

JUL 16 1993

INTEREST ARBITRATION
OPINION AND AWARD

In the Matter of Interest Arbitration

between

JEFFERSON SCHOOL DISTRICT

and

JEFFERSON EDUCATION ASSN.

CASE 27
NO. 47578
INT/ARB 6500
Decision No. 27468-A

Hearing Held

February 5, 1993

Jefferson County Library
321 South Main Street
Jefferson, Wisconsin

Appearances

For the District:

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Arbitrator

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For the Association:

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BACKGROUND

On December 14, 1992, the undersigned was notified by the Wisconsin Employment Relations Commission of his selection as Arbitrator in the above-captioned final offer interest arbitration proceeding between Jefferson School District (the District) and the Jefferson Education Association (the Association). In subsequent correspondence with the Arbitrator both parties agreed to schedule the arbitration hearing for Friday, February 5, 1993.

The hearing was conducted on February 5, 1993, as scheduled. Both parties presented evidence and argument on the issues at that time. At the conclusion of the hearing arrangements were made for the filing of Posthearing Briefs and Reply Briefs. After the parties exchanged said Briefs through the Arbitrator, the record was declared closed on May 17, 1993.

THE ISSUES

This dispute concerns the salary schedule, medical and dental insurance provisions to be included in the parties' 1992-1994¹ collective bargaining agreement covering the following unit of employees:

Classroom teachers, Chapter I reading teachers, librarians, guidance personnel, psychologists, social workers, Nurse and Reading/Chapter I Coordinator and speech and language clinicians, but excluding administrators, principals, assistant principals, supervisors, Business Manager, Computer Implementation Coordinator and substitute teachers.

THE STATUTORY CRITERIA

111.70(4)(cm)(7). Factors considered. In making any decisions under the arbitration procedures authorized by this paragraph, the arbitrator shall give weight to the following factors:

- a. The lawful authority of the municipal employer.
- b. Stipulations of the parties.
- c. The interests and welfare of the public and the financial ability of the unit of government to meet the costs of any proposed settlement.
- d. Comparison of wages, hours and conditions of employment of the municipal employees involved in the arbitration proceedings with the wages, hours and conditions of employment of other employees performing similar services.
- e. Comparison of wages, hours and conditions of employment of the municipal employees involved in the arbitration proceedings with the wages, hours and conditions of employment of other employees generally in public employment in the same community and in comparable

¹ The Agreement covers the 1992-1993 and 1993-1994 school years.

communities.

- f. Comparison of wages, hours and conditions of employment of the municipal employees involved in the arbitration proceedings with the wages, hours and conditions of employment of other employees generally in private employment in the same community and in comparable communities.
- g. The average consumer prices for goods and services, commonly known as the cost-of-living.
- h. The overall compensation presently received by the municipal employees, including direct wage compensation, vacation, holidays and excused time, insurance and pensions, medical and hospitalization benefits, the continuity and stability of employment, and all other benefits received.
- i. Changes in any of the foregoing circumstances during the pendency of the arbitration proceedings.
- j. Such other factors, not confined to the foregoing, which are normally or traditionally taken into consideration in the determination of wages, hours and conditions of employment through voluntary collective bargaining, mediation, factfinding, arbitration or otherwise between the parties, in public service or in private employment.

A PROCEDURAL QUESTION

The Association objected to certain attachments submitted by the District with its Reply Brief. Likewise, the District objected to certain attachments the Association affixed to its Reply Brief. Through what seemed like an unending flurry of written correspondence, each party asked the Arbitrator to disregard the other's attachments. Obviously, none of these attachments were accompanied by sworn testimony. The Arbitrator has therefore determined that none of them should receive any weight. The question of their propriety as posthearing submissions is therefore moot and the Arbitrator will not address it.

THE COMPARABLES

The parties' 1990-1992 collective bargaining agreement was ultimately arrived at through interest arbitration.² In that case Arbitrator Morris Slavney adopted the following group of comparable school districts:

Burlington
Delavan
East Troy
Elkhorn
Fort Atkinson
Jefferson
Milton
Palmyra-Eagle
Whitewater

Six of the foregoing districts are in the Western Division of the Southern Lakes Athletic Conference (the Conference); one district (Burlington) is in the Eastern Division of the Conference; and the remaining two districts are contiguous to Jefferson (Palmyra and Fort Atkinson).

Association Position

The Association generally accepts the "Slavney" comparables,³ but feels that the remainder of the Conference districts should be included as secondary comparables. That grouping would include Badger High School, Salem Union High School, Union Grove High School, Waterford Union High School, and Wilmot Union High School. The Association notes that all of the districts within the Conference are similar in size, location and economic conditions.

