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PUBLIC EMPLOYMENT RELATIONS BOARD

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Lisa Salkovitz Kohn,
Impartial Arbitrator

PUBLIC EMPLOYMENT
RELATIONS BOARD

In the Matter of the Impasse Arbitration)
)
 between)
)
 Danville Community School District,)
)
 and)
)
Danville Education Association.)

CEO: 188/Sector 2

Hearing Held: July 15, 2016

Award Issued: August 4, 2016

Appearances:

For the District: Richard A. Davidson, Esq.
Gary DeLacy, Superintendent

For the Association: Adam Krieger,
Association Chief Negotiator
Jon Studer,
ISEA Negotiations Specialist
Suzanne Card,
UniServ Director, SCUU
Carol Hauptert,
UniServ Director, Unit Nine
Andrew Isaacson,
Uniserv Director, Geode UU

ARBITRATION AWARD

I. INTRODUCTION

This is an impasse arbitration held pursuant to Section 20.22 of the Iowa Public Employment Relations Act. The undersigned Arbitrator was duly selected pursuant to the Act and the procedures of the Iowa Public Employment Relations Board. The parties have advised the Arbitrator that they have agreed to waive the statutory deadlines for commencement of the hearing and for service of the award in an independent impasse agreement.

At the hearing held on July 15, 2016, at the administrative offices of the School District, an electronic recording of the proceedings was made by the Arbitrator. Both parties were given the opportunity to present such evidence and argument as they desired, including an examination and cross-examination of all witnesses.

In evaluating the parties' final offers on each impasse item, paragraph 7 of Section 20.22 requires the arbitrator to consider, "in addition to any other relevant factors":

- a. Past collective bargaining contracts between the parties including the bargaining that led the up to such contracts.
- b. Comparison of wages, hours and conditions of employment of the involved public employees with those of other public employees doing comparable work, giving consideration to factors peculiar to the area and the classifications involved.
- c. The interests and welfare of the public, the ability of the public employer to finance economic adjustments and the effect of such adjustments on normal standard of services.
- d. The power of the public employer to levy taxes and appropriate funds for the conduct of its operations.

These statutory factors, as well as other relevant factors discussed below, have been considered by the Arbitrator in determining which of the parties' final offers on wages is most reasonable, as required by Section 20.22 (9). In reaching her decision, the Arbitrator has considered all data, evidence and argument offered at the hearing, even if not specifically mentioned or discussed herein.

II. BACKGROUND, ISSUES, and the PARTIES' FINAL OFFERS

The Danville Community School District (the District or Danville CSD) covers approximately 79 square miles in south central Iowa, in Des Moines County. The school and administration office is located in Danville, approximately 13 miles west of Burlington. The District has 511.5 students, and ranks in enrollment 230th out of 336 Iowa school districts.

The K-12 student population is housed in a single attendance center. The District employs a full-time superintendent and two principals.

The Danville Education Association (the Association) is the certified employee organization for the District's professional instructional employees, including part-time staff.

There are currently 49 professionals in regular and special education positions, represented by the Association. The average experience of the teachers in the 2015-2016 school year was 15.7 years, the average salary was \$49,929, and the average total teacher compensation including benefits was \$66,472.

After three negotiating sessions and one mediation session, the parties have

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reached impasse on one item, wages. The Association's final offer is an increase of \$550 to the Generator Base for the regular salary schedule, making it \$31,325; leaving the hiring step at the current Step 3; and an increase of \$550 also to the Generator Base for the supplemental pay schedule, bringing it to a total of \$29,150. This proposal is a total package increase of **3.40%**. This works out to a total package cost of roughly \$3,250,465, and a total package cost increase of \$106,810. The District's final offer is an increase of \$170 to the Generator Base on the regular salary schedule, bringing it to \$30,945; moving the hiring step to the current Step 4; and leaving the Generator Base for the supplemental pay schedule at its current \$28,600. The District's proposal would grant a total package increase of **2.25%**. This works out to a total package cost of roughly \$3,214,412, and a total package cost increase of \$70,755. The Association's offer is \$36,055 greater than the District's.¹

The District does not assert a defense to the Association's final offer based on an inability to pay, but it does contend that the financial vicissitudes and uncertainties resulting from a rather volatile transfer-in population history makes its final offer more reasonable than the Association's. This argument will be considered along with the more familiar debates over the implications of the parties' bargaining history, the lessons to be drawn from a comparison of wages, benefits and conditions of public employees in comparable communities, and such other statutory features as the District's ability to levy taxes and

¹The parties have tentatively agreed to renumber the current Step 3 on its regular salary to Step 1, and adjust the numbering for higher step accordingly, while relabelling the current Steps 1 and 2, which are no longer used, as A and B. In this Award, we continue to refer to the current hiring step as Step 3, and refer to the step number as they appear in the 2015-2016 contract, as the parties did in their presentations.

appropriate funds.

