

**FACT FINDING REPORT  
HAZLETON AREA SCHOOL DISTRICT  
Case No Act 88-13-21-E**

Francis T. McGrath  
Fact Finder

Hearing Date: May 14, 2013  
Report Submitted: May 20, 2013

For the District: Carl Beard, Esquire  
Andrews & Beard

For the Union: Virginia M. Cowley  
Hazleton Area ESPA

**INTRODUCTION:** On April 10, 2013, the Pennsylvania Labor Relations Board (PLRB) pursuant to Act 88 of 1992 (Act 88) and the Public Employer Relations Act (PERA) appointed the undersigned as fact finder in the impasse between the Hazleton Area School District School Board, hereinafter referred to as the Board or District, and the Hazleton Area Education Support Professionals' Association, hereinafter referred to as the Association.

This report contains recommendations for resolution of the outstanding issues and constitutes the settlement proposal upon which the parties are now required to act, as directed by the statute and PLRB regulations. Pursuant to statutory authority, this report will be released to the public if not accepted. A vote to accept the report does not constitute agreement with, or endorsement of, the rationales contained herein, but rather represents only an agreement to resolve the issues by accepting the recommendations. **The parties are directed to review the report and within ten days of its issuance, notify the PLRB of their decision to accept or reject the recommendations. Acceptance must be full and unqualified. Failure to respond will be considered a rejection. In case of rejection, the PLRB will release the report to the public.**

The parties have been negotiating for approximately 2 ½ years starting in January, 2011. The key issues remaining are wages and the health care benefit. Both sides have significant facts in support of their arguments, and the proposals submitted in this report do not diminish the strength of these arguments, but are an attempt to get beyond them to an agreement which both parties can tolerate.

**ISSUES AND RECOMMENDATIONS:**

**WAGES AND HEALTH BENEFIT:** These two are linked, so I have chosen to discuss them together. The Association's basic argument, as I see it, is that the District has sufficient funds to pay for the benefit as it is now constructed, so why is it asking its employees, especially those who have been in service for some time, to accept a reduction in this important benefit? The Association maintains the District's fund balance has risen from \$1.6 million in 2008 to \$20.1 million in 2012. It quotes several rating agency's recommendation that fund balances be between 5% and 10% of current operating expenditures. According to the Association, HASD actual expenditures for 2012 were \$106.9 million.

The District's business manager states that between \$6 or \$7 million was committed to certain areas. The District also had a bond debt of approximately \$120 million, and it argued that the pending increases in the PSERS, coupled with its obligations to cyber schools, potential building requirements, increasing enrollments, and especially failing state and federal aid will further impact its financial situation.

The Association cites several Luzerne county districts, e.g. Hanover, Wyoming area, and eight more, none of which have deductibles approaching the district's requests. Only two, Greater Nanticoke Area ESP and Crestwood ESP have premium sharing requirements. The District presented similar data from surrounding districts, e.g. Central Columbia with premium sharing going to 7% in 2014 and Bloomsburg with premium share ranging from \$900 to \$1000 over the life of the contract.

There are 344 employees in this unit, 28 waived out of coverage, 117 are not covered, so the discussion of health care directly affects 199 persons, and indirectly, because the District has linked the issues, the raises of the other 145. The District reports in 2011-2012 it spent \$12,782,023, and it budgeted some \$14 million for 2012-2013 for health care. The health care expenditure number given for the 199 in this unit for 2012-2013 is \$3,152,477.56. ((This number may be from 2011-2012..)) This number represents an average cost of \$15,842 per member. The average pay for the unit in that period was \$4,659,228/300 or \$15,530 per member. The divisor could be off because of employee turnover, but the final number would still be significant vis-a-vis the wages paid. Even a cursory review of the payroll shows any number of employees whose "ppo contribution" exceeds their wages by \$7 or \$8 thousand dollars, some less, some almost a 50/50 split. The reverse also occurs where someone has single coverage. Over the period, 2007 to 2011, a printout supplied by the District shows total wages for this unit at approximately \$16.3 and benefits at approximately \$15.6 million. The point being made here is not that the recipient are not deserving, but that the health care dollars spent directly impact the wages of those not receiving this benefit. One could argue that the ratio of benefit cost of health care to wages is high, but one could also argue that is the result of low wages.

The discussion above convinced me that some change had to be made in the health care costs, and some of those savings should be shared with those who are not recipients of those benefits.