District Position

The District believes that in the interest of stability the Slavney comparables should be adopted by the undersigned, with the proviso that the pupil/teacher ratio at Jefferson might not parallel some of them. The District notes that the record contains no evidence the parties relied on any other school district during the negotiations leading to this proceeding, and argues that any departure from the Slavney grouping should be done only after discussion between the parties themselves.

² Case 25, No. 44381, INT/ARB-5734 (Slavney, 1991).

³ The Association feels that Palmyra-Eagle School District has a pupil count too small to be considered a primary comparable to Jefferson.

Discussion

Stability in a collective bargaining relationship is an important element of its viability. In public sector interest arbitration one aspect of bargaining stability is the adoption of a set of comparables to be used by the parties as they negotiate successive collective bargaining agreements. The knowledge by each that a reasonable comparables pool has been established assists them in developing their proposals and counterproposals. It helps them gauge the reasonableness of their respective positions. As a result, a firmly established, viable comparables pool can be a positive influence on voluntary settlement between the parties themselves.

In the instant case the comparables pool adopted by Arbitrator Slavney for use in the parties' 1990-1992 interest arbitration seems reasonable. He rejected the very same districts proposed by the Association as secondary comparables in the instant case on the basis that their pupil populations were simply too small. The undersigned Arbitrator rejects them for the same reason.⁴

In view of the Association's role as the moving party to amend the comparables pool used in the Slavney Award, it must demonstrate compelling reason to do so. That burden has not been met, and the undersigned Arbitrator adopts the "Slavney" grouping of comparables for deciding the present case.

HEALTH INSURANCE

The parties' 1990-1992 Agreement contains the following language on hospital-medical insurance:

ARTICLE VII - INSURANCE AND RETIREMENT PROGRAM

A.

1. The Board shall pay ninety (90%) percent per month toward the cost of the family plan and the single plan of hospital-medical insurance.

The District's current health plan is self-funded. It has contracted with the Wisconsin Physicians Service Insurance Corporation (WPS) for health care delivery and uses a third-party for claims processing and other

⁴ In a 1984 interest arbitration proceeding before Arbitrator George Fleischli (Case XIV, No. 32020, MED/ARB-2389, Decision No. 21230-A), the union representing the teachers argued that Jefferson School District should be compared only with other K-12 districts. Interestingly, the Association argued in the present case that districts which are not K-12 should be included as secondary comparables. The Arbitrator finds the 1984 argument to be the more persuasive.

administrative tasks. The District has a Stop Loss Policy as well, which limits its claims liability.

District Position

The District notes that a provision identical to that quoted above is found in its five most recent collective bargaining agreements with Jefferson teachers. It does not name a carrier, specify a benefit plan, or a level of benefits. The District argues that this general language has worked extremely well, fostering no grievances since its adoption by the parties. It also argues that its self-funding approach has worked well when evaluated on a long-term basis, and that it should continue to do so. The District's proposal on the health insurance issue retains the above language and adds the following sentence to specify deductible and co-pay features:

Effective the first day of the month following 60 days from the date of an interest arbitration award (or voluntary agreement) or as soon thereafter as feasible, such plan shall include a front-end deductible of \$100 per person to a family aggregate of \$200, 90/10 co-payment of the next \$2000 per person to a family aggregate of \$400, precertification, and a prescription drug plan of \$3 per generic and \$5 per brand name prescription.

Association Position

The Association characterizes the current self-funding program as a financial fiasco, and argues that the District's proposal to retain it would substantially reduce benefits at an increased cost. Historically, the Association asserts, Jefferson teachers have paid the highest percentage premium contribution of any of the comparables, and there is no justification for the Arbitrator to adopt the District's "take-away" proposal.

The Association's proposal on health insurance is quoted below:

Effective on the first day of the month following thirty (30) days from the receipt of the Arbitrator's award (or voluntary agreement), the Board shall pay ninety (90) percent per month toward the cost of the family (sic) plan of the WEA Insurance Group health insurance coverage for group number 0059.0 as proposed and dated April 29, 1992. The District may choose another carrier provided all of the benefit standards available under the plan's certificate are equal or better than those proposed for group number 0059.0. The benefit summary is attached as Appendix "A".

Discussion

Both parties agree that the District's health care costs have escalated to the point where something must be done to curtail them. The apex of their dispute on health insurance concerns which of their final offers does the better job of keeping costs down while preserving benefit levels to the greatest extent possible.

