

**COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA LABOR RELATIONS BOARD**

In the Matter of Impasse Between the

MERCER AREA SCHOOL DISTRICT,
"Public Employer,"

-and-

MERCER EDUCATION ASSOCIATION, PSEA/NEA,
"Association."

Case No. ACT 88-17-4-W

Before:
Gary W. Kloefer
Fact Finder

Appearances:

For the Employer:

Russell R. Lucas, Esquire
Andrews & Price, LLC

For the Association:

Patrick J. Andrekovich
Pennsylvania State Education Association

Dan Mercer, Ph.D.
Pennsylvania State Education Association

Mediator – Gregory Gleason

Pursuant to Act 88 of 1992 ["Act 88"] and the Public Employee Relations Act ["PERA"]. I was appointed by the Pennsylvania Labor Relations Board ["PLRB" or "Board"] on February 21, 2017 as the Fact Finder in the impasse between the Mercer Area School District [the "District"] and the Mercer Education Association, PSA/NEA [the "Association"] in order to receive proposals and positions from the parties' for the unresolved issues that remained at the conclusion of their unsuccessful collective bargaining effort. The Board and the Association submitted documentary evidence and testimony as part of their presentations. I analyzed all testimony and documents that addressed each parties' positions, wants and needs so that they may be able to achieve a mutually agreed upon collective bargaining agreement. The District is one of thirteen (13) school districts in Mercer County¹, located in northwestern Pennsylvania. The District had 1,140 enrolled students at end of the current CBA and currently employees eighty-six (86) professional employees (Teachers [numbers within the following educational level classifications for the 2017 school year, 32.5 Bachelor Degree, 53.5 Master's Degree) which constitutes the bargaining unit for which the Association is the exclusive bargaining representative.

The parties commenced collective bargaining negotiations for a successor agreement prior to the expiration of the July 2013 – June 2016 Collective Bargaining Agreement (CBA) in January of 2016, continuing through January of 2017. The parties engaged in at least fifteen (15) negotiation sessions² which included the assistance of a professional Mediator. The parties were unable to achieve a new CBA and on

¹ Jamestown Area School District, Greenville Area School District, Commodore Perry School District, Crawford Central School District, Reynolds School District, Sharpsville Area School District, Sharon City School District, Hermitage School District, Farrell Area School District, West Middlesex Area School District, Wilmington Area School District, Grove City Area School District, Mercer Area School District, Lakeview School District.

² January 7th, February 1st, February 25th, March 31st, April 21st, May 5th, May 19th, June 7th, August 9th, August 22nd, September 2nd, October 4th, October 27th, December 14th of 2016 and January 18th of 2017.

February 13, 2017 the Union requested Fact Finding as a means of resolving the outstanding issues. I was assigned as the Fact Finder and a Fact-Finding hearing was scheduled for Wednesday, March 15, 2017.

On March 15, 2017, a hearing was held in the library of the Middle Senior High School located at 545 West Butler Street, Mercer Pennsylvania from 5:00pm until 10:00pm. The parties were afforded the opportunity to fully present testimony, examine and cross-examine witnesses, introduce documentary evidence. and argue orally in support of their respective positions on the remaining unresolved issues. Prior to the fact-finding hearing, the undersigned was provided with the parties' respective positions on the unresolved issues, along with a copy of the expired collective bargaining agreement. Both parties provided the Fact-Finder an extensive issue packet that included substantial financial and other relevant information.

Prior to the initiation of the fact finding hearing the Association requested a Pre-Hearing Conference with the intent of exploring possible agreements following its receipt of the District's final wage position to achieve a mutually agreeable CBA. The parties agreed with the mutual understanding that the respective party position expressed during this meeting were off-the-record and without prejudice to either parties on-record position(s). Although the parties were not able to discuss all the outstanding issues, good-faith discussion ensued on those issues that were discussed.

SUBMITTED UNRESOLVED ISSUES

DISTRICT

1. Preamble – Term/Length of Contract
2. Article XI – Salary
3. Article X – Health Care
4. Tentative Agreements
5. Miscellaneous

ASSOCIATION

1. Preamble – Term of Agreement to be a five (5) years, July 2016 – June 30, 2021
2. Article VIII -Section 6, Preparation Time
3. Article X – Section 5, Retirement Benefits
4. Article X – Section 1, Health Benefits
5. Article XI – Wages Salary with retroactivity

ISSUES

Based upon the statement of issues the parties submitted to the Fact-Finder at the hearing, the issues listed above are at impasse: length of contract, preparation time, wages, retirement benefits, health care, tentative agreements, miscellaneous. Although each issue may be discussed separately or with similar issues as a package, the impact of the issues in their entirety was given careful consideration. In analyzing the positions of the parties regarding each issue at impasse and subsequently making my recommendations I was guided by the following principles:

1. The past collectively bargained agreement between the parties.
2. Existing Past Practices agreed upon by the parties that they have continued to practice following the expiration of the 2013/2016 CBA
3. Comparison of the issues submitted to fact finding relative to the employees in the bargaining unit involved with those issues related to other Pennsylvania Professional employees (Teachers) within Mercer County doing comparable work, giving consideration to factors peculiar to the area and classification involved.
4. The interests and welfare of the public, the ability of the Mercer School District to finance and administer the issues proposed, and the effect of the adjustments on normal standard public service.
5. Other factors, not confined to those listed above, which are normally or traditionally taken into consideration in the determination of the issues submitted to final offer settlement through voluntary collective bargaining, mediation, fact finding, or other impasse resolution procedures in public service

employment.

DISCUSSION AND RECOMMENDATIONS

There is a long bargaining history to the parties' impasse. I have carefully considered all the evidence the parties presented at the hearing, including their supporting rationale for each issue. The recommendations below are amply supported by the record evidence, and they will provide a level of stability for the duration of the new Collective Bargaining Agreement and subsequent school years. Further, when taken together, the recommendations represent a reasonable compromise to the parties' competing interests.

