

IN THE MATTER OF)
)
INTEREST ARBITRATION)
)
BETWEEN)
)
KENAI PENINSULA EDUCATION)
ASSOCIATION and KENAI PENINSULA)
EDUCATIONAL SUPPORT ASSOCIATION,)
)
Associations,)
)
and)
)
KENAI PENINSULA BOROUGH)
SCHOOL DISTRICT,)
)
District.)

AAA CASE NO. 01-15-0005-1440

ADVISORY INTEREST

ARBITRATION 2016

HEARING SITE:

Kenai, Alaska

HEARING DATES:

June 1 & 2, 2016

POST-HEARING BRIEFS DUE POSTMARKED:

July 26, 2016

RECORD CLOSED ON RECEIPT OF BRIEFS:

August 2, 2016

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I. INTRODUCTION

This is an advisory interest arbitration proceeding pursuant to AS 23.40.200(g). The Kenai Peninsula Educational Association (KPEA or Association) and the Kenai Peninsula Educational Support Association (KPESA or Association) are the exclusive bargaining agents for teachers and support employees, respectively, within the Kenai Peninsula Borough School District (KPBSD or District). The previously negotiated agreements between the Associations and the District covered three years beginning July 1, 2012 and ending June 30, 2015. The parties entered into negotiations for a successor agreement in February 2015. The parties engaged in negotiations that resolved many of the areas in dispute. However, several contract articles were unresolved and the parties moved the dispute to advisory interest arbitration.

The Associations represent two bargaining units composed of a total of approximately 1,174 certificated staff and support staff. KPEA is composed of approximately 673 certificated staff employed by the District. KPESA represents approximately 501 support employees. Several proposals of the KPESA and KPEA mirrored each other in the language offered. The District operates 44 elementary and secondary schools with an enrollment for the 2014-2015 school year of 8,974 students.

The District is located in southeast Alaska that covers 25,600 square miles. School buses travel 7,708 miles every day transporting students throughout the District. The District is the largest employer on the Kenai Peninsula. The District offices are located in Kenai, Alaska.

II. STANDARDS FOR ADVISORY ARBITRATION

This advisory arbitration is conducted under AS 23.40.200(g). The statute outlines certain requirements for the arbitrator selection. The statute is silent with respect to the standards used in formulating an advisory arbitration award. I will use several of the traditional standards for advisory interest arbitration that include cost of living, comparability, ability to pay, and ability to attract and retain qualified personnel.

Your Arbitrator has carefully reviewed and evaluated all of the evidence and argument submitted by the parties pursuant to the well-recognized criteria. Since the record in this case is so comprehensive, it would be impractical for your Arbitrator in the Discussion and Recommendations to restate every piece of evidence, testimony, and argument presented. However, in formulating the Recommendations, your advisory Interest Arbitrator did give careful consideration to all of the evidence and argument placed into the record by the parties. I will discuss and make findings on each of the issues separately.

For comparison purposes, both parties referred to the school districts of Anchorage, Fairbanks, Juneau, and Mat-Su. One of the major concerns of the District was the veto by Governor Bill Walker of an education bill, which resulted in cuts to state spending for schools. The District's revenue loss from the funding formula cut was \$444,812, compounded by a \$655,072 reduction in pupil transportation funding, for a total revenue loss of \$1,099,084 to the FY 17 budget. It is against this backdrop that the District reviewed and analyzed the issues and evidence presented at the advisory interest arbitration.

III. ISSUES

The issues submitted for the advisory interest arbitration are as follows:

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IV. ISSUE 1: HEALTH CARE

A. Background

The health care provision for the KPEA is found in Section 210 of the Collective Bargaining Agreement (CBA). The health care program for KPESA is included in Article 27 of the CBA. The District's health care program is self-funded. The amount each party is required to contribute for health insurance is set in the CBAs. The FY 15 agreement required the District contribute 85% of the premium and the employee 15% of the total premium. The parties' CBA for 2012-2015 required the District to pay \$1,590.45 per month per employee. The employees pay \$275 per month or \$3,300 per year for the cost of health insurance.

During the prolonged period of negotiation, the District rolled over its health care proposal for 2015-2016 to 2016-2017 with an implementation date of January 1, 2017. The District estimated its health care cost for FY 2016 at over \$27.27 million. The District has proposed a four-year agreement with substantial changes to the health care program. The Associations proposed a two-year agreement. The Associations proposed to continue the traditional health care program with the addition of a High Deductible Health Plan (HDHP). The District also proposed the addition of a HDHP for FY 17.