III. ANALYSIS OF THE ISSUE

A. Comparability groups

In resolving contract impasses over wages and other common economic terms of employment, arbitrators have frequently found the second factor listed in Section 20.22(7) - "Comparison of wages, hours and conditions of employment of the involved public employees with those of other public employees doing comparable work, giving consideration to factors peculiar to the area and the classifications involved" - to be highly significant, if not the most significant consideration in determining which final offer is the most reasonable.

The parties have not expressly agreed on an appropriate group of communities for comparison. The Association suggests a couple of alternatives - first, the "super" athletic conference of which the District is a member, the Southeast Iowa Super Combined North/South Athletic Conference, a conference of twenty schools, including four private schools that the Association omits from consideration because they are outside the bargaining purview of Iowa PERB; and second, a group of the ten next-larger and ten next-smaller schools by comparison with the District's enrollment.

As the Association observes, athletic conferences have frequently been used in Iowa as the touchstone for determining an appropriate comparison group because the districts

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compete with each other in athletics and other extracurricular activities, the districts are all easily commutable from each other, and the districts compete with Danville when hiring staff. However, the sixteen public school districts in this combined conference range in size from the 817.9-student Columbus District, to the 358.1-student Winfield-Mt. Union District, with the average enrollment for the group 584 students, well above Danville's census of 511.5.

Enrollment-based groupings are frequently used in impasse arbitrations, because the districts within such groups are similar in student enrollment, similar in the number of teachers, and, in this case, similarly considered rural districts. The districts in this group, however, are widely dispersed, from Akron-Westfield, Hinton and Westwood on the state's western border, Northwood-Kensett on the northern border, Bedford in the south-west, and Colo-Nesco and Collins-Maxwell in the exact center, with others scattered throughout the state. Other than size, which may create some similar financial and strategic considerations, there is little to connect these 10-up/10-down districts with Danville CSD. Indeed, Akron-Westfield and Colo-Nesco have been omitted from the Association's comparative data on salaries because they use a "non-traditional format" for salaries.

The School District has proposed two alternative groups for comparison, a group of the seven next larger and seven next smaller districts, omitting the three largest and three smallest from the Association's second list, but retaining Colo-Nesco and Akron-Westfield in its comparisons. The wide geographic dispersion remains in this comparison group. The School District also offers comparison salary data for all 121 Class 1A school districts throughout the State.

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The comparison data of all 121 Class 1A school districts is of little assistance in this case. There is scant information about districts other than those already in the three smaller proposed groups of comparable districts. Of those three, the two proposed by the Association appear to be more relevant than the seven-up, seven-down proposed by the District. While the ten-up, ten-down group is widely scattered, it excludes the Akron-Westfield and Colo-Nesco districts that are difficult to compare because of their radically different salary approaches. Retaining those two districts in the seven-up, seven-down group suggested by the District means that the information from which to draw comparisons is far more limited than the ten-up, ten-down group. We shall therefore rely on the groups of comparables suggested by the Association: the SEISC Combined North/South Athletic Conference, minus the four private schools (hereinafter the "SEISC Combined Athletic Conference") and the ten-up/ten-down group minus Akron Westfield and Colo-Nesco (hereinafter the "ten-up/ten-down group").²

B. Impasse Issue: Wages

As noted in the introduction, the Association's final offer is an increase of \$550 to the Generator Base for the regular salary schedule, making it \$31,325; leaving the hiring step at the current Step 3; and an increase of \$550 also to the Generator Base for the supplemental pay schedule, bringing it to a total of \$29,150. The District's final offer is an

²The schools in the athletic conference group are: Cardinal, Central Lee, Columbus, Danville, Harmony, Highland, Lone Tree, Louisa-Muscatine, Mediapolis, New London, Pekin, Van Buren, Waco, Wapello, West Burlington and Winfield-Mt. Union. The ten-up/ten-down group is Alburnett, Audubon, Bedford, Calamus-Wheatland, Collins-Maxwell, Danville, East Union, Grisworld, Hinton, Iowa Valley, Kingsley-Pierson, Martensdale-St Marys, Montezuma, New London, North Iowa, North Mahaska, Northwood-Kensett, Sioux Central, and Westwood.