The parties are familiar with the outstanding issues. **To the extent an issue is not specifically addressed or incorporated by reference herein I recommend the status quo.**

During the course of the hearing, the parties had full opportunity to advocate for their positions, submit exhibits, present testimony and discussion, and engage in rebuttal of the submissions and arguments of the other party. The Fact Finder will transmit the Report and Recommendation, by way of electronic mail and a "hard-copy" by Express Mail to the parties on March 27, 2017.

Each party presented an analysis of the District's finances to include, but not limited to, the General Fund and revenue source(s) effort, the District's ability to pay, as well as the tenure for employees, comparison of the known financial data for the other School Districts in Mercer County. The Association's evidence for this issue showed the District's actual millage rate increased from 59.5 in school year 2009 to 62.0 in 2013 (an increase of 1.6%) for school years 2013 – 2016. This chart also showed the Act 1 Revenue Index allowed the District was 2.6%. but the millage rate did not change. The evidence demonstrated that the District is facing many of the same issues that other school districts encounter around the Commonwealth, such as increased health insurance costs as well as generating revenue for this expense. In regards to salaries, the District ranked tenth among the 13 School Districts in Mercer County for average bargaining unit (Teachers) salaries and first in Average Years of Service per bargaining unit employee (Teachers) and third in the number of employees (Teachers) with Masters Degrees. Besides those issues, the District indicated that its " student population had dropped by 147 students during the 2013/2016 CBA and was projected to decrease to 1116 students for school year 2016/2017's CBA. In response to the this decrease in student population the District reduced the number of bargaining unit members (Teaches) to 86. The District's "assessed millage rate "was maintained at the same level (62.0) for tax years 2013 -2016 and no evidence was submitted indicating that it had requested additional Act 1 Funding, which is greater that the millage rate, which serves as an indication that it's revenue source for Teacher wages and benefits during for the duration of the 2013/1016 CBA was sufficient. The District submitted documents showing its tax burden is greater on its revenue source due to a predominantly residential and commercial tax base; also of note was the fact that it did not submit evidence of its effort to take advantage of additional revenue sources. The District supported its position with multiple budgeted and actual revenue and expense analyses. The District also provided a chart indicating the closure of the YES Academy in 2016 as a reason for a decrease in funding from LEA and PDE which totaled 507,142.50 in school year 2015/2016. It's Revenue Information chart for school years 2012 through school year 2016 an increase in Total Revenue with an estimated Revenue Budget for the 2016/2017 school year as:

		Increase	Total Revenue Increase
Real Estate Taxes (63 Mills)	\$5,198,902	\$113,102	
Earned Income Taxes	\$ 900,000	\$ 173	
Basic Education Subsidy	\$5,394,896	\$106,436	
Ready to Learn Grant (ABG)	\$ 214,632	\$ 23,911	
			\$243,533

The District also presented a chart showing its Retirement costs from school years 2011/2012 through 2015/2016. The charts showed the District's actual Retirement cost for school year 2015/2016 had risen to \$1,739,471. It admitted the Commonwealth refunds it approximately 50% of this figure. Also of interest is that this chart shows the District has the ability to project out to school year 2021/2022 the estimated PSER Employer Contribution Rates based on the 2015/2016 salary index. The District also presented the Mercer Area School District Fund Balance as of June 30, 2016, as \$4,687,887.00. The District also presented its Debt Service financial situation beginning in school year 2016/2017 up through 2022/20XX showing that its debt (Interest and Principal) increases each year. It claimed that unless changes were made to reduce the size of the debt that default was a possibility. It did not claim that it was prohibited from carrying debt as part of its budget and asserted that the

changes it seeks to the successor CBA will reduce this debt total. The District's position regarding salary schedules was stated as; continuing to apply the 2015/2016 salary schedule during the status quo period and proposed the following salary increases:

	Increase
2016-2017	<u>\$158,684</u>
2017-2018	<u>\$157,890</u> (plus 2016-2017 increase)
2018-2019	<u>\$162,273</u> (plus 2016-2017 and 2017-2018 increases)

According to the District these figures represent a percentage increase 3.23%, 3.11% and 3.10% respectively.³

The Association emphasizes that "in each of the last eight years for which both budgeted and audited financial data are available" that the District realized a surplus in five of those years. Over the last five (5) year period, the District had an average of \$374,423.00 positive difference between Actual Revenues and Actual Expenses. The Association supported its position with a budget analysis. The Association also presented documentation showing the Mercer Area School District is in the top third in property resources and income within the County while being in the bottom third among districts in taxes on property and on taxes on income. The Association supported its position with multiple budgeted and actual revenue and expense analyses. The Association claimed that relative to other districts in the Mercer Area School District the Mercer School District is in the top third in property resources (5th) and income resources (4th) and the District is now in the bottom one-third among the districts in taxes on property (9th) and in taxes on income (10th). In this regard the Association claimed these figures demonstrated the Mercer Area School District's tax efforts measures lag wealth resource measures by a considerable margin. It also presented a comparison of the Budgeted and Actual Revenues from years 2009 to 2016 which it claimed demonstrated the District underestimates the Revenue it would receive each year and the actual Revenues it received which showed a five (5) year (2012 – 2016) the average difference between budgeted and actual Revenue income as \$552,183 per year. It also presented a chart covering the same time frame as the budgeted and actual Revenues that shows the District underestimates budgeted expenditures which showed a five (5) year (2012 – 2016) the average difference between budgeted expenditures and actual expenditures as \$200,000 per year.⁴ The Association also presented a chart showing the actual ending General Fund balance for 2015/2016 was \$1,800,000.00. The Association's wage proposal seeks that all salary, benefits, extra-curricular, and all other monetary payments will be retroactive and that salary increases will be 2% on scale with step movement each year. The original supplied chart showed the cost of its proposal for each of the five years of its proposal the following annual increases:

	Increase
2016-2017	\$208,587
2017-2018	\$206,523
2018-2019	\$207,584
2019-2020	\$202,315
2020-2021	\$196,502

According to the Association these figures represent a percentage increase 3.89%, 3.78%, 3.57%, 3.43% and 3.24%.⁵