B. The District

The District's proposals are based on its concern for the ever-increasing cost of the current health care plan. From FY 13 to FY 14, the insurance cost increased by \$1.6 million. From FY 14 to FY 15, the increase was almost \$2.1 million. From FY 15 to FY 16, the estimated increase will be almost \$2.17 million. From FY 16 to FY 17, the District estimated the increase for the status quo of the Traditional Health Plan to be over \$2.4 million. That would bring the total cost for health plans to over \$27.27 million. From FY 12 to FY 17, the District's contribution for the plans cost would have increased by over 55%, from \$13,380 per year per employee to \$20,770 per year per employee.

The District submits that its health care proposals are essential to the fiscal health of the District, to the guarantee of employee health care options, and to the maintenance of programs and jobs. The District's last best offer provided a soft landing to employees if implemented by January 1, 2017. The cost of annual increases of over \$2 million per year in health care costs is a situation that is untenable.

The Associations' proposals are nothing more than a continuation of the status quo traditional health plans with the corresponding, rapidly increasing cost. The District also rejects the Associations' claim that the Associations accepted the District's initial health care proposal for FY 16. The District referred to the Associations' actions as a "sham acceptance."

In sum, the District has been frank and unapologetic as to its intent to decrease the cost of a self-insured plan, and to provide cost containment in its health care options to its employees. Thus, the Arbitrator should recommend the

establishment of caps on insurance liability for the District for FY 18 and FY 19. Without a cap, there is no incentive for the employees to reduce health care costs.

C. The Associations

KPEA and KPESA's final insurance proposals dated April 1, 2016 accepted the District's February 9, 2015 offer with three noted exceptions. According to the Associations, the District's health insurance last best offer strays far from its opening approach.

The Arbitrator should reject the District's proposal to remove the 50/50 share for costs above the cap to a percentage cost share as a step backward. The parties adopted a recommendation by arbitrator Kathryn Whalen in her 2012 award to implement a 50/50 share for costs above the cap to a percentage cost share. The District provided no fair rationale to change from the current easy and predictable method of an 85/15 cost sharing to a cap. According to the Associations, the District's presentation is a means of punishing the Associations for not taking cost-cutting measures. Fairbanks School District does not use a cap. The District's proposal would burden employees with premium increases that many members would be unable to afford.

In a matter of two years, the District attempts to increase the annual employee's cost for health insurance from the current \$3,300 to \$8,264, or an increase of 150%. This is a blatant attempt to cost shift an unprecedented amount to the employee's pocketbook. This major cost shifting is made at the same time the District proposes a zero increase to the employee's salary. It is also an attempt to force employees into no other option than choosing the HDHP, creating a false choice. No

other District has taken such a calculated move to burden employees with shouldering a 150% increase in their contribution for health insurance coverage.

The District over-estimates the annual health care costs in its budget because it failed to take into account that over 70 KPEA and KPESA employees are funded through grants for the entire cost of their salaries and benefits. The salary and benefit costs for employees paid through grants do not come out of the general fund budget. This inflated the amount totals by approximately \$1.3 million. At no time has the District ever claimed that it has an inability to pay. The Associations submit that what the District seeks through its health insurance proposal goes too far to shift the cost of insurance to the employees.

For all of the above-stated reasons, the Arbitrator should recommend a two-year agreement, retroactive to June 1, 2015 that includes retention of the 85/15 split, allowing dual non-District covered employees to opt out for FY 17, and reducing coverage for new hires to those who work 30 hours or more per week for FY 17.

D. Discussion and Findings

The Arbitrator finds that neither proposal should be adopted in its entirety. I will recommend the District's proposal be adopted with modifications. While I agree with the District's attempt to lower health care costs, the proposals go too far, too fast, to shift the additional cost of health care onto the employees. This is particularly true when the District's salary offer for FY 16 is essentially a freeze on wages. For teachers who completed the work calendar for FY 16, they would receive a \$750 signing bonus that would not be added to the salary schedule. For FY 17, FY 18, and FY 19, teachers would receive a 1% increase that would not be added to the salary schedule.

The Associations' proposal is essentially to retain the status quo for two years. It does zero to alleviate the rising costs of the health care program to the District. The time has come for employees to recognize that cost containment provisions must become a part of the contract. In light of the District's stated intent that it needs to decrease the cost of the self-insured plan, and to provide cost containment options to its employees, I will not burden this Recommendation with an extensive review of the proposal. I also reject the Associations' assertion that the Associations agreed to adopt the District's offer dated April 1, 2016. The purported acceptance came with several major exceptions so that the Associations' position can only be viewed as a counteroffer. The District did not accept the Associations' counteroffer and characterized the Associations' position as a "sham acceptance." While I will not go so far as to label it a sham acceptance, there is no doubt that the Associations' purported acceptance constituted a counteroffer.

This Arbitrator will be recommending in the duration issue a three-year agreement. The two-year agreement proposed by the Associations makes little sense when the parties are into the second year of the contract. The parties should not be placed in a position of turning right around and entering into negotiations for a successor agreement. The District's proposed four-year agreement is not acceptable in a period of economic flux.

