is now in the Local's court to bring a settlement offer to the table. District negotiators are ready and willing to meet at any time. To date, there has been no new proposal from the Local's negotiating team.

If funds are limited, why is the District hiring an assistant finance director?

The State's new and complex special education tuition billing system requires significantly more monitoring and follow-up in order to ensure that the District receives all of the revenue to which it is entitled. The legislation establishing the tuition billing system promised that districts would be held harmless under the new system, yet the District has had to file several appeals with the Minnesota Department of Education in an attempt to make sure that promise is fulfilled.

In addition to all of the work the new system has generated internally, it has created many questions on the part of member districts and other districts whose students we serve. District finance staff has spent countless hours providing support to these districts in understanding their bills and ensuring that they are paid in full. The new special education tuition billing system was not designed with the unique needs of an Intermediate in mind and will require additional financial staff to implement in our District. At this time, the special education revenue that was due to the District last year (FY09) is still under discussion and remains unresolved.

Doesn't the District have a big fund balance? Why can't those monies be used?

The District does not have a "big" fund balance. In June 2009, the District had a fund balance of \$4.7 million, which is 7% of the operating budget. The District's monthly payroll and fiscal

obligations are \$6-7 million. The fund balance would not last one month in the absence of continuing payments from the State and districts.

The fund balance covers immediate cash flow needs, and Board policy requires the District to endeavor to maintain at least a 6% fund balance. Many districts have fund balances that are much larger than 287's. In fact, 287's fund balance is conservative when considering accounting recommendations for best practices in fiscal responsibility.

Because of the state's "shift" in school aid payments this fiscal year the District has had to engage in short-term borrowing. This borrowing, in conjunction with the minimum fund balance, has allowed the District to meet its financial obligations even in times of uncertain state funding.

The District's fund balance is the equivalent of a family's emergency fund. It is not money that is used to cover ongoing operational expenses, such as salaries and benefits. A fund balance is a fiscally prudent way to plan for the unexpected and to ensure that the District can meet its payroll and other obligations even when state funding is withheld.

If money is so tight, why is the District building a new building?

The decision to build a North Education Center (NEC) is not a decision to spend money on infrastructure that would not otherwise be spent. Either the District will pay to lease and renovate existing buildings or it will build a new building. It will cost the District less over the long term to build a new building than to continue leasing the spaces it already does.

Building NEC would provide long-term stability to the District's lease costs, while taking full advantage of current economic conditions. Construction and interest rates are historically low, and federal stimulus funding is available for precisely this kind of building. Money used to build schools is a separate pot of money that can't be used for operating expenses like salaries and benefits.

Rent increases for 2010 were 5% for Hosterman and 23% for North Vista. If 287 continued to lease these spaces instead of building a new facility, by 2030 the District would pay an estimated \$3.3M in annual rent for these two sites, have no equity, and face continued rent increases. Additionally, there are serious infrastructure needs at Hosterman. It is not fiscally prudent to continue paying more rent each year on a building in need of significant repairs.

What about stimulus funding? Isn't there additional money available from that?

The District has applied for and received some stimulus monies in the form of discrete grants to be used for certain specific purposes. These stimulus dollars are not available for existing operating expenses such as salaries and benefits.

What's likely to happen to K-12 funding during this legislative session?

The situation is bad and could get worse. Recently, the state announced that it will be withholding portions of state aid payments due to districts in the next few months. Many of our member districts are among those affected.

When he presented his budget, the Governor promised to “hold education harmless.” However, because K-12 Education makes up 37 percent of the state’s overall budget, a budget that currently has a \$1.2 billion deficit, it is quite possible that cuts in education funding will be part of the Legislature’s plan to balance the budget.

Statewide, superintendents are being advised to plan for a zero percent increase in per pupil funding, with the potential of up to 5% in cuts. We know that times are bad when the best case scenario is that there will be no new monies for K-12 education.

When can we expect to have a new contract?

District negotiators continue to be hopeful that the two sides can come together, work out our differences and reach a settlement that is fair and in keeping with the financial challenges faced by the District and its members.

We are living in unprecedented financial times. Member districts are making increasingly difficult cuts to their budgets and scrutinizing costs like never before. The Bloomington Public School’s decision to withdraw from 287 as a way of controlling costs shows just how serious the situation is.

As an Intermediate School District, we owe it to our members to be just as cost-conscious as they are, and to reach settlements with our employees that balance recognition of the great work they do under challenging circumstances with the cost member districts must pay for our services. We are confident that, by working together, we can agree on a contract that will both recognize the fiscal realities and meet the needs of both sides.