The Association, by email dated March 22, 2017, stated the following:

I sent Mr. Mercer the documents submitted by Mr. Lucas, in order to perform an updated analysis of the two proposals. While doing the comparison, he noticed a discrepancy in our scales as it related to the matrix. The error was using the 2016-17 matrix to calculate the base year, when it should have been the 2015-16 matrix. He corrected his error to match the matrix used by the District, in its most recent salary proposal. **I have attached the correct scales. [Emphasis Added]**

The correct scales reflect that the Association's proposal is much less than was discussed at the hearing and even more affordable. The comparison of the first three years of the Association's proposal is listed below. We are unable to do any further comparison, since the District is only proposing a three year settlement. **However, the Association is still requesting a five year agreement, as the salary schedules reflect. [Emphasis Added]**

³ On March 21, 2017 at 5:29pm the District sent the Fact Finder and the Association an email with the adjusted annual salary increase and percentage increase. It included its Salary Matrix for each year as part of its updated/clarification to its original Exhibit 16. The updated figures are listed above.

⁴ The District and the Association both acknowledged that the figures for school year 2012, although actual, were caused by a variance by the Commonwealth that was beyond their scope of authority or control.

⁵ On March 22, 2017 at 3:21pm the Association sent the Fact Finder and the District an email containing its adjustment to the Salary Matrix on March 22, 2017 based on an error it discovered in its original Salary Matrix to calculate the base year (2016-17 when it should have used 2015-16). The corrected Salary Matrix showed the percentage increase for each of the five school years as; 3.16%, 3.81%, 3.71%, 3.50% and 3.36%.

2016-17

Association \$5,085,171
District \$5,076,501
Difference \$ 8,670

2017-18

Association \$5,278,839
District \$5,234,390
Difference \$ 44,449

2018-19

Association \$5,474,450
District \$5,396,663
Difference \$ 7,787

2019-2019

Association \$5,666,299
District \$ Not Included in its Proposal
Difference \$ *****

2020-2021

Association \$5,856,914
District \$ Not Included in its Proposal
Difference \$ *****

The Association’s corrected Salary Matrix showed the percentage increase for each of the five school years was 3.16%, 3.81%, 3.71%, 3.50% and 3.36%.

Both parties presented comparisons of the salary and benefits packages received by professional employees (Teachers) in other school districts in Mercer County.

Tentative Agreements

All the parties' **initialed and dated** tentative agreements shall be incorporated into this report by reference herein unless stated otherwise.

Issue 1 - Preamble – Term/Length of Contract (Submitted by District and Association)

The Current Provision

PREAMBMBLE

This agreement dated the 24th day of February, 2014, by and between the Mercer Area School Board and the Mercer Education Association, PSEA-NEA, intending the within contract to be retroactive and binding on both parties from July 1, 2013, and continuing in full force through June 30, 2016 provides as follows:

District’s Proposal

The expired Collective Bargaining Agreement covered the period from July 1, 2013 through June 30, 2016. The District proposed another three (3) year term, to run from July 1, 2016 through June 30, 2019. The Association proposed a five (5) year term. During negotiations, the parties have discussed package proposals with both term lengths. The District’s proposal for Fact-Finding is that a three (3) year term is appropriate for the successor CBA.

Association’s Proposal

Term of agreement to be a five (5) years, July 1, 2016 – June 30, 2021

Recommendation – The term/length of the Collective Bargaining Agreement will be four (4) years, July 1, 2016 through June 30, 2020. This recommendation is made in recognition of the District and Association’s stated need for financial stability for the School District and the employees represented by the Association. The Fact-Finder is mindful of the District’s concern regarding projecting revenues and expenses in the out-years (2020 and 2021)

based on possible increased Health Care costs. However, the District submitted several Exhibits that demonstrated that revenue and expense projections have been accomplished which include the “out-years” and were included in several of its documents. The Arbitrator also noted that a large percentage of School Districts in Mercer currently have the Terms of their Collective Bargaining Agreement exceeding three (3) years. The length of time for these CBAs varied between four and five years. In addition, the District, based on the submitted documents, has a sufficient General Fund balance to offset the Association’s salary proposal with recommendations contained herein. The adjustment of the term/length of the CBA to four (4) years is fair and permits the parties to monitor any impact on future unexpected costs, e.g. the impact of future health care costs, that may rise or they may decrease. A CBA with a duration of four years will permit the parties to have study these potential costs and have a more reasoned perspective on health care costs at the completion of this CBA and prior to future collective bargaining for wages and benefits.

Issue 2 – Preparation Time (Submitted by the Association)

The proposal represents new contract language; as such the CBA, does contain specific language regarding this proposal.

Association’s Proposal

Article VIII, Section 6 – Preparation Time

Employees in the bargaining unit will be granted preparation time during each workday. Employees at the elementary level will be granted no fewer than forty (40) consecutive minutes’ preparation time daily.

Employees at the secondary level will be scheduled five preparations periods per week equal to the length of a student class period. Preparation time shall be free of all other activities or assignments.

b. In the event an employee is requested or required to perform other tasks during such "preparation time", the employee shall be compensated at \$35 per period.

District’s Proposal

The District did not include this item in its list of issues. During the Hearing the District stated the Association had pulled this proposal from the bargaining table and should not be considered as part of the Fact-Finding process.

Recommendation – Notwithstanding the District’s position regarding the Association allegedly withdrawing this proposal from the bargaining table, the District and Association agreed at the hearing that this language has been a past practice in place and has been continued. Incorporating this continuing past practice into the CBA will not impose an additional cost to the District since this cost is currently included as a part of its submitted budget. Preparation Time is beneficial as part of the teacher’s educational preparation and presentation of educational material to the students of Mercer County citizens and community.

