



COMMUNITY CONSOLIDATED SCHOOL DISTRICT 46

Board of Education

Final Offer and Cost Summary

October 16, 2012

DISTRICT FINANCIAL CONDITION

Community Consolidated School District 46 has weathered the economic challenges of the last several years. During this period, the School District managed to avoid the significant staff cuts so many other school districts were forced to enact. Also, during this period, the Board of Education continued to provide salary increases to its teachers. It is important to understand that for the last ten-plus years, the School District's teachers have always received a salary increase. Even in the 2010 - 2011 school year, when the teachers agreed to forego a portion of their negotiated salary increase, the School District ended up paying each teacher a stipend from ARRA funds such that they actually made more money that year than they originally negotiated. Unfortunately, due to the protracted down-turn in the national, state, and local economies, the School District's available resources cannot keep pace with anticipated expenses.

As a public school district, School District 46's revenue is derived from specific sources. In FY12, nearly 62% of the School District's revenue was generated through local resources, primarily property taxes. Approximately 32% of the School District's revenue was received from the State in the form of General State Aid and other state grants. Approximately 5% of the School District's revenue was received from the federal government.

In FY 13, the Board will experience a reduction in its General State Aid of approximately \$1.45 Million compared to FY 12. It is also anticipated that the School District's federal grant revenue will decrease by approximately 25% compared to FY 12. The School District will not be able to make-up this decrease in revenue through its tax levy. As the property owners in the School District know all too well, property values have sharply declined.

The overall Equalized Assessed Valuation (EAV) of the taxable property in the School District has declined approximately 10-12% over the past year. This decline combined with the lack of new property growth throughout the School District and the operation of the *Property Tax Extension Limitation Law* limits the School District's ability to generate additional revenue. The Board is also mindful of the property tax burden already carried by its residents.

Given the reduction in state and federal aid, and the limitations on the Board's ability to generate tax revenue, the Board has no other sources from which to generate the additional revenue needed to pay its increasing costs, including the salary and other compensation demands of the teachers. The School District does not have any available long-term borrowing capacity with which to infuse much needed cash into its accounts. In fact, the School District already pays approximately \$5.6 Million in bond and interest payments per year. Short-term borrowing options in the form of tax anticipation warrants are not a desirable solution due to the increased cost in the form of interest and its impact on future budgets.

The School District's expenses annually reduce its Educational Fund balance to a low point each May equal to 28-30 days of expenses. June expenses customarily exceed the end-of-May Educational Fund balance. If the School District's tax receipts or other state payments are delayed, or an unexpected emergency arises during the year, the School District may not have sufficient cash on hand in the Educational Fund to cover expenses.

The Board estimates that in FY 13, its Educational Fund expenses will exceed revenues by \$1.286 Million, before accounting for any salary increases to any of the employees of the School District, not just the teachers. Salary and benefit costs already constitute 82% of all Educational Fund expenses and account for 85% of Educational Fund revenue. Every \$1.00 of salary or stipend compensation paid by the Board to a teacher actually costs the Board \$1.022 in associated employer contributions to TRS and THIS on behalf of the teacher. On a total FY 12 teacher compensation of approximately \$19 Million, the Board paid an additional \$400,000 in payments for TRS and THIS benefits.

TENTATIVE AGREEMENTS

The Board and the Union have been negotiating since February 2012. During this time, numerous tentative agreements have been reached regarding working conditions governed by the collective bargaining agreement, including: teacher protections, vacancies, professional development plans, sick leave, evaluations, extracurricular/supplemental duties, summer school assignments, supervisory duty, use of school equipment, dissemination of information to the union, unpaid leaves of absence, elimination of the good attendance bonus, meetings, additional school days, and the grievance procedure.

BOARD PROPOSAL & COST SUMMARY

**ARTICLE IV
LEAVES**

B. Religious Leave

Teachers shall be allowed to use up to ~~two (2) sick leave days~~ with pay per year for required observance of a recognized religious holiday of the teacher's faith, when such observance is not possible outside of working hours. The teacher shall notify the Principal of intended use of sick leave under this Section at least two (2) school days prior to such use, and shall include the holiday for which the day or days shall be used.