Table 1 was constructed to compare health benefits under the parties' respective final offers with those provided to teachers across districts in the comparables pool:

TABLE 1
HEALTH BENEFIT COMPARISON

<u>District</u>	<u>Deductible</u>	<u>Basic</u>	<u>Physician Services</u>	<u>Major Medical</u>	<u>Drug Card</u>
Burlington	\$100/\$200	100%	100%	100%	\$5/3/3*
Delevan	\$100/\$300	100%	80%	80%	none
East Troy	\$100/\$200	100%	100%	100%	\$2
Elkhorn	\$100/\$300	100%	100%	100%	\$4
Fort Atkinson	\$50/\$100	80%	80%	80%	\$2
Milton	\$100/\$200	100%	100%	100%	\$2
Palmyra-Eagle	\$50/\$100	100%	100%	100%	none
Whitewater	\$100/\$200	90%	90%	90%	\$2/2
Jefferson - Status Quo	none	100%	100%	100%	\$2
Board Offer	\$100/\$200	90%	90%	90%	\$5/3
Assn. Offer	\$100/\$200	100%	100%	100%	\$2

* - Name brand/generic/mail order prescriptions

It is apparent from Table 1 that the parties' offers contain equal deductible provisions. Thus, that element of their respective proposals does not distinguish one from the other. A large distinguishing factor between them, however, is whether Jefferson teachers should be obligated for any out-of-pocket expense (co-payment) once the applicable deductibles have been paid.

Co-payment features are designed to discourage covered employees from running to the doctor's office every time they get the sniffles. They compel employees to share some of the responsibility for health care costs. As reflected in Table 1, the District's offer contains a co-payment element whereby Jefferson teachers would pay 10% of their next \$2000 in after-

deductible expenses, with a family-coverage cap of \$400. The Association's proposal contains no such co-pay feature, nor do five of the eight plans currently in effect across the comparables (see Table 1). The remaining three plans have co-pay provisions which result in higher maximum out-of-pocket expenses per teacher than does the District's offer here. Delevan has an 80/20 co-pay feature with a maximum out-of-pocket expense per teacher of \$420 for single and \$1100 for family coverage. Fort Atkinson has one as well; it results in maximum teacher expenses of \$370 for single and \$900 for family coverage. And the plan at Whitewater produces a maximum out-of-pocket teacher expense of \$350 for single coverage and \$700 for family coverage. As noted, the maximum per teacher out-of-pocket exposure under the District's offer in Jefferson (\$200/\$400) is considerably less.

TABLE 2
1992-1993 MONTHLY PREMIUM COMPARISONS

District	Single	Family	District Pmt.
Burlington	\$174.82	\$505.28	100%
Delevan	\$181.83	\$472.89	100%
East Troy	\$198.34	\$510.32	92.8%
Elkhorn	\$207.63	\$425.60	100%
Fort Atkinson	\$171.33	\$477.48	90%
Milton	\$179.22	\$461.84	100%
Palmyra-Eagle	\$156.70	\$477.26	100% - \$1
Whitewater	\$189.82	\$487.82	(s)93.4%/(f)92.8%
Jefferson - Status Quo	\$214.85	\$614.35	90%
Board Offer	\$189.93	\$494.51	90%
Assn. Offer	\$189.00	\$486.28	90%

As reflected in Table 2, both the Association's and the District's final offer significantly reduce health care premium costs, while not reducing them so drastically that Jefferson teachers are placed at an effective health care purchasing power disadvantage *vis-a-vis* teachers in comparable districts. Comparing monthly premium costs alone, it appears that the Association's final offer is preferable. But given the competition among health insurance providers, initial year premium quotes are often not reflective of actual premium costs over the longer term. For that reason it is important to consider other factors when selecting between two insurance plans.

Historically, the health insurance language in Jefferson School District teacher collective bargaining agreements has not specified a particular

carrier or benefit level. The Association's proposal specifies not only the carrier (Wisconsin Education Association Insurance Group - WEAIG), but also the actual plan number (Group No. 0059.0). Besides Milton, none of the other comparable districts specify an actual insurance provider. The Association's proposal thus is a significant departure from the status quo and from the dominant pattern across the comparables pool. Moreover, the Association has not presented compelling reason for the Arbitrator to favor such a departure.