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increase of \$170 to the Generator Base on the regular salary schedule, bringing it to \$30,945; moving the hiring step to the current Step 4; and leaving the Generator Base for the supplemental pay schedule at its current \$28,600. The Association's proposal provides a total package increase of 3.40%; the District's, 2.25%. The Association's offer is \$36,055 greater than the District's, and continues the use of Step 3 as the hiring step.

Comparative Information

Within the SEISC Combined Conference, Danville's 2015 enrollment was 88% of the average, tenth highest out of the sixteen districts. At the bottom step of each BA lane (BA, BA +10, BA +20), its salary ranks ninth or eighth out of the districts, but its salaries at the highest level in each lane are second highest in this comparison group. Roughly the same is true for the MA lanes: District salaries are at the mid-to-high range of the group at the lowest step, but at the maximum (MA+30, Step 30) the District salaries are second-highest. Within the ten-up, ten-down group, the picture is much the same: The District starts at the lower end of the middle third of the group for teachers with only a BA, but as District teachers gain experience and education, their salaries move up to eventually rank second or third in this comparison group.

Within the SEISC Combined Conference, 2016 settlements to date (excluding three multi-year settlements, and Mediapolis, which has not yet settled its contract) resulted in average settlements of 3.03%, where the districts received increases in State Supplemental Aid averaging 1.44%. The ten-up/ten-down group (excluding three districts that entered into multi-year settlements) had a average settlement of 3.34%, and an average SSA

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increase of 1.40%. The Association asserts that the District's much higher SSA increase of 5.6%, coupled with the fact that its proposal of a 3.40% increase is closer than the District's 2.25% proposal to the comparison groups' average settlements, warrants a determination that its proposal is the more reasonable. The District objects that this analysis fails to take into consideration the impact of open enrollment money flowing into or out of the school districts from year to year. In addition, the District notes that the data show that its teachers are already very well and competitively paid within the comparison groups, with the sole exception of the lowest steps in the schedule, a weakness that the District's offer would address. The district's general wage proposal would not disadvantage teachers within the comparison groups; there is no need for any "catch-up" determination.

Bargaining History

The primary thrust of the Association's argument, aside from the comparable data, is that the District is set to receive an increase of 5.62% in State Supplemental Aid, the third highest amount it has received since the 1999-2000 school year, and that this warrants the higher wage increases that it proposes. Looking at the District's bargaining history, the Association notes that since 1999-2000, when the SSA increase (previously referred to as Regular Program Growth) averaged 2.46%, the average total package settlement has averaged 4.22%, and the state average settlement overall was 4.07%. Even this year, the state average settlement is 3.41%, just above the Association's offer. Given that the District's SSA of 7.63% in 2006-2007 resulted in a settlement of 6.10%, substantially higher than the state average of 4.81%, and the SSA of 9.69% in 2008-2009

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resulted in a settlement of 5.60%, again higher than the state average settlement of 4.53%, the 2016-2017 SSA increase of 5.62% warrants a settlement at or above the state settlement average of 3.41%.

Secondarily the Association points to bargaining history that has resulted in annual increases to the Generator Base for the Supplemental Pay Schedule that have been equal to or greater than the increases to the Generator Base for the regular salary schedule in all but one year (2010-2011) of the past twenty, noting that the Generator Bases were identical from 2001-2002 until 2010-2011, which saw a substantial increase to the base for the regular salary schedule due to the addition of Teacher Salary Supplement funds. The parties have been narrowing the resulting gap between the two Generator Bases every year since then. In light of this history, the Association contends that its offer, which would provide the same increase to the Generator Base of the Supplemental Pay Schedule as to the regular pay schedule, is the more reasonable.