The parties recognize that FY 16 has passed and that the hope of health care cost savings could not be accomplished in FY 16. I will recommend that double-covered employees will be allowed to opt out of the District's plan while remaining covered as a spouse or dependent of another employee covered by the plan. I will

recommend, pursuant to the District's proposal, that the implementation of the HDHP be set for January 1, 2017 to meet the reality that no such plan is available at the present time. The same holds true for the opt-out provisions, and other cost saving measures.

RECOMMENDATIONS

This Arbitrator recommends that the Health Care language shall be amended as follows:

210 HEALTH CARE/ARTICLE 27

The District health care program is self-funded. Program costs are solely a product of administrative expenses and actual claims experience as reported in the District's final annual CAFR.

A Health Care Program Committee (HCPC) shall be composed of four (4) representatives selected by the Kenai Peninsula Education Association, three (3) representatives selected by the Kenai Peninsula Education Support Association, one (1) representative selected by the Kenai Peninsula Administrator Association, and three (3) current employee representatives selected by the Superintendent. The Health Care Committee shall select a chairperson from its membership. The Plan Administrator and Benefits Manager are non-voting advisors to the committee. The HCPC shall select a chairperson from its committee of voting members.

A quorum for the meetings shall require no fewer than nine (9) committee members. The Health Care Program Committee will conduct a formal vote on any matter that could impact the cost or benefits of the health care program or on any matter that would require a change in the summary plan description. Formal votes shall require an eighty percent (80%) vote of the total voting committee members to pass.

The committee shall annually review by-laws in September of each year unless the committee deems that an alternate time would be better. The committee will meet monthly unless this is changed by the committee members in accordance with the committee's by-laws.

The Health Care Program Committee shall be empowered to determine health care benefits different from benefits in the plan in place on July 1, 2015. The committee will determine and control the health care program for all District employees covered by the program during the term of this agreement including but not limited to the

following: benefits and coverage provided, cost containment measures, preferred provider programs, co-payment provisions, evaluating other health insurance programs, and implementing any wellness measures it deems beneficial to employees and the health care program. The District shall not be required to adopt changes made by the HCPC, which would result in violations of established laws or regulations.

The Health Care Program Committee shall be advisory to matters related to Broker selection, Third Party Administration and Stop-Loss insurance.

The District shall not be required to adopt changes made by this committee, which would result in violations of established laws or regulations.

The District agrees to work with the Health Care Program Committee to provide reasonable time for meetings and provide adequate support, including an expert health care consultant for plan design. Administrative leave will be provided for all participants.

Members who have alternative health insurance coverage meeting the minimum ACA requirements may elect to waive their entitlement to District provided health insurance coverage. Alternative health insurance coverage shall not include District provided coverage, which the member is entitled to by reason of his/his status as a spouse or dependent of a District employee who is covered by the District's health insurance plan. This provision will become effective no earlier than January 1, 2017.

	Traditional Health Plan (85/15)	High Deductible Health Plan (90/10)
Deductible	\$200 /Individual \$600 /Family	\$1,500 /Individual \$3,000 /Family
Out of Pocket (Not including deductible)	\$1,000 /Individual \$3,000 /Family	\$2,000 /Individual \$4,000 /Family
Health Reimbursement Arrangement (HRA)	None	\$750 /Year

Total District dollar share of health plan costs is based on the negotiated District percentage as applied to actual plan costs. The District will make contributions to the health care program for each participant on a 12-month basis as follows:

FY 17, FY 18. Traditional Health Plan 85% per eligible employee per month.
High Deductible Plan 90% per eligible employee per month.

In FY18, the District's contribution to the Traditional Health Plan shall be no more than \$1731.45/month. If the total premium exceeds the cap, the District and employees will share the cost over the cap 50/50.

In FY18, the District's contribution to the High Deductible Health Plan shall be no more than \$1645.61/month. If the total premium exceeds the cap, the District and employees will share the cost over the cap 50/50.

The District will independently calculate its contribution amount separately for both Traditional Health Plan and the High Deductible Health Plan and report the amounts to the health care committee.

Total employee dollar share of health plan costs is based on the negotiated employee percentage as applied to actual plan costs. Employee participants will be responsible to the health care program on a 12-month basis as follows:

FY 17, FY 18. Traditional Health Plan 15% per eligible employee per month.
High Deductible Plan 10% per eligible employee per month. In FY 18, the employee's contributions are subject to the District's contribution caps set forth above and cost sharing of 50/50 if the premium exceeds the caps.

The health care subcommittee comprised of KPEA, KPESA, and KPAA HCPC representatives, shall determine the employee contribution amount separately for both the Traditional Health Plan and the High Deductible Health Plan. The formula to calculate the rate, established by KPEA/KPESA bargaining team is set out in Appendix A.