The Fact-Finder is mindful of the District’s position that the Association withdrew this proposal from the table during negotiations. It submitted an October 4, 2016 MEA Language Proposal that did not contain this specific language. However, the hearing record shows there were three subsequent negotiation sessions following the October 4, 2016 document (October 27th and December 14th of 2016 and January 18th of 2017). Neither party produced all their proposals nor did they produce any evidence that either, if any, of its proposals had been withdrawn. The Association stated on the record that it did not withdraw this proposal and requested the District to produce the signed document submitted the Association that it had withdrawn its proposal. A signed document was not produced. Since neither the District nor the Association kept minutes of the negotiations sessions, the Fact-Finder has determined that he will not decide which parties’ position accurately describes the negotiation discussions. Rather the Fact-Finder, reminds the District and Association of their overarching goal of achieving and maintaining a sound labor-management relationship. In this regard the inclusion of this language is beneficial to both and achieves their overarching goal as it incorporates a recognized and approved past practice.

Issue 2 – Salary (Article XI) Submitted by the District)

And

Issue 5 – Article XI, Wages and Salary with retroactivity (Submitted by the Association)

The District’s Issue 2 and the Association Issue # 5 are combined for the purpose of the recommendation as they both address the same CBA Article and Issue.

The Current Provisions

ARTICLE XI WAGE AND SALARY PROVISION

SECTION 1 - EMPLOYING NEW TEACHERS: The Board shall have the right to recognize prior experience in hiring new teachers whenever it is felt the best interest of the school is served by doing so. The employer may, at its discretion recognize all, part, or none of a new employee's prior experience up to a maximum of eight (8) years. This service must be uninterrupted and within three (3) years immediately preceding election to the faculty in this District, unless prior service was within the District. Once such credit is recognized, the new employee shall then be placed on the same salary step as an existing bargaining unit member with the same credited years of experience.

SECTION 2 - LONGEVITY INCREMENT: Full-time employees of the Mercer Area School District hired prior to January 1, 1994 shall, upon accumulating the necessary years of experience within the district, have added to their permanent salary, the following increments:

Years of Experience	Amount - Total
10 - 14	\$600 - \$600
15 - 19	\$250 - \$850
20-24	\$250 - \$1100
25-29	\$375 - \$1475
30 and over	\$275 - \$1750

The above increments shall be above and in addition to any maximums established by the employee's credentials. Employees hired after January 1, 1994 will not be eligible for a longevity increment.

SECTION 3 - CREDIT INCENTIVE:

A. The incentive year for credit of incentive work shall be that period from July 1, to June 30 of the next year. Application for permission to participate in the incentive program shall be made not later than March 15 prior to the year in which the work is to be done.

Upon approval by the Superintendent, the Board will reimburse full-time employees at the rate of 80% of the cost per credit at Slippery Rock University for courses taken in a Master Program from an accredited college or university, and 80% of the cost per credit at Slippery Rock University for other education related graduate courses from an accredited college or university, including post masters courses.

Courses taken for reimbursement shall be education-related and cannot be for the development of a career outside of education.

B. There is a limit of 12 graduate credits per year.

C. Any employee who leaves the district the within following two (2) school years after reimbursement for tuition must reimburse the district for all tuition reimbursements received during this time-period.

D. Full-time employees hired prior to January 1, 1998 will receive 100% reimbursement at the rate of Slippery Rock University tuition for Master's level courses during the length of this contract.

E. Employees shall maintain at least a "B-" or its equivalent to qualify for reimbursement.

SECTION 4 - INDUCTION PROGRAM: Financial compensation for a mentor teacher participating in the District's induction program shall be paid at the rate of \$500 per inductee per contract year.

SECTION 5 - FURLOUGHED EMPLOYEES RECALLED AS SUBSTITUTES: Furloughed employees recalled to substitute in their certified field for 60 or more consecutive days for the same teacher will receive full benefits and full salary based on his/her step on the salary scale. Such furloughed, substitute teachers will receive the full salary and benefits at the beginning of their service when the regular teacher's absence is known to be 60 or more days in duration. If such furloughed substitute teacher serves for sixty (60) or more consecutive days for the same

teacher who has not previously requested a leave of absence of sixty (60) or more days, the full benefits will begin on the sixty-first (61st) day and full pay on the salary step made retroactive to the first day of substituting.

SECTION 6 - SALARY SCHEDULE:

A. State Mandated Schedule

Any state mandated salary schedule which is higher in compensation than the contract shall supersede this Agreement.

B. Salary Increases

The parties agree that wages and salaries to be affected by this Agreement are accurately reflected in Appendix "A" attached hereto and made a part of this Agreement.

C. Master's Plus 15 and 30 Credit Hour Conditions

All such semester hour credit work above the Master's degree and applying toward the master's plus thirty increment, shall be in the certified field of the employee or a field closely allied to his or her certified field from an accredited college or university. Such work must have the prior approval of the Superintendent. Any application for incentive courses will be held open to change or substitution of courses for a period of three (3) weeks following the date of the first class meeting of said course. The employee must also attain at least a final grade of a "B-" or its equivalent to qualify for reimbursement. If the work is to be applied to a higher degree, such grade must be satisfactory to the institution granting the degree.

SECTION 7 - DIRECT ELECTRONIC DEPOSIT: Employees may elect to have their paycheck electronically deposited directly to any financial institution of their choice. The electronically deposited paycheck shall be credited the same day as those not electing direct deposit receive their paychecks. Employees electing to have direct deposit shall receive a direct deposit notification from the district according to the regular pay schedule. The direct deposit notification will contain the same information as is currently contained in the paycheck stub.

The Association Proposal

Issue 5 from the Association - Article XI, Wages and Salary with retroactivity

All salary, benefit, extra-curricular, and all other monetary payments will be retroactive. Salary increases will be 2% on scale with step movement each year⁶

⁶ The Association, by email dated March 22, 2017 stated the following:

I sent Mr. Mercer the documents submitted by Mr. Lucas, in order to perform an updated analysis of the two proposals. While doing the comparison, he noticed a discrepancy in our scales as it related to the matrix. The error was using the 2016-17 matrix to calculate the base year, when it should have been the 2015-16 matrix. He corrected his error to match the matrix used by the District, in its most recent salary proposal. **I have attached the correct scales. [Emphasis Added]**

The correct scales reflect that the Association's proposal is much less than was discussed at the hearing and even more affordable. The comparison of the first three years of the Association's proposal is listed below. We are unable to do any further comparison, since the District is only proposing a three year settlement. **However, the Association is still requesting a five year agreement, as the salary schedules reflect. [Emphasis Added]**

2016-17

Association	\$5,085,171
District	\$5,076,501
Difference	\$ 8,670

2017-18

Association	\$5,278,839
District	\$5,234,390
Difference	\$ 44,449

2018-19

Association	\$5,474,450
District	\$5,396,663
Difference	\$ 7,787

2019-2019

Association	\$5,666,299
District	\$ Not Included in its Proposal

The District Proposal

Issue 2 from the District – Salary (Article XI)

The parties are currently not in agreement as to the salaries to be paid to the Association's members during the term of the successor CBA.