The Association's proposal does allow for a change of carrier, but it places an extremely strict requirement for doing so. It states that the District may choose another carrier ". . . provided all of the benefit standards available under the plan's certificate are equal or better than those proposed for group number 0059.0." That requirement would make it very difficult for the District to shop for other carriers, since to be considered they would have to match or improve upon each and every benefit standard contained in the WEAIG plan. The more common restriction, if any, placed upon employers who wish to consider a carrier different from the one named in their collective bargaining agreements is that the new carrier must provide coverage "substantially equivalent" or "substantially equal" to the status quo.⁵

With regard to internal comparability, the District's offer is clearly preferable. The identical CareShare coverage it proposes has already been implemented through voluntary collective bargaining with the organization representing support staff personnel (Jefferson Support Staff Federation). The Arbitrator notes from the record that the support staff apparently negotiated their own contract without the presence of an outside professional negotiator (Tr-143). However, it does not take a professional negotiator to understand the dollar impact of deductibles and co-pay features, probably the two most significant changes CareShare would make to the status quo. Moreover, since the Jefferson Support Staff Federation is an affiliate of the Wisconsin Federation of Teachers (AFT/AFL-CIO), it is also reasonable to assume that its negotiators had access to a plethora of union-generated research material. The Arbitrator therefore is not persuaded that the Jefferson support staff were somehow duped into agreement with the District on the health insurance issue.

The District has self-funded its health insurance plan since 1984, and WPS has been the third-party administrator since that time. The Association's offer would likely terminate the District's ability to self-fund its health insurance, since it makes no reference to self-funding or whether it would even be available under the WEA plan. It is evident from the record that the District's self-funded health insurance has functioned smoothly. Since the

⁵ The evidence is mixed across the comparables. One or two of them appear to contain clauses as restrictive as that proposed by the Association; two are silent on the matter; one requires a "jointly approved" plan; another requires a plan "substantially equal or better" and still another contains the phrase, "substantially the same "

mechanism was implemented neither the Association nor its predecessor⁶ has submitted a bargaining table proposal to abandon self-funding, nor have any grievances been filed over the matter. And as the District noted, it has never encountered any difficulty with administrators of its self-funded plan, and has always had its expectations met in terms of benefits and quality of service. The one exception, as noted by the Association, was an apparent delay in sending CareShare drug cards to Jefferson support staff. In the Arbitrator's view, this problem is not significant. Changing from one health plan to another is bound to create some glitches. I am not convinced from the record that the drug card delay is indicative of a general inability of the District's third-party health plan administrator to do an acceptable job.

Self-funding allows a school district opportunity for potential cost savings that it would otherwise forego. The savings depend on claims experience, of course. Simply put, if claims expenses are less than premium income the district would profit. It would be able to keep the money that would be kept by the insurance carrier under a conventional plan. With proper professional risk management, a self-funded district can profit over the long term. Moreover, it has the flexibility to tailor insurance coverage to the needs of its own group. It can negotiate directly with Preferred Provider Organizations (PPO's), individual providers, and managed care entities. And it can judge on its own merit, rather than having to accept all of them simply because they were approved by an insurance company. Of course, there are risks. A series of catastrophic illnesses within a self-funded group could seriously deplete its reserves. In the instant case, however, the District has a specific stop-loss policy fixing at \$30,000 its annual maximum limit on claims exposure for any individual. There is also an aggregate stop loss policy fixing the District's maximum exposure across the bargaining unit at 110% of expected claim expense. On balance, and over the long term, it seems reasonable to conclude that the District would be better off financially were it to retain the capability to self-fund its health insurance plan.

The Arbitrator notes the Association's criticisms of the District's experience with self-funding. Of particular concern is the current premium amount, which is significantly higher than those in effect in comparable districts. It is apparent from District Exhibit 1, however, that actual claims in Jefferson School District have been increasing at an exponential rate. For the years 1986, 1987 and 1988 they outstripped revenues. These factors put an understandable upward pressure on premiums, but not one that will necessarily continue. Profit and loss cycles have been characteristic of the insurance industry over the past 24 years. WEA insurance, for example, has experienced four six-year cycles of profits and loss, as has Blue Cross/Blue Shield.⁷ The Arbitrator therefore concludes that the District's poor experience with self-funding in the late 1980's cannot be reasonably interpreted to mean that self-funding itself is not viable in Jefferson School

⁶ Jefferson teachers were represented by the Wisconsin Federation of Teachers until 1985 or so.

⁷ These uncontroverted facts were extracted from Board Exhibit 11A.

District. In fact, over the long term the District has saved roughly \$500,000 in premium dollars as a direct result of self-funding. Under either party's offer future medical insurance premiums could increase. There are simply no guarantees. In the Arbitrator's view, however, the previously discussed flexibility built into the District's self-funding proposal would better equip it to meet the dynamic nature of the medical insurance horizon than would the limited options to do so available under the Association's proposal.

The Association also pointed out that the administrative fees associated with self-funding have amounted to about twice the 8% that would be charged by the WEAIG. The Arbitrator notes, however, that under the District's proposal those fees could well be offset by a more favorable claims experience; without self-funding no such offset could be realized. And it is likely that the co-pay provision in the District's final offer would have a favorable effect on claim volume. The Association also raised additional arguments against self-funding, none of which the Arbitrator found persuasive when compared against the aforementioned merits of the District's health insurance offer.