Health Care Reserve Account: A separate employee health care reserve account shall be established and maintained. The initial amount in this account as of July 1, 2012 was \$1,246,835. Any interest gained on this account shall be retained in this account. \$750,000 of the employee health care reserve account shall be set aside for use at year-end for payment of the employee portion of program costs that exceed employee deposits. If the employee health care reserve falls below \$750,000, an amount needed to replenish the fund to \$750,000 will be calculated by the sub-committee and added to the employee's annual rate in the following year. Any amount in the employee health care reserve exceeding the \$750,000 balance will be used to offset future employee costs as determined by the sub-committee.

Sub Committee - The Association health care committee representatives (KPEA,

KPESA, and KPAA) will have the authority to address the usage of any amount remaining above the \$750,000 requirement stated above. These monies can be used to pay down the employee share of the health care employee contribution or can be placed in the Employee Health Care Reserve account to pay down future costs or overages.

Benefits are afforded to the employee, spouse and all eligible dependents.

As of July 1, 2017, all employees who work thirty (30) or more hours per week or at least .75 FTE are eligible for year round health benefits and are required, as a condition of employment, to participate in the KPBSD health plan. Any employee who as of July 1, 2017, has been working between twenty (20) and thirty (30) hours per week or between .50 and .75 FTE, and has previously been receiving health benefits, shall be grand parented as eligible for health benefits for the remaining length of time they are employed by the District. All such affected employees shall have a one-time option to opt out of health benefit coverage before their start of employment for the 2017-2018 school year.

*Guidelines involving "qualifying event" and "pre-existing conditions" will be followed in accordance to the health plan document.

<http://www.kpbsd.k12.ak.us/employees.aspx?id-10156>

The District shall maintain a "reward" system to protect the plan from inaccurate charges by Service Providers. The District and employee shall evenly divide any monetary benefits resulting from the correction of such charges. Errors made by the plan administrator are ineligible for this reward.

A flexible benefit account program, under the provision of Section 125 of the Internal Revenue Service Code, will continue.

Dental and vision benefits shall be provided separately from medical and prescription benefits. Employees shall have the option to elect not to receive dental and vision coverage. The cost of the dental and vision benefits shall be included in the calculation of the employer and employee contribution amounts. The employer and employee contributions will be the same for an employee who receives dental and vision coverage as it is for an employee who elects not to received dental and vision coverage.

The above recommendation also applies to Article 27 of the KPESA bargaining unit.

V. ISSUE 2: SALARY AND WAGES

A. Background

The KPEA salary schedule is included in Article 105 of the CBA. The KPESA wage schedule is located in Article 16 of their CBA. The fiscal year 2015 wage schedules for both groups of employees were automatically rolled over for FY 16 as part of the status quo.

The parties have widely divergent positions on the salary and wage issue. The Associations are seeking a two-year agreement with an increase of 1.5% for FY 16 and 1.0% for FY 17, if the state's Basic Student Allocation (BSA) increases by \$50. Subsequent to the arbitration hearing, Governor Walker vetoed half of the \$50 BSA increase with additional reductions in pupil transportation. The impact of Governor Walker's veto on the Associations' salary proposal for FY 17 is a .5% reduction in their offer.

The District countered with a proposal for a four-year contract. The District offered to provide employees with step movement and column placement for FY 16. In addition, the District proposed a payment of \$750 (TRS eligible) to be paid to teachers who completed their FY 16 work calendar, with an additional \$250 to those teachers at the longevity step. In FY 17, FY 18, and FY 19, teachers would be paid an additional 1% (TRS eligible) of that salary schedule amount. It was the District's position that the \$750 proposed for FY 16 would be off the salary schedule as well as the 1% increase proposed for FY 17, FY 18, and FY 19. The same wage offer was made to KPESA.

B. The Associations

The Associations begin by pointing out that its 1.5% salary schedule increase for FY 16 followed by a .5% increase for FY 17 is reasonable and within the ability of the District to pay. According to the Associations, the members of the teacher bargaining unit lag behind the four other comparative districts in salary. In addition, the requirements for Kenai teachers to advance on the salary schedule are more restrictive than in the other districts. The Associations submit other districts have not allowed their budgetary concerns to interfere with their willingness to fairly compensate their employees. It is past time for Kenai to honor its employees by providing a slight increase to the salary schedules.

In 2014, the legislature funded a study that shows Kenai teachers required a 14% salary increase in order to be comparable to Anchorage teachers. Several of the comparable districts have recently bargained contracts that all provide for modest increases. In FY 16, the Anchorage teachers received a 1% increase on the salary schedule, Fairbanks received a 1.75% salary increase, and Mat-Su received a 1.25% salary schedule increase. For FY 17, the Juneau teachers negotiated a .5% increase, the same as the Association is seeking. The employees in the comparable districts are not receiving increases that are off the salary schedules, nor should Kenai employees be required under comparable circumstances to have such a recommendation made. The Association is seeking a modest increase, which is in line with what employees in other comparable districts received.