By reference to the 2015-2016 salary schedule, which continues to apply during the status quo period, the District's gross salary expense for Association employees for 2016-2017 is \$4,917,637. The District proposes that the following amounts be added to the existing gross salary number for the three (3) year term for the purposes of creating salary matrices:

Increase	
2016-2017	\$158,668
2017-2018	\$156,946 (plus 2016-2017 increase)
2018-2019	\$160,100 (plus 2016-2017 and 2017-2018 increases) ⁷

The above increases, if distributed evenly on the salary schedule, would produce raises totaling 3.23%, 3.11% and 3.10% inclusive of step movement.

It is important to note that the increase and aggregate salary figure would be used by the parties only to generate salary schedules for the term of the successor CBA under the assumption that the present 2016-2017 staff composition, both in number and step placement, would be employed over the term of the successor CBA. After the salary schedules are created when the successor CBA is reduced to writing, the base, increase and aggregate salary figures will not have any further significance as the basis for salary payments to the Association's members.

Recommendation – The parties share a common goal of increasing the starting and career salaries to attract and retain quality professional employees (Teachers). The Fact-Finder recognizes the School District's position that declining student population, increased health care costs an inability to acquire additional revenue sources accounts for the District's current financial condition. Restricting employee salaries is not in the best interest of Mercer School District's citizens or it pupils as it could decrease the number of qualified teachers and potentially decrease the value of the education received by students and possibly stunting their educational growth and fail to serve as an inducement to attract qualified career replacement teachers in the future. The underlying root cause of the increase in the District's expenses, e.g. potential increase in health care cost, potential change of the insurance provider, revenue enhancement opportunities, declining student population, etc. do not appear to reduce projected revenues based on their collective correlative variables or the potential revenue increase that could be achieved with an increase of the millage and maximum use of Act 1 property tax relief funds. The Association's final Salary Matrix defined the salary differences for the first three years but was unable to make any other Salary comparison based on the District limiting its Term of Contract to three (3) years. The Association's adjusted Salary figures resulted in a significant reduction in the salary gap for the first three (3). The Fact Finder also took into consideration his recommendation to reduce the Association's five (5) CBA Term to

Difference	\$	*****
<u>2020-2021</u>		
Association	\$5,856,914	
District	\$ Not Included in its Proposal	
Difference	\$	*****

The Association's corrected Salary Matrix showed the percentage increase for each of the five school years was 3.16%, 3.81%, 3.71%, 3.50% and 3.36%.

7	Increase
2016-2017	<u>\$158,864</u>
2017-2018	<u>\$157,890</u> (plus 2016-2017 increase)
2018-2019	<u>\$162,273</u> (plus 2016-2017 and 2017-2018 increases)

As described earlier in this Recommendation the District and Association have submitted an updated Salary Matrix since the closed of the March 15th Fact Finding Hearing.

four (4) years coupled with the modifications to the District's projected savings associated with future Health Care costs. A four (4) CBA is consistent with the CBA Terms within Mercer County.

The wage increases, benefits, extra-curricular, and all other payments will be retroactive.

The salary schedules are attached hereto and reflect the following:

- 2016 – 2017 Increase to guide and step movement
- 2017 – 2018 Increase to guide and step movement
- 2018 – 2019 Increase to guide and step movement
- 2019 - 2020 Increase to guide and step movement

Issue 3 – HEALTH CARE (ARTICLE X)

The District's Issue 3 and the Association Issue # 4 are combined for the purpose of this recommendation as they both address the same Article and issue, Health Care.

ISSUE 4 – Article X, Section 1 Health Insurance (Submitted by the Association)

The Current Provisions

ARTICLE X - INSURANCE

SECTION 1 - HOSPITALIZATION/MEDICAL INSURANCE: The Mercer Area School Board agrees to continue payment of single, family and other hospitalization premiums for full-time bargaining unit members during the term of the Agreement as follows:

- A. Beginning in the 2003-2004 school year said plan shall be Blue Cross-Blue Shield Select BlueManaged Care.
- B. In the instance where both spouses are employees of the District, the Board agrees to pay dependent coverage on one employee's plan only. If the other spouse wishes to have duplicate family coverage, it will be at the employee's expense.
- C. Employees will participate in a monthly premium co-pay through payroll deduction as follows:

	2013-14	2014-15	2015-16
Individual	\$5/month	\$5/month	\$5/month
Two Person	\$25/month	\$25/month	\$25/month
Family & Other	\$25/month	\$25/month	\$25/month

- D. The PPO Plan in effect on June 30, 2013 will be modified on March 1, 2014 as listed below:
The plan grid and arrangements with providers shall reflect: Deductibles of \$1,250.00 per year individual and \$2,500.00 per year family in-network, and \$2,500, per year individual and \$5,000 per year family out-of-network. However, the District shall establish and maintain arrangements for an HRA to self-fund a portion of these deductibles such that the actual annual exposure for deductibles by plant participants is only \$250/\$500 (in-network). For out of-network, plan participants will be responsible for the balance after the District's reimbursement of \$1,000/\$2,000. The employee must pay the first \$250/\$500 of the mentioned deductibles. These deductibles shall be on a calendar year basis effective March 1, 2014.
- E. Members may opt to obtain Blue Cross/Blue Shield Major Medical Option VI by paying the district the additional costs beyond the cost of Select Blue coverage.
- F. Highmark P.O.S Co-pays are as follows:
- G.
 - 1. Emergency Room - \$50 co-pay - waived if admitted
 - 2. Prescription Drugs - \$5. Generic/\$15Brand Name
 - 3. 2 x co-pay for a 90 day supply by mail order
 - 4. Physician's Office Visit \$15.00

The parties agree to establish a committee composed of two (2) representatives from the Board and two (2) representatives from the Mercer Education Association for the purpose of investigating and recommending an

alternative hospitalization plan to Blue Cross-Blue Shield Select Blue. Any change must be approved by the Board and the Mercer Education Association.

