

Questions and Answers  
about  
the School Board's Bargaining Position  
February 28, 2008

**Question: What are the School Board's Bargaining Objectives in the Teacher Negotiations?**

**Answer: Our bargaining is based on twin goals: to provide fair compensation to our employees and to keep the school district financially sustainable.** We seek to provide educational programs of recognized excellence. That goal requires us to attract and retain quality staff and to reward them appropriately. We are committed to providing the best possible compensation for our teachers within the means provided by the State of Minnesota. Throughout bargaining, we are committed constantly to maintaining respect for teachers. We know that teachers work hard. We respect the good work that they do. The difficulty is to balance our budget while meeting employee compensation requests and maintaining quality educational programs.

**Question: Is Education in this District Facing a Financial Crisis?**

**Answer: In recent years, school districts have been cutting to the bone and into the bone. They are cutting when the legislature and governor provides relatively large increases (as compared to historic averages). They are cutting when the legislature and governor provides small increases. They are cutting if levies do not pass; they are cutting if they do.**

Mary Ceccioni, of Public Schools Minnesota<sup>1</sup> puts an exclamation on this point in her Newsletter of January 31, 2008:

Since the first of the year, I have been receiving calls daily from parents who want to know what they can do to get their local school boards to stop the cuts. Schools are closing, class sizes are sky rocketing, teachers and dearly loved programs are being eliminated. It is sad that the most uplifting thing I can say is that you are not alone. Districts all over the state once again are experiencing annual budget reductions. **Many of these districts had attempted levies that failed—but many of them had levies that passed!**

She continues:

This is the most painful time of the year for me since the truth is your local school board can only spend what is appropriated from the state and mounting evidence

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<sup>1</sup> PS Minnesota is a statewide advocacy group for better school funding.

supports what we see in our schools everyday: that the state is under-funding our schools and has been doing so for years

The School Board believes that the future of public education requires us to maintain financial integrity through a sustainable long term budgetary strategy. Our community, our children, and our teachers will do better if we keep public education strong for the long haul.

**Question: What is the School Board Doing to Find Ways to Improve Compensation for its Employees?**

**Answer: During the past several years, the Board has been a statewide leader in advocating for better funding for public education.** We have been pursuing an aggressive strategy designed to improve the financial picture of the district. That has involved (a) lobbying at the legislature for more funds for all school district and a fairer apportionment of those funds to St. Cloud, (b) making significant cost-cutting reforms in areas like special education and transportation, and elsewhere, (c) Working for and obtaining \$2.5 million per year in additional compensation for teachers above and beyond what is otherwise provided to most school districts (d) working for an operating referendum in 2003 and again in 2007, (e) doing everything we can to develop a business plan that is sustainable, so that we can maintain enrollment. We have actively worked in St. Paul to make sure that the legislature redresses funding inequities for districts like ours. Several board members, the Superintendent joined with citizens from the area to reduced the growing special education deficit. We have been working to inform local legislators and elected officials from city and county government of the pressing funding needs of public education. The Board believes that we cannot solve the public education funding crisis by making major cuts in programs and reducing the quality of education. Doing that reduces public support for public education and reduces our financial viability.

**Question: Why Can't The District Match the Rate of Increase Provided to Sartell Teachers?**

**A: Because the average teacher salary in St. Cloud has historically been substantially higher than the average teacher salary in Sartell. Sartell is catching up to St. Cloud.** This last year, the announced “total package” cost increase in Sartell was 11 percent. But Sartell was starting from a much lower compensation package for its teachers. The reason that we cannot match that rate of increase is that the average teacher salary in St. Cloud is much higher than the average teacher in Sartell.

Teachers in Sartell expect Sartell to increase their compensation (salary and benefits) faster than we do in St. Cloud, because they expect eventually to catch up with St. Cloud. According the Minnesota Department of Education, the average teacher salary in St. Cloud under the pre-settlement contracts was about \$10,000 higher than the average teacher salary in Sartell. Average teacher salary is a product of the salaries placed on the schedule and where teachers are located on the schedule.

Just to illustrate this point, an 11 percent increase in a district with an average teacher salary of \$40,000 would cost a school district \$4,400 per teacher, for salary only, not counting FICA and

PERA. The same rate of increase in a school district with an average teacher salary of \$50,000 (the last average teacher salary reported by MDE) would cost \$5,500 per teacher, plus FICA and PERA. For a district with 700 teachers, a difference of \$1,100 in salary increase per teacher (exclusive of FICA) represents \$770,000 in cost differential between the two districts. If we kept raising our compensation rates just as fast as Sartell our school district simply could not keep financially solvent.

**Question: How Does the School Board Establish its “Bargaining Budget?”**

**Answer: Our Bargaining Budget is Set Based on the Funding Increase That we Receive from the Legislature Every Two Years.**

The legislature sets school funding in odd-numbered years. Last year, the legislature provided general funding formula increases of 2 percent for 2007-2008 and 1 percent for 2008-2009. However, as a result of statewide efforts to redress the special education funding deficit, some districts, like ours, received some catch up money, to make up for major shortfalls in the prior years. Counting our catch up money, the legislature provided us with a 7.1 percent increase in the last biennium—3.55 percent each year.