The Arbitrator should reject the District's salary proposals as not reasonable or supported by the comparators. According to the Associations a 2% wage

increase is needed to maintain a cost of living standard over the two-year duration of the CBA. When compared against the four other districts, it was readily apparent that KPEA and KPESA's salaries lagged behind the other four. The District has the ability to pay the modest increases proposed by the Associations. It is necessary to adopt the Associations' position in order to recruit new employees, to attract competent and experienced employees, and retain current employees.

For all of the above-stated reasons, the Arbitrator should recommend the adoption of the Associations' proposals on the wage issue.

C. The District

The District's last best salary proposal continued the rollover of the FY 15 salary schedule with step movement and column placement for FY 17, FY 18, and FY 19. For FY 16, the District proposed a payment of \$750 (TRS eligible) would be paid to teachers who completed the FY 16 work calendar, with an additional \$250 to those teachers at the longevity step. The \$750 would be off the salary schedule.

The District's last best salary proposal would retain the FY 15 salary schedule for FY 16. The District's proposal would allow step movement and column placement for eligible employees. The FY 15 salary schedule has automatically rolled over to FY 16 as part of the status quo, the District proposed the payment of \$750 to (TRS eligible) bargaining unit members who completed their FY 16 work calendar. In FY 17, FY 18, and FY 19, members would be paid an additional 1% of their salary schedule amount. That 1% would be off the salary schedule and would not compound on the schedule each year. The total general fund increase for both Associations would be almost \$1,040,000. The District's 1% off the schedule payments in FY 17, FY 18,

and 19 are estimated to increase the budgeted KPEA general fund salaries by approximately \$500,000 in each of the fiscal years, after step increases. The District's 1% off the schedule payments to KPESA employees in those three fiscal years increases the budgeted general fund salaries by approximately \$250,000 each year, after step increases.

When Governor Walker vetoed the school budget bill, the resulting loss to Kenai's funding was \$1.1 million. The District has costed out KPEA's FY 16 1.5% salary schedule increase in the general fund at \$748,312, including benefits. The District has costed out KPEA's FY 17 salary schedule increase of 1% at \$513,675, excluding benefits, and \$587,182 with benefits.

The critical distinction between the District's last salary proposal and that of the Associations is the cumulative impact of KPEA's salary schedule increase. The cumulative salary cost increases to implement KPEA's proposal over the life of the contract constitutes a cost increase of almost \$1.5 million. With projected flat enrollment and the legal obligation to balance its budget, the KPEA proposal would have to be funded from the general fund balance, or from reductions in programs and operations. KPEA's proposal ignores the lost opportunity for health plan cost savings proposed by the District.

Turning to KPESA's last best proposal, the District's cost estimate for FY 16 salary schedule increase of 1.5% is \$351,908, including benefits. The Arbitrator should reject the Associations' costing of the proposal as incorrect because it is based on faulty assumptions. The cumulative amount of the salary cost increases over the period of the two-year contract would be \$927,000.

The District does not have a continuing flow of money to pay cumulating and compounding salary schedule increases and ever increasing health insurance costs. That is the major reason why the District has proposed its wage increase be off the salary schedule.

The Associations' claims that grant funded positions negate a fiscal crisis with health care because grant funds will increase to cover the costs of those positions. The fact is that less than 4% of the District's teachers and less than 10% of KPESA support staff are paid from grant funds. The District's use of the benefit of grant funds has little bearing on the impact on programs and operations resulting from continuing insurance and wage increases.

Turning to the KPEA's argument regarding recruitment and retention, the District alleges this argument is without basis in fact. The evidence presented by the District shows that Kenai has one of the best retention rates in the state. Kenai's percentage of teacher turnover averaged approximately 10% for the period from 1999 through 2012. The evidence shows the District was successful this spring in filling almost all vacant positions as of the date of the arbitration hearing.

Moreover, the District's evidence demonstrated that Kenai has a smaller class size, a positive factor for both retention and recruitment of teachers, than in the comparable districts. The District has achieved its favorable class size by balancing its priorities, including the number of teacher positions, and wisely using its general fund balance.

The Arbitrator should find that the District needs to contain the cost of maintaining the current programs, without damaging the programs and operations of the District, and recommend adoption of its proposals.

D. Discussion and Findings

The KPEA's salary schedule is included in Article 105 of the CBA. The KPESA's wage schedule is located in Article 16 of their CBA. For FY 15 wage schedules for both groups of employees were automatically rolled over for FY 16 as part of the status quo.