The Association Proposal

The medical waiver for premium's will be thirty 30% of the premium that the employee is eligible, if they were on the District's plan. This benefit is only available for employees on a medical plan other than the District's plan.
Eliminate monthly premium share payments

Increase deductibles as follows:

Year 1: \$250/\$500
Year 2: \$350/\$700
Year 3: \$400/\$800
Year 4: \$450/\$900
Year 5: \$500/\$1000
Prescription co-pay: Generic \$0, Brand \$30
Specialist co-pay \$20
Emergency Room visits \$100

The District Proposal

3. HEALTH CARE (ARTICLE X)

Under the expired CBA, the District provides health care coverage to the Association's membership through a PPO Plan sponsored by the Consortium. It is proposed by the District that coverage under this Plan continue for the term of the successor CBA.

a. PREMIUMS

By way of background, for the full three-year length of the expired CBA, the parties set the premium contributions for the Association members at \$5 per month for individual coverage and \$25 per month for two person or family/other coverage. The District proposes that those premium contribution amounts remain the same over the length of the successor CBA.

b. DEDUCTIBLE AMOUNTS

Under the expired CBA, the employee share of in-network deductibles is \$250 per individual and \$500 per family, with the District paying \$1,000 toward individual and \$2,000 toward family deductibles. The District proposes the following increases to the employee deductible share over the life of the successor CBA:

2017-2018	\$350 individual/ \$700 family	2018-2019	\$450
individual/ \$900 family	2019-2020	\$500 individual/ \$1,000 family	

c. SCHEDULE OF BENEFITS

The District proposes to make the following changes to the Schedule of Benefits for the PPO coverage provided for the length of the successor CBA:

Prescription co-pay:	Retail	Generic \$0, Brand name \$30
	Mail	Generic \$0, Brand name \$60

Specialist co-pay: \$20

Emergency room co-pay: \$100

The District submits that this proposal has been tentatively agreed to by the parties. [Emphasis Added]

d. HEALTH CARE BUYOUT

The expired CBA states that the District is responsible to provide, in the case of married employees, health care

coverage only for one of the spouses, and does not address, by its written terms, any financial payment made to other Association members who waive their entitlement to health care coverage from the District. **The District proposes that the successor CBA contain language which states that the monetary buyout for waiver of coverage by employees who have health insurance coverage elsewhere shall be twenty percent (20%) of the applicable premium, with the buyout not available to individuals who have coverage as a spouse of a District employee, and that any contrary past practices are explicitly extinguished. [Emphasis Added]**

Recommendation: After careful analysis of the financial data and the positions of the District and the Association the Fact-Finder has determined the District's proposal should be implemented to include its proposed Health Care Buyout proposal as amended below. The Fact-Finder recognizes the Association's position that eliminating the employee's portion of the health care contribution and increasing the deductibles and co-pays may serve as an incentive to its members to be more judicious regarding receiving medical treatment by choosing a provider for their medical treatment from a less expensive medical facility. Evidence was not submitted to demonstrate a correlation of this magnitude was introduced. As such the Fact-Finder is unable to determine the potential cost savings to the District in the absence of statistical data. However, the implementation of the District's proposal, which includes increased deductibles and co-pays, and maintaining the current employee premium contribution should significantly reduce its portion of its share of the Health Care premium costs and lower the District's overall health care expenses as well as provide statistical and historical data for future negotiations on this subject. The Fact-Finder also recommends that should it be necessary for the District to select a new Health Care provider during the term of the new CBA, that the Health Care Provider selection decision be made in accordance with terms and conditions of the CBA. The Fact-Finder recognized the overarching goal of the District and the Association is to provide the highest quality comprehensive health care for their employees/members with competitive premiums, deductible and co-pays. Adopting a four-year contract permits both parties the time to examine all health care costs based on the acquired statistical data and experience during the fourth year of the CBA so they may be able to prepare accordingly for any necessary cost modifications in future negotiations.

The Fact-Finder also acknowledges the Association's and District's recognition of the existing past practice of the Medical Waiver of Premiums/Health Care Buyout regarding the percentage amount. Both parties seek to incorporate the past practice into the successor CBA. The District proposed a 20% figure which is less than the current past practice of 30%. The Fact-Finder recommends that the past practice figure of 30% be retained. The retention of the 30% payment figure maintains the integrity of the past practice and fosters sound a sound labor-management relationship.

The District's Deductible Amount schedule will be adjusted as follows:

2016/2017 – \$350 individual/ \$700 family
2017/2018 – \$450 individual/ \$900 family
2018/2019 – \$500 individual/ \$1,000 family
2019/2020 – \$500 individual/ \$1,000 family

Issue 3 – Article X, Section 5, Retirement Benefits (Submitted by the Association as well as being a part of Issue submitted by the District)

The Current Provisions

SECTION 5 - RETIREMENT BENEFIT:

- A. Each full-time bargaining unit employee who becomes eligible for retirement and submits a definite letter of retirement by September 1, effective at the end of the first semester or March 10, effective at the end of the current school year, shall be given a service stipend per unused sick days as follows:

1 - 100 days= \$35.00 per day; then 101+ days =
\$50.00 per day

The benefit shall be paid in two installments on June 25th of the year of retirement and on June 25 of the following year. The benefit is not considered as salary for retirement purposes.