Finally the Association contends that the parties' past bargaining supports its offer, which would leave Step 3 as the hiring step on the regular salary schedule. The parties have previously changed the hiring step, moving it to Step 2 for the 2014-2015 school year, and to Step 3 for the 2015-2016 school year, but in each case this was accomplished by a voluntary settlement in collective bargaining. The Association asserts that an impasse arbitrator should not unilaterally impose such a substantive change in the salary structure on the parties. The Association particularly relies on the decision of Arbitrator Kristin Johnson in Iowa City Education Association and Iowa City CSD, May 27, 2010, wherein the arbitrator declined to adopt the District's proposal to eliminate the use of Step 4 as the

hiring step, as had been negotiated 3 years earlier. Arbitrator Johnson deemed the District's proposal to be a significant change in a negotiated *status quo*, which should be made by an arbitrator only if the proponent proved "a very persuasive basis for its proposal," including proof that a legitimate problem required attention, that the proposal reasonably addressed the proposal and that the proposed change was accompanied by an appropriate *quid pro quo*. Further, Arbitrator Johnson found that the District had not made "reasonable efforts" to bargain the change with the Association, in refusing to impose the requested change of hiring step. The Association urges that the same conclusion should apply in this case.

The District's principal response to the Association's arguments based on bargaining history is that the high SSA increase this year does not warrant the higher increase sought by the Association in light of concerns over the decreasing unspent balance and the budgetary impact of open enrollment volatility (discussed more fully below). To the Association's objection that the arbitrator should not unilaterally impose a structural change in the salary schedule, the District responds that its proposal to move the hiring step to Step 4 is not a structural change, but merely a means to increase the District salary to a level more competitive with surrounding communities, a means agreed to by the parties in prior years, so the arbitration awards cited by the Association are inapplicable.

Other factors: Public interest and welfare, and financial powers and ability of the District

The District's primary argument in support of its proposal is that it fosters two important goals: the District's efforts to reverse the downward trend in its unspent balance

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over the past several years, and to improve salaries at the bottom of the salary schedule in order to attract and retain new teachers more readily.

As background, the District observes that the State per pupil spending limit for 2016-2017 is \$6591 per student. The district cannot spend more than that authorized spending multiplied by the official enrollment (511.5 students) plus miscellaneous income, including income from open enrollment into the District plus last year's unspent balance. The District's unspent balance has declined almost 58% in four years, from \$1.1 million in 2011-2012 to \$465,600 in 2015-2016 or 11.4%. The Board projects that the unspent balance will decline further for 2016-2017.

The Association responds that notwithstanding recent decreases, the District has a healthy fund balance, and as of the end of the 2014-2015 school year, had a solvency ratio of 21.77%, well in excess of the IASB target range of 5%-10%. The District's Fund Balance in 2014-2015 was so high that the District was barred by the state from levying a cash reserve levy for 2016-2017. The Association also observes that the District has in fact increased administrative salaries and benefits over the years from 2.72% of total expenditures in 2010-2011 to 3.08% of total expenditures in 2014-2015, at the same time that instructional salaries and benefits declined slightly from 58.50% to 58.20%.

The District contends that its budget is strongly affected by the financial impact of inflows and outflows due to open enrollment students entering or leaving the District. The District lost 27.9 students to open enrollment last year, a loss of \$179,843 in spending authority based on FY 2016 figures.. Beginning with the 2010-2011 school year, the impact of open enrollment has varied from year to year, with a net gain of 8.8 students from 2010-

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2011 to 2011-2012, a gain of 23.2 students from 2011-2012 to 2012-2013, a loss of 3 students from 2012-2013 to 2013-2014, a gain of 13.1 students from 2013-2014 to 2014-2015, and the most recent loss of 27.9 students. The District asserts that its open enrollment population of 116.1 students is an unusually high proportion of its formal enrollment of 511.5, and results in a significant fluctuation in authorized money from year to year. The District calculates that because of the outflow due to this loss of students it has net new money (including SSA, PK4 enrollment increase, and TSS, and deducting the open enrollment loss) of only \$60,699. The District's proposal requires a net total package increase of \$70,755; the Association's requires a net total package increase of \$106,810.

The Association responds that open enrollment is rarely considered in impasse arbitrations. Because of the fluctuations and the delayed financial impact of changes, its impact is too uncertain to rely on in assessing the parties' contract offers, and there is no basis for deducting the "decrease" attributable to a change in the number of open enrollees from the District's new money for the fiscal year.