The Association argued as well that the CareShare plan proposed by the District does not maintain the "Cadillac" benefits enjoyed by Jefferson teachers under the current HMP plan. The Arbitrator is well-aware that under the District's proposal teachers who file claims will be subject to certain co-payments. But as noted earlier, the maxima associated with those payments seem reasonable. Moreover, the lion's share of the coverage provided under the HMP plan is continued without any change whatsoever under CareShare (District Exhibit 7).

On balance, and for the reasons specified, the Arbitrator has concluded that the District's final offer on health insurance preferable to that advanced by the Association.

DENTAL INSURANCE

The 1990-1992 Agreement between the parties contains the following dental insurance provision in its Article VII:

2. The Board shall pay up to \$36.63 per month toward the cost of the family plan dental insurance, and up to \$12.47 per month toward the cost of the single plan dental insurance. In addition to the above amounts, the Board will pay one-half (1/2) of any premium increase received during the term of this agreement.

With the exception of the last sentence and the dollar figures specified, the

above language has remained unchanged since it was first negotiated with the Association's predecessor in 1982. At the time the parties reached agreement on this issue for the 1990-1992 Agreement, the dollar amounts specified were approximately 95% of the dental insurance premium.

District Position

The District's final offer on dental insurance is quoted below:

2. Effective the first day of the first calendar month commencing after the date of this agreement (or receipt of an arbitration award) the Board shall pay \$41.53 per month toward the cost of the family plan dental insurance and \$14.15 per month toward the cost of the single plan dental insurance for each employee who requests and qualifies for the single or family plan. Any increase in such premiums which arise during the term of this Agreement will also be paid by the Board.

The Board notes that the dollar amounts specified in its proposal are equivalent to a 100% contribution, in that they match the entire premium for the 1992-1993 school year. It also highlights its offer to pick up the entire amount of any subsequent premium increase during the term of the Agreement.

Association Position

The Association's final offer on the dental insurance issue is quoted as follows:

Effective on the first day of the month following thirty (30) days from the receipt of the Arbitrator's award (or voluntary agreement), the Board shall pay ninety-five (95) percent per month toward the cost of the family (sic) plan and the single plan of the WEA Insurance Group dental insurance coverage for group number 00059.0 as proposed and dated April 29, 1992. The District may choose another carrier provided all of the benefit standards available under the plan's certificate are equal or better than those proposed for group number 0059.0. The benefit summary is attached as Appendix "B."

The Association's proposal continues employee contributions to dental

insurance at the current levels (i.e., about 95%). Thus, the Association argues, it maintains the status quo in that respect. Moreover, the Association believes that the dental benefits provided in its final offer bring Jefferson teachers in line with teachers in comparable districts, while still giving the District the option to change carriers if it chooses to do so.

Discussion

The Association's dental insurance offer departs from the status quo significantly in that it names a specific carrier and a specific plan. Moreover, the details of the plan would be added to the collective bargaining agreement as an addendum. The District is rightly concerned about the future impact of doing so, as it could well mean that Jefferson teachers could grieve each and every aspect of the plan under the contractual grievance procedure.⁸ Only one of the eight comparable school districts (Milton) has attached such a document to its collective bargaining agreement.

The Association's proposal also carries a significant restriction on changing dental insurance carriers. It provides that the District could change dental insurance carriers only if "all of the benefit standards" available under the new plan's certificate are "equal or better than" those provided in the WEA plan. Such a provision would make it very difficult for the District to "shop around" from dental plan to dental plan, as group insurance carriers are generally loathe to custom tailor their offerings to meet the specific needs of just one potential group member. Moreover, the Arbitrator notes that only two of the comparable districts (Delavan and Milton) place such stringent requirements on changing dental insurance plans and/or carriers. The teacher agreement in Burlington indicates that any new plan must be "equivalent" to the current one (WEAIT Plan II), but in the view of the undersigned the term "equivalent" gives the Burlington school board a latitude in considering alternative dental insurance plans that the Jefferson Board would not have under the Association's final offer.

The dental benefits accompanying the parties' respective final offers are compared in Table 3 on the following page:

⁸ This is true of the Association's health insurance proposal as well, and is another reason the Arbitrator favored adoption of the District's offer on that issue.