- B. Each full-time bargaining unit employee who becomes eligible for retirement and submits a definite letter of retirement by September 1, effective at the end of the first semester or March 10, effective at the end of the current school year, shall be given a years of service retirement benefit according to the following scale:

YEARS OF SERVICE WITH THE DISTRICT	2013-14	2014-15	2015-16
20 to 26 Years	\$17,000	\$17,000	\$17,000
27 to 30 Years	\$25,000	\$25,000	\$25,000
31 or More	\$30,000	\$30,000	\$30,000

- C. Part-time employees who work at least 50% of the time in the last three years before retirement shall receive the same benefit as listed in Part B, pro-rated according to the percentage of employment.
- D. The monies paid out on behalf of all retirees under this section will be paid directly to the Service Providers under Code 403(b). There shall be no cash only option for this benefit. If a retiree does not have a 403b account, an account will be established for them with a service provider from an approved list. Because these funds are paid directly to the service provider, there is no deduction for taxes and social security. The benefit will be paid by the District in installments of \$10,000 per year on June 25th beginning in the year of retirement. In the final year, the amount shall be the remaining amount based on the agreed-upon schedule.

The Association Proposal

Issue 3 from the Association - Article X, Retirement Benefits

Article X, Section 5, Retirement Benefits

Establish a separate Article in the CBA for Retirement Benefits

Payments for unused sick days:

1-100 Days: \$40
 101+ Days: \$55
 31 or more Years of service: \$35,000
 27-30 years of service: \$29,000
 20-26 years of service: \$20,000

The District Proposal

The District addressed Article 10 Section 5 in part by stating a tentative agreement had been achieved regarding the payment for unused sick leave in its Issue 4 titled "Tentative Agreements". The District did not state its position in its Statement of Issues.

RECOMMENDATION – The Association’s proposal to create a new Article titled, "Retirement Benefits" is recommended by the Fact-Finder based on the fact the current Article 10 is titled "Insurance" whose content entirely consists of health care issues with the exception of the current Section 5. Retirement is an important topic and should not be a subsection of an Article containing unrelated subject matter. Creating a new Article consisting of the same language, with the recommendation made above, is more practicable and efficient to the District, Association and its employees. As such, a new Article 11 shall be created and titled "Retirement Benefits". The remaining Articles will be renumbered accordingly.

As part of the District’s position regarding Payment for unused sick days it states that a tentative agreement was reached which matches the dollar figures proposed by the Association in its Issue # 3. The Association’s position was that there were no Tentative Agreements achieved during Collective Bargaining. Given the fact that the tentative agreement referenced by the District is the same as the Association’s proposal; it is the Fact-Finder’s recommendation the language regarding the payment for unused sick days in the new CBA be as follows:

Each full-time bargaining unit employee who becomes eligible for retirement and submits a definite letter of retirement by September 1, effective at the end of the first semester or March 10, effective at the end of the current school year, shall be given a service stipend per unused sick days as follows:

1 - 100 days = \$40.00 per day; then
 101+ days = \$55.00 per day

The benefit shall be paid in two installments on June 25th of the year of retirement and on June 25 of the following year. The benefit is not considered as salary for retirement purposes.

In regards to the **Years of Service Payment** changes propose by the Association the Fact-Finder's analysis of the submitted data revealed that the comparable School District's CBAs submitted with its proposal demonstrate this benefit is common throughout the County. The submitted CBA's reveal the Years of Service retirement benefit for Mercer School District employees is in the top tier among School Districts in Mercer County. An increase to the Years of Service retirement benefit may serve as an inducement for employees of lengthy tenure to retire; however, the Association's Exhibit 8, page 21, reveals the average years of service for Mercer Educational District is 16.3 which is the highest tenure average within the County. Put another way, the lowest year range requirement for an employee to take advantage of this benefit is 20 – 26, or approximately four years into the future. The Fact-Finder has concluded that this incentive would be more time appropriate for future collective bargaining. As such the Fact-Finder, does not recommend a change to the current Years of Service Payment provision.

ISSUE 4 – TENTATIVE AGREEMENTS (Submitted by the District)

The District Proposal

The parties have reached two (2) tentative agreements. First, with regard to the health care Schedule of Benefits changes set forth in 3.c., above, the parties have tentative agreement.

Second, the parties have tentatively agreed to increase the retirement buyout in Article X, Section 5, A. for unused, accumulated sick days to \$40 for sick days 1-100 (up from \$35), and to \$55 per day for sick days 101+ (up from \$50).

The Association Proposal

Neither proposal was specifically stated in its Statement of Issues as a Tentative Agreement. The subject matters of the alleged Tentative Agreements have been specifically addresses in other proposals.

Recommendation: The two tentative agreements have been addressed above by the Fact-Finder.

ISSUE 5 – MISCELLANEOUS (SUBMITTED BY THE DISTRICT)

The District Proposal

The District proposes that the remainder of the expired CBA remain unchanged, and is opposed to additional changes apart from those set forth in this Statement.

The Association Proposal

This topic was not specifically stated in its Statement of Issues in the same manner as the District.

Recommendation: Except as recommended above, all provisions of the expired CBA remain unchanged.

With these recommendations, the Fact-Finding Report is complete. It is recommended that all signed/initialed Tentative Agreements reached by the parties be adopted and that all other language in the previous contract not subject to either the parties signed/initialed Tentative Agreements or the Fact Finder's Recommendation remain as is, without change. Not more than ten (10) days after the issuance of this Report, the parties are to notify the PLRB and each other as to whether or not they accept the recommendations of the Fact Finder. If one or both of the parties reject the report, the PLRB will release the report to the public.

I believe the recommendations above represent a reasonable, acceptable compromise to the outstanding issues. I direct the parties' attention to my cover letter which outlines their responsibilities to notify the PLRB of their acceptance or rejection of this Recommendation.