Your Arbitrator is recommending a three-year CBA as in the best interest of the parties. Your Arbitrator was persuaded the District's cost figures provided are a correct and accurate picture of the District's financial situation. The District's general fund balance has decreased annually from FY 12 to achieve the required balanced budgets. Your Arbitrator rejects the Associations' claim that focuses on the general fund balance providing money to pay increased costs to meet the Associations' proposal for wage increases, health insurance, and other.

For FY 16, I am persuaded the District's salary and wage proposals for step movement and column placement should be adopted. With my recommendation on the District's proposals, the District will have some breathing room to adjust to the rapidly changing economic picture in Alaska, as illustrated by Governor Walker's veto of the education budget bill.

The FY 15 salary schedule was rolled over for FY 16 and should remain in place with two exceptions. The two exceptions are to adopt the District's proposal to add \$750 to be paid to teachers who completed the FY 16 work calendar, with an

additional \$250 to those teachers at the longevity step. I also agree with the District that the additional amount should not become a part of the salary schedule. While I agreed with the District to make the additional payments of \$750 and \$250 off the salary schedule for FY 16, that approach is not a long-term fix. The Arbitrator will recommend for FY 17 and FY 18, that the increases should be added to the salary schedule. Adoption of the District's proposal for dollars off the salary schedule is not in accord with the comparable districts' approach to wage increases. Further, keeping wage increases off the salary schedule will drive the District's salary schedule to the bottom of the comparators. Therefore, I reject the District's attempt to make its salary and wage proposals off the salary schedule for the proposed duration of a four-year contract.

After reviewing the salary schedules of the comparators, I find District teachers are paid a competitive and reasonable salary schedule. At the BA+0 level, District teachers earn \$46,635 per year and at the BA+45 with MA, the starting salary is \$58,580. A similar review at the BA+9 with Masters at the 10th year reveals a salary of \$70,130. Comparing salary schedules is not an exact science. The task for the parties and this Arbitrator is to maintain a salary schedule that does not fall substantially behind the comparators, but keeps the District's salary schedule in a competitive position. This approach is in accord with the District's position that seeks to maintain a competitive and reasonable salary schedule that will attract qualified new employees and retain experienced teachers.

Turning to the factor of cost of living, the evidence overwhelmingly supports a wage settlement that is consistent with either the Associations' or District's

position. Both parties have proposed moderate wage increases that are in line with recent increases recorded in the CPI-U.

The evidence produced by the District showed the cost of living as measured by the CPI edging downward to 1% or less. District Ex. 14. The cost of living for Anchorage in 2014 rose 1.6% over the previous year and 1.5% in 2013 over prior years. District Ex. 14. The increase on the salary schedule recommended by your Arbitrator is consistent with the increases recorded on the CPI-U for Anchorage. When the amounts recommended by this Arbitrator to the salary schedule are combined with other economic benefits that are provided to members of the bargaining units, members will be well protected from any loss of purchasing power due to inflation.

The amounts of salary increases recommended by your Arbitrator are consistent with increases negotiated in the comparator districts. In 2016, Anchorage teachers received a 1% increase on the salary schedule, Fairbanks teachers received a 1.75% salary schedule increase, and Mat-Su teachers received a 1.25% salary schedule increase.

In formulating my recommendations for FY 17 and FY 18, I am mindful that I have recommended adoption of the District's proposal for FY 16 that provides limited increases of \$750 and \$250 for qualifying teachers. These dollar amounts are not added to the salary schedule. In addition, the Arbitrator has set in place a system effective January 1, 2017 that will shift additional costs of the health care program to the employees and provide for cost containment measures. The recommendations on the salary schedule shall be retroactive to July 1, 2015.

RECOMMENDATIONS

Your Arbitrator recommends as follows:

1. The structure of the salary schedules shall remain unchanged through the duration of the recommended three-year Collective Bargaining Agreements for both KPEA and KPESA bargaining unit employees.
2. The KPESA salary schedule should provide all eligible members with step movement and column placement for 2015-2016.
3. The KPEA salary schedule should provide all eligible teachers with step movement and column placement for 2015-2016.
4. Teachers who have completed their work calendar for the FY 16 fiscal year are eligible for an additional \$750 in FY 16 salary, payable by June 30, 2016. Eligible teachers who were at the "longevity" step for both FY 15 and FY 16 will have an additional \$250 added to their FY 16 salary, for a total of \$1,000. That additional salary is TRS eligible and based on a 1.0 FTE, and will be prorated for FTEs less than 1.0. The additional money shall not be applied to the current salary schedule.
5. In FY 17 and FY 18, KPESA employees shall be paid their salary schedule amount plus 1.5% of that salary schedule amount (PERS eligible). The additional 1.5% shall be included in the FY 17 and FY 18 salary schedule.
6. In FY 17 and FY 18, KPEA teachers shall be paid their salary schedule amount plus 1.5% of that salary schedule amount (TRS eligible). The additional 1.5% shall be included in the FY 17 and FY 18 salary schedule.
7. Delete from Article 10, Work Rules, paragraph (p) subsection 1.c.