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Associated Cost: *The Board believes that the current availability of two sick days and existing personal leave entitlement for use for religious observance sufficiently meets the needs of the teachers and the Board. A cost estimate is not able to be determined.*

**ARTICLE V
SALARIES AND FRINGE BENEFITS**

F. Fringe Benefits for Teachers Employed On or Before December 16, 2005

The Board shall make available group major medical insurance. The Board may change carrier(s), if the coverage remains substantially the same, after consulting with the Union.

1. The Board shall maintain a cafeteria plan for all teachers employed on or before December 16, 2005, which meets the requirements of Section 125 of the Internal Revenue Code. If, at any time, such Section 125 or related regulations are amended, the parties shall promptly revise the plan to comply with the amendment. Each teacher shall have overall compensation defined as their compensation on the appended Salary Schedule(s) plus ~~three thousand one hundred forty-six dollars (\$3,146)~~. To receive the flex amount, a teacher must maintain the health coverage selected at the time of execution of this Agreement. Teachers selecting only dental insurance may elect to discontinue such coverage. Any teacher, who as of the 2005-06 school term has selected coverage in excess of single coverage (e.g. single + one, single + spouse, family, etc.), will continue to receive over the life of this Agreement either \$~~3,146~~ in flex or 100% HMO single and dental coverage whichever is greater.

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2. A teacher may annually contribute any amount to the plan, not to exceed [such other amount up to the limit imposed by applicable provisions of the Internal Revenue Code or IRS rule or regulation](#), in any plan year. Such payments are to be deducted from the teacher's compensation along with deduction of contributions to the Illinois Teachers' Retirement System, which may be required on such cafeteria plan payments. Prior to the beginning day of the plan year, each teacher shall, in writing, designate the dollar amount(s) elected for that year for each of the following benefits:

a. premiums for the health, dental, disability and life insurance that is provided by the Board;

b. reimbursement for qualified dependent care assistance as defined in Section 129 of the Internal Revenue Code;

c. reimbursement for the cost of medical, dental and eye care, as defined in Section 213 of the Internal Revenue Code, to the extent not covered by insurance, and incurred by the teacher, the teacher's spouse and/or the teacher's dependents.

3. The amounts designated may not be changed during the plan year except if there is a change in family status or other circumstance provided by the regulations issued by the Internal Revenue Service. Any amounts designated for which valid reimbursement claims are not made on a timely basis will be forfeited and not otherwise paid to the teacher during that year or carried over to a succeeding plan year.

4. The dollar total of the designated fringe benefits elected pursuant to the plan will be deducted in equal amounts from the teacher's salary payments during the plan year unless otherwise specified.

5. Claims for reimbursement may be submitted monthly, unless the Agreement with the plan administrator provides for submission of claims on a frequency more often than monthly.
Claims for reimbursement must be for services received during the plan year.

6. Part-time teachers shall be eligible for full deferral of their actual additional costs pursuant to the flexible benefit plan.

Cost: *Of the 331 teachers in the bargaining unit, only 138 receive the "flex" payment in lieu of participating in the School District's insurance plan. The total cost of the flex payments to this minority of teachers is \$868,296. The flex payment originates from a time prior to when the Board provided health insurance to its employees. Now, however, that the Board does offer health insurance, the Board proposes that the "flex" payment is outdated and unnecessary. This has been acknowledged for several years by the Union by the fact that teachers first employed after December 16, 2005 are not eligible to receive the "flex" payment and may elect to participate in the health insurance plan, or receive nothing. The Board proposes to reduce the "flex" payment by 50%. The savings generated from the reduction of the "flex" payment to a minority of the teachers will be used to pay an off-salary schedule stipend of \$1300 to every teacher in the bargaining unit, except for teachers currently receiving 6% salary increases under the retirement provision of the collective bargaining agreement.*

G. Fringe Benefits for Teachers Employed After December 16, 2005

The Board shall provide group major medical insurance. The Board may change carrier(s), if the coverage remains substantially the same, after consulting with the Union.