Dated: March 27, 2017
Pittsburgh, Pennsylvania

Gary W. Kloepfer

CERTIFICATE OF SERVICE

It is hereby certified that pursuant to the agreement of the parties, an electronic copy of the foregoing Fact Finding Report was e-mailed this 27nd day of March 2017 to Larry Cheskawich, Board Secretary of the PLRB at lcheskawic@pg.gov; Patrick J. Andrekovich, of PSEA at pandekovich@psea.org; Russell R. Lucas, Esquire at rlucas@andrewsandpirce.com and Gregory Gleason at leason@pa.gov. It is further certified that on this same day, the Fact-Finding Report has been sent by Regular U.S. mail to the following:

Russell R. Lucas, Esquire
Andrews & Price LLC
1500 Ardore Boulevard # 506
Pittsburg, PA 15221

Patrick J. Andrekovich
PSEA/UniServ
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Larry D. Cheskawich,
Board Secretary
Pennsylvania Labor Relations Board 651
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Harrisburg, PA 17121-0750

Gregory Gleason, Mediator
117 Whitewood Drive
Aliquippa, PA 15001

Gary W. Kloepfer
Fact-Finder

**SALARY SCALE
2016 – 2017**

STEP	BACHELOR	MASTERS	MASTERS + 15	MASTER + 30
1	\$46,000	\$47,989	\$50,144	\$52,298
2	\$46,307	\$48,296	\$50,451	\$52,605
3	\$46,614	\$48,603	\$50,758	\$52,912
4	\$46,921	\$48,910	\$51,065	\$53,219
5	\$48,373	\$50,362	\$52,616	\$54,671
6	\$49,825	\$51,814	\$53,968	\$56,123
7	\$51,277	\$53,265	\$56,420	\$57,574
8	\$52,729	\$54,717	\$56,872	\$59,026
9	\$54,180	\$56,769	\$58,324	\$60,478
10	\$55,632	\$57,621	\$59,775	\$61,930
11	\$57,084	\$59,073	\$61,227	\$63,382
12	\$58,536	\$60,524	\$62,679	\$64,833
13	\$59,987	\$61,976	\$64,131	\$66,285
14	\$61,439	\$63,426	\$65,582	\$67,737
15	\$62,891	\$64,880	\$67,034	\$69,189
16	\$64,343	\$66,331	\$68,486	\$70,640
17	\$65,794	\$67,783	\$69,938	\$72,092
18	\$67,246	\$69,235	\$71,389	\$73,544

**SALARY SCALE
2017 – 2018**

STEP	BACHELOR	MASTERS	MASTERS + 15	MASTER + 30
1	\$47,250	\$49,239	\$51,394	\$53,548
2	\$47,557	\$49,546	\$51,701	\$53,855
3	\$47,864	\$49,853	\$52,008	\$54,162
4	\$48,171	\$50,160	\$52,315	\$54,469
5	\$49,623	\$51,612	\$53,766	\$55,921
6	\$51,075	\$53,064	\$55,718	\$57,373
7	\$52,527	\$54,515	\$56,670	\$58,824
8	\$53,979	\$55,967	\$58,122	\$60,276
9	\$55,430	\$57,419	\$59,574	\$61,728
10	\$56,882	\$58,871	\$61,025	\$63,180
11	\$58,334	\$60,323	\$62,477	\$64,632
12	\$59,786	\$61,774	\$63,929	\$66,083
13	\$61,237	\$63,226	\$65,381	\$67,535
14	\$62,689	\$64,678	\$66,832	\$68,987
15	\$64,141	\$66,130	\$68,284	\$70,439
16	\$65,593	\$67,581	\$69,736	\$71,890
17	\$67,044	\$69,033	\$71,188	\$73,342
18	\$68,496	\$70,485	\$72,639	74794

**SALARY SCALE
2018 – 2019**

STEP	BACHELOR	MASTERS	MASTERS + 15	MASTER + 30
1	\$48,500	\$50,489	\$52,644	\$54,798
2	\$48,807	\$50,796	\$52,951	\$55,105
3	\$49,114	\$51,103	\$53,258	\$55,412
4	\$49,421	\$51,410	\$53,565	\$55,719
5	\$50,873	\$52,862	\$55,016	\$57,171
6	\$52,325	\$54,314	\$56,468	\$58,623
7	\$53,777	\$55,765	\$57,920	\$60,074
8	\$55,229	\$57,217	\$59,372	\$61,526
9	\$56,680	\$58,669	\$60,824	\$62,978
10	\$58,132	\$60,121	\$62,275	\$64,430
11	\$59,584	\$61,573	\$63,727	\$65,882
12	\$61,036	\$63,024	\$65,179	\$67,333
13	\$62,487	\$64,476	\$66,631	\$68,785
14	\$63,939	\$65,928	\$68,082	\$70,237
15	\$65,391	\$67,380	\$69,534	\$71,689
16	\$66,843	\$68,831	\$70,986	\$73,140
17	\$68,294	\$70,283	\$72,438	\$74,592
18	\$69,746	\$71,735	\$73,889	\$76,044

**SALARY SCALE
2019 – 2020**

STEP	BACHELOR	MASTERS	MASTERS + 15	MASTE R + 30
1	\$49,750	\$51,739	\$53,894	\$56,048
2	\$50,057	\$52,046	\$54,201	\$56,355
3	\$50,364	\$52,353	\$54,508	\$56,662
4	\$50,671	\$52,660	\$54,815	\$56,969
5	\$52,123	\$54,112	\$56,266	\$58,421
6	\$53,575	\$55,564	\$57,718	\$59,873
7	\$55,027	\$57,015	\$59,170	\$61,324
8	\$56,479	\$58,467	\$60,622	\$62,776
9	\$57,930	\$59,919	\$62,074	\$64,228
10	\$59,382	\$61,371	\$63,525	\$65,680
11	\$60,834	\$62,823	\$64,977	\$67,132
12	\$62,286	\$64,274	\$66,429	\$68,583
13	\$63,737	\$65,726	\$67,881	\$70,035
14	\$65,189	\$67,178	\$69,332	\$71,487
15	\$66,641	\$68,630	\$70,784	\$72,939
16	\$68,093	\$70,081	\$72,236	\$74,390
17	\$69,544	\$71,533	\$73,688	\$75,842
18	\$70,996	\$72,985	\$75,139	\$77,294