When we set our bargaining budget, we focus on additional dollars, not just percentages. In April, we set a bargaining budget that would basically pass along to teachers their proportionate share of the funding increase from the State. We set aside an 8 percent total package. Any amount above that would result in major program cuts and personnel layoffs to fund compensation packages.

**Question: Is it true that the rate of total package increase in St. Cloud has been smaller than some surrounding districts in the area?**

**A: Not Exactly:** It is true that the rate of total package increase has been somewhat smaller if you don't count quality compensation at all.

If you don't count quality compensation, then neighboring school districts have been catching up to St. Cloud gradually, because their average teacher pay has been lower than ours. Even so, our top teacher salary is still higher than Sauk Rapids and Rocori. But as would be expected, school districts with lower average teacher pay have to provide increases in order to catch up with St. Cloud.

But when you count quality compensation, then our total package improvements would be the highest in the area, and one of the best in the State. The total package increase for St. Cloud teachers in the 2005 contract including quality compensation would equal 12.5%, not the 7.5% reported by the media. The total package increase for the four year period, 2005-2009, would be 21.7 percent, if you count quality compensation, or approximately 10.5% for each biennium.

**Question: What Is Meant By the Total Package Increase?**

**Answer: The Total Package costing method measures all of the costs of compensation, pay**

**and benefits.** Use of the total package method is necessary, because the State of Minnesota doesn't provide us with money to reimburse pay and benefits separately. In order to balance our budget, we have to keep track of everything that goes up. What that means is that the more money we put in salary, the less we can put in benefits, and vice versa. All of our money comes out of the same budget.

**Question: What are the Components of Teacher Pay Increases?**

**Answer: Teacher pay (as opposed to benefits) consists of (a) step increases, (b) lane improvement, (c) longevity pay, and (d) salary schedule improvement.**

Our current salary schedule for teachers has a 2006-2007 cost of \$36,373,744. Under one of our recent proposals, teacher salary schedule expenses, exclusive of benefits, would increase as follows:

Salary schedule improvement:	\$ 1,190,170
Step increment	980,296
Lane improvement	481,448
Longevity	98,000
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	\$ 2,749,914

This represents a total increase in salary through step improvement, lane increment, longevity pay and salary schedule improvement of about 7.5 percent for the two years, or a total salary increase of 3.75% per year. But because steps, lanes and longevity apply differently to different teachers, not every teacher would receive that same identical increase.

**Step Increases** consist of pay increases that are awarded to teachers each year based on additional years of experience. Every school district provides step increases. In every school district, step increases stop at some point. When teachers run out of step increases, their pay increases have to come from one of the other methods—lane improvement, longevity pay, or overall salary schedule improvement. In our school district, we have relatively large step increases in the first eight years of a teacher's career in comparison to many area school districts. But many school districts have more steps over a longer period of a teacher's career than we do. This feature means that proportionately more of our salary increase budget goes to the first part of a teacher's career, and causes more experience teachers to complain that they aren't moving forward as fast as they would like. This is one of the reasons that we have been trying to change the way that our schedule works, so that it distributes pay more fairly across all teachers.

**Lane Improvement** results when a teacher earns additional educational credits towards a Masters degree or beyond.

**Longevity Pay** is a way of providing additional pay improvement to teachers who have exhausted their ability to earn step or lane improvement.

**Salary Schedule Improvement** results when the entire schedule goes up. It is the only way that we can provide salary improvement to all teachers. One of the issues that we've been struggling

with is that so many of our teachers are at maximum step and lane improvement. That makes our overall salary costs higher. **As a result, we've been suggesting ways to use quality compensation to rebalance our salary schedule so that, despite our limited resources, we can find a way to provide meaningful salary improvement to all teachers**

**Question: Is it true that Pay Increases Aren't Keeping up with the cost of Health Care?**

**Answer: The cost of health insurance and health care is rising much faster than the overall cost of living.** In every business, for every employee, salary increases are not going up as fast as health care costs. Measures of the “cost of living” are an average; some parts of the average go up faster and some slower. When a district, or a business, provides cost of living increases, that increase covers all of the things that are going up, as an average. If we were to provide a cost of living increase, and cover health cost increases on top of that, we would be double counting inflation. It is just not possible sustainably to provide inflationary COLA's and then to provide another increase to cover the rising cost of insurance.

Over the last several years, the Board has been looking for ways to help solve the rising health insurance costs for its employees. Our insurance advisors have consistently told us that the District's health insurance coverage could be more affordable if the district's and its employees would agree to changes in the coverages we provide. Insurance companies have told us that our Double Gold policy is too expensive, that it encourages overuse, and that if our employee groups want to manage the cost of health care, we should move all employees from Double Gold to the more efficient and effective Triple Gold Policy.

