

FUND EQUITY DEALS BREAK TEACHER CONTRACT LOGJAMS - Nancy Nall Derringer/Bridge Magazine

In March 2010, members of the Grosse Pointe Education Association held a noisy demonstration before a meeting of their district's board, calling attention to the fact they'd been working without a contract for six months, and negotiations were going nowhere. The district was planning layoffs and pushing for concessions to cover a shortfall of around \$9 million, while teachers complained the district was sitting on more than \$17 million in fund equity that could be used to fill the gap. The district's response was that the fund equity was for emergencies and one-time expenses, not to pay salaries.

Three months later, the parties had an agreement. At its core was an agreement to spend down the fund equity. What changed?

It was a classic negotiation: The district agreed to spend a big chunk of its rainy-day fund, and teachers agreed to a complicated formula that links their compensation to both state per-pupil funding and a fund equity balance of 10 percent of expenditures, roughly \$10 million in Grosse Pointe. If the district prospers, the teachers will, too. But if the storm of recent years continues, teachers will have to make concessions to keep the balance at 10 percent.

School boards have good reason to hoard their cash in times like this. State aid to education is a once-sacred cow that lives in a burning barn. Or, to use Ann Arbor Education Association President Brit Satchwell's colorful description, "Dancing with the state has been like dancing with a large drunk. All we know is, they're going to lurch and take out some tables, and you don't know where or when."

Ann Arbor is another district to adopt a similar contract, which Satchwell describes as labor and management linking arms against the lurching drunk. The union gave up \$4.3 million in concessions in exchange for an agreed-upon 10 percent fund equity balance and an open-ended payback plan. The contract remains in place until the concessions are repaid. In the meantime, "we'll let the world go on," Satchwell said.

Farmington has a version of the agreement, too, with an 11 percent fund equity level. Local union president Dave Workman sees it as a public demonstration that the old adversarial model is over, and that teachers have a vested interest in keeping their districts financially healthy.

"The UAW crisis put unions in a terrible light," Workman said. "We have to put the word out there so folks understand, this isn't a greedy bunch. We didn't get into (teaching) for the money. We are problem-solvers. We will be part of the solution."

For districts like these, the new contracts reconfigure relationships, especially the traditionally adversarial one between labor and management. They wouldn't work everywhere; not all districts have healthy fund balances to begin with, and many use them differently than urban and suburban districts such as Grosse Pointe, Farmington and Ann Arbor.

Brad Biladeau of the Michigan Association of School Administrators points out that rural districts in particular find it difficult to float bonds or otherwise raise millages to support new school construction and other big-ticket items, and use their fund balances like piggy banks, often holding more in savings than they spend in a year. But for those with the cash on hand, this compromise has much to recommend it.

Doug Pratt, director of public affairs for the Michigan Education Association, which represents teachers statewide, doesn't think the contracts are that much of a novelty. Other agreements have tied compensation

to state aid, although he acknowledges the fund-equity trigger is new.

“There can be some legitimate differences of opinion for what those monies are for,” Pratt said. “The state sends money to provide an education for kids, not to sit in the bank.”

But, he said, “This is what collective bargaining is for.”

Biladeau likes the idea, and calls it a “more responsible strategy than to give raises and hope the economy improves.”

Districts need to maintain fund equity for responsible fiscal management and to keep a cushion against economic storms, he said. Linking teacher compensation is a way to acknowledge “both teachers and administrators have shared in the sacrifice. So if the economy improves, the teachers should be among the first to share in the benefits.”

In Grosse Pointe, board treasurer Brendan Walsh said the model helps the district negotiate the so-called new normal, but also makes teachers full partners in their economic future.

When the tipping point is reached, probably by late next year, and the time for concession comes, “This will give (teachers) an opportunity to evaluate all the different ways they are compensated, things like unlimited sick days and health care. Class size is another good example. Teachers are always among those to advocate for smaller class size, but it comes at a cost.”