**TABLE 3
COMPARISON OF DENTAL BENEFITS**

<u>Benefit</u>	<u>District Offer (current plan)</u>	<u>Association Offer (WEA Plan)</u>
Deductible	none	none
Max. Benefit/Benefit Period	\$750	\$1000
Preauthorization	Services over \$100	Services over \$500
Basic Dental Care	100%	100%
Preventative & Diagnostic	100%	100%
Crowns	50%	80%
Bridges & Dentures	50%	50%
Orthodontia	none	50%
Orthodontia Covered to Age	n/a	25
Max. Orthodontia/Lifetime	n/a	\$1500
Oral Surgery	100%	100%
Reasonable Payment Clause	reasonable & customary costs	reasonable & customary costs
Cleaning	100%; 2/year (6 mo. intervals)	100%; 2/year
Full Mouth X-Rays	1/consecutive 36 months	1/consecutive 24 months
TMJ (Jaw Joint Disorder)	none	none
Periodontics	100%	100%
Implants	none	ill-specified*

* = Association Exhibit 17 indicates that implants are "covered" under the WEA plan, but analysis of the more specific Association Exhibit 21 does not provide support for that conclusion

Table 3 illustrates a general comparability between the benefit levels provided by the parties' respective final offers on the dental insurance issue. The Association's offer provides a significantly higher maximum benefit per year and loosens the preauthorization requirement currently in effect. It also covers half of orthodontia expenses, subject to a \$1500 maximum. However, there is no evidence in the record that these items have been problematical for Jefferson teachers. Rather, the record reveals that the Association has in the past been primarily concerned with the District's historical refusal to pay 100% of the dental insurance premium. Indeed, that was the thrust of its position on dental insurance in the Slavney arbitration. The Arbitrator notes that the District's final offer in the present case is responsive to that concern. It provides for a dollar contribution equal to the full premium costs and guarantees that any premium increases will be borne by the District.

The external comparability criterion seems to favor the District's dental insurance offer as well. All eight comparable districts provide 100% of the dental insurance premium or its equivalent for their teachers. As noted, the Association's final offer would require the District to pay only 95% of the

dental insurance premiums. Even at a 95% contribution under the Association's proposal, however, the District would experience a net dental insurance cost increase. To illustrate, the single premium under the WEA plan is \$19.24; the family premium is \$50.40. The District's contribution at 95% of each would be \$18.28 for single employees and \$47.88 for those opting family coverage. The full premium cost under the District's proposal is \$14.15 for single employees and \$41.53 for employees choosing family coverage.

The internal comparability factor supports the District's dental insurance proposal as well. According to District Business Manager Laura Peachey, the Jefferson Support Staff Federation agreed to retain the current dental coverage for its two-year (1992-1994) Agreement.⁹

The Arbitrator recognizes that the District's dental insurance plan carries the lowest premium costs across the pool of comparables. It is impossible to conclude from the record before me, however, what has been the historical ranking of Jefferson teachers across the comparables on this element of dental coverage. Thus, the significance of the premium costs under the parties' final offers as compared to premium costs across comparable districts is ambiguous. The picture portrayed in the record is but a snapshot not reflective of any prior pattern of premium cost equity across the comparability pool. The Arbitrator therefore cannot properly evaluate the significance of the dental insurance premium costs under the parties' respective offers as they compare to those in comparable districts.

On balance, the Arbitrator is persuaded from the record that the District's final offer on the dental insurance issue is preferable to that advanced by the Association.

FLEXIBLE SPENDING

The 1990-1992 Agreement between the parties contains no Section 125 flexible spending plan. Employees pay their 10% health insurance premiums with after-tax dollars. The purpose of a flexible spending plan is to enable employees to pay their premium obligations, deductibles, and co-payments with pre-tax dollars.

⁹ When Ms. Peachey made this affirmation, she was not under oath. She was asked the question by counsel for the District during open session and on the record prior to the time she gave formal testimony. Since the Association did not object to her response or question its veracity, the Arbitrator accepts it for the truth of the matter

District Position

The District proposes that the following language be added to Article VII, Section A:

The District will put in place not later than the first day of the month in which the deductible and co-pay features described above first become effective, and maintain for at least the duration of this Agreement, an IRC Section 125 flexible spending plan covering the employee's health insurance premium obligations, deductible and co-pay obligations under this Section A, to the extent permitted by law.

The District feels its proposal on this issue should be adopted. It notes that the Association's offer specifies a particular prototype plan and requires that its benefits and procedures be established as the minimum available.

Association Position

The Association also proposes a flexible spending plan, as reflected in the following final offer:

No later than the first of the month following 60 days of the Arbitrator's award (or voluntary agreement), the district shall implement a flexible spending plan with benefits and procedures equal to or better than the WEAFFLEX IRC Section 125/129 Flexible Spending Plan for all employees of the bargaining unit by paying the applicable monthly administrative fee. Further, the plan year for 1993-1994 shall run from July 1 through June 30.

The Association feels its offer on flexible spending is preferable, since it provides for the inclusion of both a Section 125 and 129 plan, and since it was supported by specific cost figures and a plan description.