1. Teachers shall be provided either one hundred percent (100%) Board paid single HMO medical and dental coverage or ninety-five percent (95%) Board paid single PPO medical coverage and fifty-five percent (55%) Board paid single PPO dental coverage.

2. A teacher may annually contribute any amount to the plan, not to exceed ~~five thousand dollars (\$5,000), or~~ such other amount up to the limit imposed by applicable provisions of the Internal Revenue Code or IRS rule or regulation, in any plan year. Such payments are to be deducted from the teacher's compensation along with deduction of contributions to the Illinois Teachers' Retirement System, which may be required on such cafeteria plan payments. Prior to the beginning day of the plan year, each teacher shall, in writing, designate the dollar amount(s) elected for that year for each of the following benefits:

a. premiums for the health, dental, disability and life insurance that exceed those provided by the Board;

b. reimbursement for qualified dependent care assistance as defined in Section 129 of the Internal Revenue Code;

c. reimbursement for the cost of medical, dental and eye care, as defined in Section 213 of the Internal Revenue Code, to the extent not covered by insurance, and incurred by the teacher, the teacher's spouse and/or the teacher's dependents.

3. The amounts designated may not be changed during the plan year except if there is a change in family status or other circumstance provided by the regulations issued by the Internal Revenue Service. Any amounts designated for which valid reimbursement claims are not made on a timely basis will be forfeited and not otherwise paid to the teacher during that year or carried over to a succeeding plan year.

4. The dollar total of the designated fringe benefits elected pursuant to the plan will be deducted in equal amounts from the teacher's salary payments during the plan year unless otherwise specified.

5. Claims for reimbursement may be submitted monthly, unless the Agreement with the plan administrator provides for submission of claims on a frequency more often than monthly. Claims for reimbursement must be for services received during the plan year.

6. Part-time teachers shall be eligible for full deferral of their actual additional costs pursuant to the flexible benefit plan.

Cost: The Board projects that it will spend in excess of \$1,295,245 on insurance costs for the teacher's bargaining unit in FY 13.

I. Professional Growth [Freeze Lanes/No Lane Movement for 2012-2013]

The Board shall reimburse the cost of graduate course tuition, including all required textbook fees, up to one thousand eight hundred dollars (\$1800) per teacher and not to exceed one hundred ten thousand dollars (~~\$1,10,000~~ for 2012-13). In the event, the yearly amount budgeted for professional growth is exceeded by claims, the following calculation will serve to determine the percentage reimbursement per teacher's total claim.

(appropriate yearly amount) /total professional growth dollar claims = _____ %

Multiply the percentage calculated above by each teacher's total claim amount.

Individual courses to be taken for credit on the salary scale would be pre-approved by the Superintendent unless the person was in a pre-approved course of study which would lead to a graduate degree in an educational field of study or a field of study related to the teacher's assignment and/or responsibilities with the District in which case it is understood all courses related to the graduate degree are approved.

Reimbursement and credit on the salary scale for professional growth will be given for coursework pre-approved by the Superintendent according to the following limitations:

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1. Up to forty (40) semester hours beyond the Bachelor's Degree, or completion of a Master's Degree, whichever comes first.
2. Up to forty (40) semester hours beyond the Master's Degree, or completion of a Doctoral Degree, whichever comes first.
3. Coursework (hours) earned prior to the implementation of the 1984-85 Agreement shall not be included in the forty (40) hours.
4. Other than Pass/Fail courses, all graduate hours receiving a grade of "B" or better shall be approved for movement on the salary schedule; Pass/Fail course(s) must receive a grade of "Pass."
5. Any teacher taking graduate coursework in a recognized institution of higher learning shall have the use of the District copier, at no charge, to copy a paper that is original to the teacher.
6. Teachers must submit a transcript or grade card no later than July 1 of a school year to receive reimbursement for any coursework which concludes on or before June 30 of that school year.

Cost: \$110,000.00

P. Retirement Options

1. The Board shall pay, for any teacher with at least ten (10) years of service in the District who applies and is eligible for early retirement as specified in Section 17-116.1 of the Illinois Pension Code, an amount equal to one hundred percent (100%) of the teachers' one-time employee contribution. To be eligible for this benefit, a teacher must apply in writing no later than March 1 of the year of retirement.