The District also asserts that its proposal to raise the hiring step to Step 4 is necessary to attract new hires effectively. While the District is able to retain teachers once hired, its starting salary is not as competitive as the higher steps. In addition, the District does not want to simply add to salaries that don't incentivize its teachers to obtain their masters degrees. The Association responds that this is nonetheless a structural change that should not be imposed; previous step eliminations were the result of bargaining so this proposal should be decided through collective bargaining rather than arbitration.

C. Discussion and Conclusions

Other than the question of an appropriate comparison group, the parties disagree on very little of the data. They agree on the basic costing and comparison of their offers. We are here because they disagree on what is most important at this time - the standard comparison of the District with its comparators, both on new money coming from the State and on actual wages and benefits made by comparable employees in comparable districts, or the District's goals, undertaken in the "interest and welfare of the public," to reduce the unspent balances, as a matter of fiscal responsibility and particularly in light of the budgeting variations and uncertainty due to open enrollment fluctuations, and to raise the bottom of the wage schedule, in order to better attract new hires. According to the District, it is the Board's corollary judgment that larger increases at the higher steps are unnecessary when the salary schedule lacks incentives for teachers to move across lanes as well.

The arbitrator has carefully considered all of these arguments. She is not persuaded from this record that the recent variations in the District's open enrollment population warrant deviation from the classic analysis of school board operation and budget, given the delayed impact of those population changes and the frequently swings in that census. Instead, we come back to the core observation that the District's teachers are paid quite well when matched up with the comparable Districts. They would not slip notably in these rankings regardless of whether the District's or the Association's offer were adopted, even though the District's offer is lower than, and the Association's is higher than, the average

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settlements in both comparison groups. The arbitrator is also mindful that impasse arbitration is essentially a conservative process, in order to discourage the parties from jumping to arbitration as a substitute for the determined and creative voluntary negotiation that is the first resort and best measure of effective collective bargaining. As noted, there is no indication that the District's offer will dramatically alter the standing of District teachers' salaries among the comparison groups. This on its own strongly suggests that the District's more moderate offer should be deemed the more reasonable.

However, there are several considerations that must be addressed. First, as the Association points out, the District is scheduled to receive an unusually high increase in State Supplemental Aid, 5.62%. However, the Association has failed to demonstrate why that increase should result in the larger increase it seeks for its members. The correlation between SSA increases and contract increases has not been strong in this District. Similarly, the Association objects that the District's offer fails to follow a pattern of granting at least as large an increase to the supplemental pay schedule as to the regular salary schedule. Again, the purported correlation is not lockstep or uniform, and the Association has offered no other reason why this aspect of its offer is more reasonable. Finally, the Association objects that the change of hiring step is a structural change to the wage scale that should not be imposed by an arbitrator unilaterally on the parties. However, this change is not a concept new to the parties. They have used it recently to eliminate both Step One and Step Two. The proposed change does not alter the inherent philosophy and operation of the salary schedule: It merely enables the District to pay a higher starting salary to new hires, who then progress up the steps and across the lanes on the same

terms as the teachers already employed. In sum, neither the absence of an increase to the supplemental pay schedule, nor the adoption of Step 4 as the hiring step in the District's offer, render the Association's the more reasonable offer.

Accordingly, I find that the District's final offer on wages is the most reasonable.

AWARD

For the reasons stated above and incorporated herein, the Arbitrator makes the following Award:

The District's final offer is the most reasonable of the parties' final offers on wages.

Respectfully submitted,



Lisa Salkovitz Kohn
Impasse Arbitrator

CERTIFICATE OF SERVICE

I certify that on the 4th day of August, 2016, I served the foregoing Arbitration Award upon each of the parties to this matter by mailing a copy to them by United States First Class Mail at their respective addresses as shown below, having also sent the Award by email to the email addresses indicated:

Suzanne Card
Uniserv Director
777Third Street Suite 116
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I further certify that on the 4th day of August, 2016, I submitted this Award for filing by mailing it to the Iowa Public Employment Relations Board, in care of Susan A. Bolte, Administrative Law Judge, 510 East 12th Street, Suite 1B, Des Moines, IA 50319, and by email to Susan.Bolte@iowa.gov.



Lisa Salkovitz Kohn
Impasse Arbitrator