VI. ISSUE 3: OTHER

A. Background

This section will address the language changes proposed by KPEA and KPESA.

B. KPEA Extracurricular Program

The KPEA proposal would allow teachers and their dependents to attend all extra curricular events free of charge, providing seating is available. According to the Association, adding this language provides teacher quality time to spend with their families while still supporting their students. Often the teacher is the only spectator attending the game in support of the students.

The District's position is one of policy. If teachers are admitted free of charge, what about parents, siblings, grandparents, uncles/aunts, and other family members and participating students? Whether a teacher is required to pay what others pay to attend such functions is not a term and condition of employment.

I agree with the District that the Association's proposed language should not become a part of the CBA.

C. KPEA Section 545, Professional Leave

KPEA seeks language to change this section allowing the full-time release president to have all benefits of the contract. The Association's proposal seeks to change the outcome of an arbitration award by arbitrator David Gaba. Gaba's decision precluded the District from allowing the full-time release president to participate in the teacher retirement system.

The District asserted that the TRS issue was between the Association and the Teachers Retirement System and should not be a part of the Collective Bargaining Agreement.

I concur with the District that the Association's proposal should not become a part of the successor agreement.

D. Section 121, Extracurricular Salary Schedule

KPEA's proposal is to link the extracurricular salary schedule to the teacher base salary. The effect would be that each year the salary schedule increases; the coaches' stipends and other teachers on the extracurricular salary schedule would also increase. The KPEA's proposal also would increase high school and middle school athletic directors' stipends to higher ranges and add categories of coaches eligible for stipends. The Association, by this proposal, seeks to avoid the continuing bargaining over the extracurricular salary schedule.

The District countered with a proposal to increase the existing extracurricular salary schedule by 5%. Both parties recognized a need to increase the stipend amounts paid to members who occupy positions on the extracurricular schedule. The 5% increase to stipends was in recognition by the District that there had been no increase in the extracurricular schedule for several years. The District objects to the KPEA proposal, that it would be a complete re-write of existing salary schedules for extracurricular duties.

I am persuaded by the evidence that the 5% increase proposed by the District to the extracurricular salary schedule shall be adopted effective July 1, 2015. I agree with the KPEA that salary increases on the extracurricular schedule should be tied

to the increases to the base rate of the overall salary schedule. I do not agree that the time is right to completely re-write the structure of the salary schedule. Therefore, it would be my recommendation that effective July 1, 2017, the extracurricular salary schedule shall be tied to the increase provided on the teacher salary schedule to the existing extracurricular salary schedule set forth in Section 121.

E. Section 320, Personal Leave

KPEA proposes an additional personal leave day, with allowance for an additional day to cash out. According to the Association, many employees of the District rely on hunting to put meat on the table. Having an extra day of personal leave will allow employees to have a block of uninterrupted time to accomplish the hunt. The Association is seeking what is in the best interest of the membership.

The District responded by stating the current agreement already provides four personal leave days, cumulative to eight days. That number compares favorably with each of the other four large urban school districts. Anchorage provides three days with a maximum of five days to be carried over from one year to the next. Fairbanks provides four days, cumulative to ten days. Mat-Su provides four days, cumulative to seven days. Juneau provides four days, cumulative to ten days. The District submits the personal leave provision provides adequate time off and is consistent with the comparators.

I agree with the District that members of both bargaining units currently enjoy a level of personal leave days, cumulative to eight days that is consistent with the comparators. Allowing additional time off for employees to hunt would not be in the public interest. The majority of the members of these bargaining units do not work a full

12-month schedule. As such, the members already have substantial time they are not working. The same holds true for the KPESA, Article 20, on Personal Leave. Thus, I must conclude the Associations' proposal should not become a part of the successor agreement.

F. KPESA Article 10, Work Rules

KPESA proposed to add new language that allows employees to maintain the number of hours worked per week in the event of an early release or late start due to listed factors, primarily weather related school closures. Association witnesses explained that most of the employees live paycheck to paycheck and cannot afford even the slightest cut in their pay. Allowing the employee to coordinate with the supervisor to make up lost work time does not present any additional cost to the District.

In reply, the District asserts the proposed language should not become a part of the successor contract. Even if the District chose to have the employee make up the time lost, the agreement of the employee is required. Absent that agreement, the employee would still be paid for the lost hours of work.

I find that the KPESA proposal to pay wages to those employees who start the workday late or leave work sites early in the event of inclement weather should not become a part of the successor contract.