Discussion

The Association's proposal on this issue is indeed supported by cost/fee data (Association Exhibit 34) and a detailed prospectus of the WEAFFLEX Flexible Spending Plan. In contrast, the District's proposal is devoid of any such explanations. It is virtually impossible for the Arbitrator to evaluate one against the other under such circumstances. Ordinarily, the Arbitrator would favor the offer more specifically documented and supported. But the flexible spending issue in this case is minor in comparison to the greater

health insurance, dental insurance and salary issues. Accordingly, the Arbitrator will decide the case based primarily upon those issues.

SALARY

District Position

The District's salary offer grants a per returning teacher average salary increase of \$1,855 (6.03%) to Jefferson teachers for the 1992-1993 school year. For the 1993-1994 school year it proposes a per returning teacher average salary increase of \$2,085 (6.39%) over the comparable 92-93 figure. The District feels its offer grants significant increases while at the same time maintaining consideration for the public interest. It acknowledges that teacher salaries in Jefferson are somewhat lower than those across comparable districts, but cites as the primary reason the high teacher/student ratio it has maintained.

Association Position

The Association proposes a per returning teacher salary increase of \$2,070 (6.72%) for 1992-1993, and \$2,103 (6.4%) for 1993-1994. The Association argues that the salaries paid to Jefferson teachers are terribly inequitable, and notes that their financial plight would be compounded by co-payments under the District's health insurance proposal. Thus, the Association maintains, its offer should be selected to keep Jefferson teachers from falling even farther behind their counterparts in comparable school districts.

Discussion

The dollar differences between the parties' salary offers are not especially vast, especially for 1993-1994. For both years of the contract, the percentage difference between the offers for salary only and package cost per returning teacher is just a fraction of a percentage point, as illustrated in Table 4 on the following page.

The Arbitrator notes that Jefferson teachers have historically been paid at a low level in relation to teachers in comparable school districts, and that under either party's offer they would not advance significantly in terms of ranking within that group. But since the historical settlement data include voluntary settlements, the Arbitrator is unwilling absent compelling evidence to depart from that pattern. There is no automatic rule in interest

arbitration which would move all salaries to the average in a comparability pool. The responsible interest arbitrator should endeavor to arrive at a decision which mirrors the hierarchical salary pattern historically set by the parties themselves through voluntary collective bargaining. According to the record before me, teachers in the Jefferson School District have settled the salary issue voluntarily for the majority of bargaining rounds over the last decade. Thus, the ratio they adopted between their own salaries and those of teachers in comparable districts should not be disturbed by this proceeding.

It is also important to recognize that the average per returning teacher salary offers are both quite robust as compared to cost-of-living increases. The relevant Consumer Price Index¹⁰ (CPI) displayed a 3.5% increase between June, 1992, and June, 1993. Thus, even under the District's salary offer for 1992-1993, Jefferson teachers should enjoy a somewhat significant boost in purchasing power. Moreover, since health care costs are included in the CPI, the District's 8.20% package increase for 1992-1993 would serve Jefferson teachers well. Even though the Association's salary proposal for 1992-1993 is not significantly higher than the District's, the impact of the health and dental insurance costs make the entire package proposed by the Association inordinately expensive, especially as compared to the CPI (see Table 4).

Evaluation of the parties' salary offers is complicated by the fact that the health insurance issue is not resolved. The cost of the insurance plan is a part of total package salary calculations, and that cost will differ, depending upon when the new insurance premiums become effective. The most realistic costing calculations in the record are those offered by the District for a July premium change (Board Exhibit 27). Those data are reflected in Table 4:

TABLE 4
COSTING OF FINAL OFFERS USING
A JULY, 1993, PREMIUM CHANGE

Cost Category	1992-1993		1993-1994	
	District	Association	District	Association
Salary Increase (%)	6.03	6.72	6.39	6.40
Package Increase (%)	8.20	8.80	4.94	4.96
Avg. Salary /RT (\$)	32,638	32,853	32,724	34,957
Total Package /RT (\$)	46,155	46,414	48,436	48,714
Avg Salary Incr/RT (\$)	1,855	2,070	2,085	2,103
Avg. Package Incr./RT (\$)	3,497	3,756	2,280	2,300

¹⁰ CPI-W, "Small Metro Areas for Urban Wage Earners and Clerical Workers "

Comparison of the parties' final salary offers against settlements in comparable school districts is also instructive. Tables 5 and 6 have been constructed for that purpose.