Our current options for health insurance coverage is harming employees, teachers and non-teachers. It is making it harder for the district to provide pay improvement for its employees, because the costs of health insurance are rising so rapidly. The Board believes that it is critical that our employees join us in following the advice that we have been getting from our insurance advisors.

**Question: How does the cost of teacher packages compare to the rate of inflation and the rate of growth in legislative appropriations for education in Minnesota?**

**Answer: Judge for yourself.** The Social Security COLA is regarded as very generous cost of living adjustment-it significantly outpaces Cost of Living adjustments that economists consider to provide accurate cost of living adjustments. Since 2003-2004, the average annual social security COLA has been 2.9 percent per year. Since 2003-2004, the average general fund formula increase has been just under 2 percent per year. Our average annual total package cost increase for the last contract was 3.75 percent per year, not counting quality compensation and over 6 percent per year including quality compensation. The average annual total package cost increase for the four years that are the last contract and our proposed package would be about 3.875 percent per year, and over 5 percent per year with quality compensation.

The following table shows the relationship between the general funding formula and the average total cost increase paid by school districts over the last eight years. The table shows that teacher

compensation costs have been rising at a rate about double the rate of increase in the general funding formula.

**Average Total Package Increase is Double General Fund Formula Increase  
1999-2007**

Year	MSBA Statewide Teacher Average Total Package	General Fund Formula Increase
99-00	5.22%	4.7
00-01	4.85%	4.2
01-02	4.73%	2.6
02-03	4.99%	2.6
03-04	4.00%	0.0
04-05	3.82%	0.0
05-06	4.29%	4.0
06-07	4.23%	4.0
Total	36%	18.1%

According to the American Federation of Teachers and National Education Association, average teacher compensation in Minnesota rose from 20<sup>th</sup> in the nation to 16<sup>th</sup> in the nation. This is not a bad thing. The Board favors finding more resources to pay more teachers more. We believe that teaching is a profession critical above all others to our future. But we feel just as strongly that we cannot advance the profession of teaching by cutting public education to the point of destruction, or by laying off newer teachers to provide overall compensation increases beyond our state-funded means.

**Question: How do the top salaries in St. Cloud compare to the top salaries at Rocori and Sauk Rapids?**

**Answer: At the end of 2007, the top schedule salary for teachers at Rocori was \$56,891. The top salary for teachers at Sauk Rapids was \$61,651. The top schedule salary for St. Cloud was \$64,288.** If the St. Cloud teacher receives an average quality compensation, she would be receiving more than \$66,000 under the 2007 salary schedule. Under the just announced settlement in Rocori, the top schedule salary for teachers would go up to \$59,104. In other words, after the increase in Rocori, the top salary schedule teacher pay would be \$5,000 less than the top in St. Cloud before considering Quality Compensation and \$7,000 less than the top in St. Cloud with Quality Compensation.

After the settlement, the top salary in Sauk Rapids would be \$63,827, still lower than the top salary in St. Cloud before the increase that we have offered in our 2008 pay package, and substantially lower if you count quality compensation.

One of the reasons that we worked so hard to get quality compensation for our teachers was that we knew that we had more teachers at higher salaries than surrounding school districts. We knew that in order to sustain competitive programs with surrounding school districts, while still giving our top teachers raises, we would need an additional revenue source.

**Question: Why can't you use the unreserved fund balance to provide a greater increase?**

**Answer: The unreserved fund balance is one-time money.** Salary increases are permanent. When you use your fund balance to provide salary increases, you create two major problems for the district. First, you have "borrowed" money from your savings to create permanent salary increases that you cannot afford out of annual revenues. As a result, in subsequent years, you are already paying more than you can afford, and you are paying an increase on top of that. Second, by reducing your fund balance, you are weakening the district's ability to deal with future budget crises.

**Question: Why is the School Board "Counting" Quality Compensation?**

**Answer: We haven't been counting quality compensation for the purpose of reducing teacher compensation. On the contrary, we have been using quality compensation to increase teacher compensation more than we would be able to do otherwise.** All we have been saying is, that a time of severe financial pressure, we shouldn't be asked to make major program cuts to provide compensation increases that we can't afford. We've been offering total package increases to the maximum extent that legislative funding allows, and we've found a way to improve teacher compensation by \$2.5 million per year.

**Question: Why can't you give teachers steps, lanes, and longevity, and an inflationary increase in addition to that?**

**Answer: Because the cost of doing that is way above the amount of revenue provided by the legislature.** Doing so would require massive cuts, year after year. Following the example above, suppose you wanted to raise the salary schedule by 3 percent per year, in addition to steps, lanes and longevity. Now 3 percent would be a bit higher than the rate of inflation, but 3 percent is a round number. The cost of raising the salary schedule by that much would be \$2,182,424 over the two year period, approximately. The result would be to just about double the cost of salary schedule improvement under the example above. Instead of a total increase of \$2.7 million, you would have a two year cost of about \$3.8 million. It would cost you more than ten percent, or 5 percent per year to do that. Nobody in the legislature has discussed providing public schools with increases of 5 percent per year. And the only way to do this, then, is to make huge cuts year after year after year.