G. KPESA Article 21, Association Leave

Article 21 currently provides for unpaid leave to the KPESA president. The Association then pays the president for his/her services to the Association. KPESA proposes that the full-time release president be placed back on the District payroll. KPESA also proposes that if the time records establish that up to 50% of the full-time

release president's time is spent in service to the District that KPESA receive credit for the time spent in service to the District.

The District objects to the proposal because it assumes the president was actually working 50% of the time on District matters. The premise that the president's work or attendance is for the benefit of and under the control of the supervision of the District is simply not true. Current language should not be changed.

I conclude that the KPESA proposal should not become a part of the successor CBA.

H. KPEA Section 110, Salary Conditions

The KPEA proposed to add paragraph (h), allowing a certain group of employees to gain additional credits through the use of Continuing Educational Units (CEUs). Association witnesses explained that occupational therapists, physical therapists, speech language pathologists, psychologists, and audiologists have difficulty finding college courses that are applicable to those specific fields. The purpose of this proposal is to allow members of this group of teachers to utilize CEU credits to maintain the licensure. KPEA seeks to allow this group of employees to take advantage of this course work to count toward the employee's salary advancement.

The District objected to the Association's proposal as being without evidence to support the proposal of the lack of relevant college courses to justify adoption of the proposal. Further, the Association presented no information as to the cost to the District of less restrictive column movement. The Association's proposal does not even address whether the language is limited to CEUs earned subsequent to a successor agreement or whether all CEUs, regardless of when taken, would be eligible.

I conclude KPEA failed to provide sufficient evidence to justify a need for the addition of CEUs to be added to the contract as a means for salary movement.

I. Duration

The District offered a proposal for a four-year contract. The Associations proposed a two-year contract. I reject a four-year contract as it binds the parties for a period of time that is too long in a climate of economic uncertainty. The Associations' proposal for a two-year contract has little to support its adoption. Adoption of a two-year contract would compel the parties to return immediately to negotiations for a successor agreement. There is little to say for continuing negotiations. The parties need a period of rest from the sometime contentious and time-consuming aspects of contract negotiations. The prior CBA was for a three-year term. Thus, as previously stated, the Arbitrator will recommend a three-year agreement as appropriate to allow both parties to return their focus to the education and care of students. A three-year CBA is in the best interest of the parties and patrons of the District.

The Arbitrator will recommend a three-year contract for both Associations.

RECOMMENDATIONS

Your Arbitrator recommends as follows:

1. KPEA Extracurricular Program

The KPEA proposal to require free admission for teachers and dependents to all extracurricular events should not become a part of the successor CBA.

2. KPEA Section 545, Professional Leave

The KPEA proposal to add language to allow the full-time release president to have all benefits of the CBA, including the Teacher Retirement System, should not become a part of the successor CBA.

3. Section 121, Extracurricular Salary Schedule

The District's proposal to add a 5% increase to the current extracurricular salary schedule retroactive to July 1, 2015, should be adopted. The KPEA proposal to re-write the current extracurricular salary schedule should not become a part of the successor CBA.

The following language should be added to the successor CBA:

Effective July 1, 2017, the current extracurricular salary schedule shall be adjusted by an amount equal to the percentage increase on the base rate set forth in the teacher salary schedule.

4. Section 320, Personal Leave

The KPEA proposal to add an additional day of leave to Section 320, Personal Leave, should not become a part of the successor CBA.

5. KPESA Article 10, Work Rules

The KPESA proposal to add new language to Article 10, Work Rules, should not become a part of the successor CBA.

6. KPESA Article 21, Association Leave

The KPESA proposal to add new language to Article 21, Association Leave, should not become a part of the successor CBA.

7. KPEA Section 110, Salary Conditions

The KPEA proposal to allow a specified group of employees to gain additional credits through the use of Continuing Education Units for the purpose of maintaining licensure should not become a part of the successor CBA.

8. Duration

The Arbitrator recommends the parties enter into a three-year Collective Bargaining Agreement retroactive to July 1, 2015.

VII. CONCLUSION

The parties to these Collective Bargaining Agreements have worked the 2015-16 school year without reaching successor agreements. By the time the parties receive this report, the 2016-2017 school year will be well under way. The Arbitrator has recommended some changes in contract language. However, the Arbitrator is recommending nothing radical or drastic for inclusion in the successor agreements. For the most part, I have attempted to be careful to use basic and conservative language where changes have been recommended in order to make them more acceptable to both parties. It is my express hope that this approach will provide the means to resolve the issues, which divide the parties.

It is time for the Associations and the District to close this contract without further delay. By the time a contract is finally entered into over one year will have elapsed of the three-year agreement recommended by the Interest Arbitrator to the parties. Prolonged negotiations will not be in the best interest of either the Associations, District, or patrons of the District.

Respectfully submitted,

A handwritten signature in cursive script that reads "Gary L. Axon".

Gary L. Axon
Arbitrator

Dated: August 22, 2016