TABLE 5
1992-1993 SALARY SETTLEMENTS
IN COMPARABLE SCHOOL DISTRICTS

School District	Average Salary		Amount of Increase	
	1991-1992	1992-1993	Dollars	Percent
Burlington	\$34,810	\$36,832	2,021	5.8
Delavan	\$34,549	\$36,793	2,244	6.5
East Troy	\$32,417	\$34,467	2,050	6.3
Elkhorn	\$34,687	\$36,837	2,149	6.2
Fort Atkinson	\$32,690	\$34,947	2,257	6.9
Milton	\$33,286	\$35,229	1,943	5.8
Palmyra	\$31,698	\$33,446	1,748	5.5
Whitewater	\$33,212	\$35,012	1,800	5.4
8- District Average	\$33,419	\$35,448	2,027	6.05
Jefferson (District)	\$30,784	\$32,638	1,855	6.03
Jefferson (Assn)	\$30,784	\$32,853	2,070	6.72

It is evident from Table 5 that Jefferson teachers are indeed paid at the lower end of the range across the comparability pool. Again, the primary reason for this stems from the salary bargains made by the parties themselves over the last decade.¹¹ In percentage terms, both the 1992-1993 and 1993-1994 increases proposed by the District seem appropriate when juxtaposed against the comparables. For the former year, the District's 6.03% offer almost exactly duplicates the 6.05% average across comparable districts. For the latter year (see Table 6), the District's salary offer of 6.39% compares favorably to the 5.6% average of the three comparable school districts which had settled by the date of the hearing in this case.

Even in view of its rather low teacher salary ranking in the comparability group, there is nothing in the record to suggest that Jefferson School District has experienced an inordinately high teacher turnover rate. If it had, the Arbitrator might be persuaded to advance Jefferson teachers

¹¹ There are two exceptions to this general statement. (1) the 1984 interest arbitration Award from Arbitrator Fleischli, who held for the District on the salary issue; and (2) the 1992 interest arbitration Award by Arbitrator Slavney, who also adopted the District's salary offer.

higher in the comparability pool salary hierarchy, consistent with the Association's salary proposal. But absent such evidence in the record the Arbitrator concludes that the salary/benefit package in the District has been sufficient to retain its certified teachers.

Another way to measure the respective merit of the parties' salary offers is to evaluate the workload of Jefferson teachers versus that of teachers in comparable districts. At one teacher for every 12.3 students, Jefferson teachers enjoy the most favorable pupil/teacher ratio in the comparability grouping. Next in line are teachers in the Fort Atkinson school district, who have an average of 14.4 students each. The average pupil/teacher ratio in the comparables pool is 16.4 (Board Exhibit 37). Thus, the teaching job at Jefferson is quite likely less stressful, and it certainly involves less work overall. Reading and correcting 16 student papers, exams, etc. is simply more work than doing the same tasks for only 12 students. To some extent, then, the pupil/teacher ratio in Jefferson School District is a teacher benefit which counterbalances historically low teacher salaries.

TABLE 6
1993-1994 SALARY SETTLEMENTS
IN COMPARABLE SCHOOL DISTRICTS

School District	Average Salary		Amount of Increase	
	1992-1993	1993-1994	Dollars	Percent
Burlington	\$36,832	\$38,762	1,930	5.2
East Troy	\$34,467	\$36,493	2,025	5.9
Whitewater	\$35,012	\$37,012	2,000	5.7
3-District Average	\$35,437	\$37,422	1,985	5.6
Jefferson (District)	\$32,638	\$34,724	2,086	6.39
Jefferson (Assn)	\$32,853	\$34,957	2,103	6.40

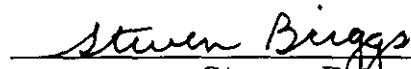
Another factor to be considered is the impact upon taxpayers of the parties' respective offers. For the 1991-1992 school year Jefferson School District spent more money per pupil (\$6,488) than did any other district in the comparables pool. This was in spite of the fact that the equalized value per full time equivalent teacher was lower than that in all eight comparable school districts. Moreover, it is clear from the record (Board Exhibits 39-41, 44) that income levels for Jefferson residents are at the lower end of the income range across comparable districts. These facts translate to a higher school tax burden on Jefferson taxpayers than that faced by taxpayers in comparable districts. The Arbitrator therefore concludes that adoption of

the District's salary offer would serve the public interest to a greater extent than would selection of the Association's salary offer.

AWARD

After careful study of the record in its entirety, including all of the evidence and argument presented by both parties, and in full consideration of all statutory criteria, the Arbitrator adopts the District's final offer. It shall be included in the parties' 1992-1994 Agreement, along with the provisions therein which are to remain unchanged, and along with the parties' stipulations with regard to additional issues resolved in the bargaining process.

Signed by me at Darien, Illinois, this 14th day of July, 1993.



Steven Briggs