The District initially proposed a 1000/3000 deductible plan. Its hearing booklet indicates it could keep the present 250/750 plan if it increased copays and premium share from the present zero contribution to amounts ranging from \$100 to \$320 per month. A District document states this premium share would match the savings, about \$520,000 according to my math, if the 1000/3000 was accepted. The Association initial proposal did not propose any changes in the plan and offered a premium share of ½ the administrative costs, or about \$25 per month. Data submitted by the District shows an average 21% employee contribution in Pennsylvania.

The Association has already rejected any idea of a 1000/3000 plan. Any plan, other than the present 250/750 plan, would certainly adversely impact the present benefit structure, but I see no alternative to a different plan if an agreement is to be reached.

**Recommendation:** Health Care: The District fact finding booklet contains a 500/1500 plan. I propose its adoption but amending the copays for chiropractic and specialist visits to \$25. A premium share of 3% for all plans is also proposed. The District makes a powerful point concerning its benefit cost as percentage of payroll, but its proposals represent too drastic a change in the health care situation of its employees.

The District also proposed elimination of spousal coverage for the spouses of employees who are eligible for health care coverage in their place of employment. The argument usually put forth is: “Why should the district’s taxpayers subsidize other employers?” I accept this partially and propose that spouses of public employers who are eligible for this benefit must accept it in their place of employment. The premium shares for private employers are, for the most part, significantly higher than the private sector, and this report is already proposing increased cost to the employee in the basic plan.

**Recommendation:** Employee’s spouse eligible for health care in employment in public sector must accept health care in their place of employment.

The District proposed that new hires will be eligible for individual coverage, but will have the opportunity to purchase family coverage for 50% of the premium, subject to the spousal coverage mentioned above. Similar language regarding new hires and present employees exists in other contracts.

**Recommendation:** District proposal is recommended.

The District has proposed the elimination of the waiver provision. If a person is eligible for a full benefit, but accepts an amount equal to 30% of the cost, I see no evidence that this does not save the district money.

**Recommendation:** This proposal is rejected.

There is difficulty in determining a proper wage package. The District’s individual wages are not represented by any particular wage scale that I can determine, but are scattered throughout-- determined by prior agreements, longevity, etc. Also various Districts have duties for the job categories which may vary from this District thus thwarting a comparison. The PSEA statewide has accepted the financial problems facing the schools and has indicated an acceptance of a one year wage freeze. Since the District has not found any of the health care savings it was seeking in the first two years, the freeze in one year seems reasonable.

The next three years present a different picture. A review of the District’s hourly wages presented in the payroll data submitted, shows moderate wages. I don’t recall seeing either an aide or cafeteria worker making \$20 per hour; many are in the \$8 to \$10 range. The District had proposed: freeze, .25.35.35. The Association proposed: .25.50.50.50 Data submitted by the Association indicated the health care changes proposed in this report would have significant effect on some employees resulting in negative income. It also produced data showing average wages, but some of the hourly rates reported were very low, e.g., 2.71, 1.69, so I could not rely on the average computed. Previous increases were based on a percentage basis. Percentage raises favor the higher paid employee, so I am casting my recommendation as an hourly increase.

**Recommendation:** July 1, 2011 ----- wage freeze  
July 1, 2012 ----- .50 per hour retroactively to 7/1/2012  
July 1, 2013 ----- .50 per hour  
July 1, 2014 ----- .50 per hour

The District has proposed that starting wages be frozen at the present rate. The District assumes people are available at these rates.

**Recommendation:** Starting wages remain as in present contract

The Association has proposed amending the present contract language in 28.4 which requires the payment of certain sums to those aides who acquire an associate and/or a baccalaureate degree. As I understand the proposal, it would add an additional .25 or .50 per hr to the employee's wages---they now receive .25 or .50 per hr additional---so present employees would receive an additional .50 or 1.00, and any employee gaining any of these degrees in the future would receive .50 or 1.00. This may be required, but I see no evidence to support. The District maintains that many of the aides are appropriately compensated.

**Recommendation:** Association proposal is rejected.

**RETIREMENT:** The District has proposed the elimination of the Retirement Incentive. There is some dispute whether this type of provision favors either party, but in this situation there may be people who based their retirement plans on it, and to change it at this juncture in the negotiations could prove a hardship to them.

**Recommendation:** The present system be maintained for the life of this contract, but will cease to exist on June 30, 2015. Employees who have filed the necessary letters of resignation in past will have them honored, and new dates for windows will be May 1, 2014 and April 15, 2015 for the last two years of the contract.

**DRUG TESTING:** The District had proposed language regarding a drug testing program.

**Recommendation:** The District has dropped the words "random and/or" from its proposal, and it is my understanding that the proposal is now acceptable to the Association, and I recommend it be placed in contract.

**CONCLUSION:** This constitutes my recommendations on the outstanding issues and is the end of the fact finding report.