If the state offers another type of early retirement plan(s), the teacher has a choice of either the local (Agreement's) early retirement plan or one of the state's plan(s), but not both.

2. To be eligible for this incentive, teachers at the date of retirement must:

A. have served a minimum of ten (10) years of teaching in the District (excluding time on unpaid leave of absence), AND

B. have attained at least age 60 or have attained at least thirty-five (35) years of service credit with the Illinois Teachers' Retirement System (ITRS), OR

C. have attained whatever requirements may be necessary under Illinois Pension Code to eliminate any employer paid retirement penalty on behalf of the teacher.

For up to the last ~~three (3)~~ years of the eligible teacher's employment, the teacher shall receive a ~~five percent (5%)~~ increase in basic compensation over the basic compensation of the preceding year. Basic compensation is defined as salary compensation inclusive of off schedule increases per Article V. O.

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Eligible teachers applying for this incentive must submit a written notice to the Superintendent on or before March 1 of the school term of the year prior to the first year in which the teacher expects a ~~five~~ percent (5%) increase in basic compensation.

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A teacher who gives written notice of retirement shall, upon the Board's approval of such notice, execute a promissory note payable to the Board for the amount of retirement incentives to be paid hereunder by the Board, provided nothing herein shall preclude the teacher and the Board from adjusting the original proffered date of retirement to a later date which would qualify the teacher to full retirement incentives without discount and without giving rise to any required Board payment to ITRS as a consequence of such retirement.

A teacher who gives written notice of retirement shall within his/her last four years of employment be entitled to additional extracurricular duties if pay for such does not exceed a six percent (6%) increase in total creditable earnings over the creditable earnings reported to the Illinois Teachers Retirement System in the previous school year.

* * *

3. Nothing contained herein shall limit the right of the Board to offer additional retirement incentives to individual teachers. The Union shall consider any such additional incentives offered by the Board as non-precedential with respect to individual teachers and future contractual agreements between the Board and the Union.

4. Teachers taking the retirement option according to Board of Education established policy, shall be able to continue their participation in the District health insurance program. Continuation of this participation is contingent on the following:

a. The premiums for this health insurance coverage are to be paid by the retired employee according to the current rates established by the carrier.

b. Upon reaching the age of sixty-five (65), the retired employee will enroll as a member of the health insurance program of the Illinois Teachers' Retirement System. The premiums for this health insurance coverage are to be paid by the retired employee according to the current rates established by the carrier.

Cost: For FY13 the Board estimates paying approximately \$1,521,158 to the 19 teachers who filed retirement notices under the current collective bargaining agreement language. Under the current language, teachers are able to increase their salary by 26.24% over the last four years of their employment. Under the Board's proposed changes to the retirement language, teachers providing their retirement notice will be able to increase their salary by 15.76% in the last three years of employment. However, a cost estimate of the proposed retirement language is not ascertainable because the Board does not know how many teachers might file their notice of intent to retire in the next year, or their respective base salaries upon which the retirement increases would be calculated.

OTHER BOARD ECONOMIC PROPOSAL

Salary [Article V(O), Schedules]: **2013-14 school year** – Hard freeze, no step or lane changes. Teachers will receive stipend/bonus of \$1,300 per teacher (excluding teachers who have submitted notice of retirement).

Cost: Every \$1.00 paid in salary to a teacher actually costs the Board \$1.022 in associated employer contributions to TRS and THIS. In FY 12 the Board paid approximately \$16,486,211 in salary to teachers who had not filed their notice of intent to retire, plus an additional \$361,000 in TRS and THIS payments on the teachers' behalf. The total stipend/bonus cost is projected at \$405,600 (plus employer contributions to TRS and THIS)

Stipends [Articles V(C), V(D), V(Q), V(S), VI(E), VII(B)]: Freeze at 2011-12 amounts for the 2012-13 school year.

Cost: Approximately \$293,000 (plus employer contributions to TRS and THIS) based on FY12 costs.