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Press Release

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State Neutral Factfinder Sides with School District: Recommends Furlough Days and Salary Reductions

An Open Letter from the Palmdale Superintendent to the Palmdale School District Community:

Re: Fact Finding Discussion And Recommendations from Neutral Fact Finder

I write this letter to communicate to our Palmdale School District Community the results and findings of the Neutral Fact Finder regarding the negotiations between the Palmdale School District (the "District") and the Palmdale Elementary Teachers Association (PETA), and next steps regarding salary and compensation for our teachers. I hope in this letter to explain how the District finds itself at this point, the recommendations of the neutral factfinder, and the path forward. The District remains committed to negotiating immediately and in good faith with PETA in an attempt to find a mutually acceptable solution to the current impasse over teacher salary and benefits. That said, the District also remains committed, as it must be, to fiscal solvency and responsibility to the Palmdale School District Community and to the education and safety of our students as a first priority.

Background

The District publicized ("sunshined") its initial proposals regarding negotiations at a Board meeting more than 6 months ago, last December. Thereafter, the District met and negotiated with PETA for several day-long sessions. During those sessions, the parties were able to reach tentative agreements on 19 different non-economic topics. Throughout those negotiations, however, the parties were unable to reach any agreement with regard to teacher salaries and benefits. Specifically, due to severe fiscal constraints placed on the District by the State's reduced funding for schools over the past several years (the District receives 98% of its funding directly from the State), and the requirements of the Los Angeles County Office of Education ("LACOE") that the District submit to LACOE balanced budgets for three consecutive upcoming school years, the District was left with no choice but to ask PETA at the bargaining table for significant economic concessions in the form of both salary reductions and furlough days. In making these proposals, the District recognized the uncertainty of the State's funding of education. Accordingly, with these proposed cuts, the District offered comprehensive restoration formula language whereby any and all of the District's unrestricted ending balances as well as any and all unrestricted new monies would be

dedicated first and directly to the restoration of salary reductions and furlough days. In addition, in the interest of both equity and long-term fiscal responsibility, the District proposed that the teachers be subject to the same health benefits funding cap of \$15,550 per employee per year as is applied to all other District employees. PETA repeatedly rejected all of the District's economic proposals, *but failed to provide any counter-proposal other than to simply make no cuts* -- asking, instead, that the parties wait to discuss economics until after May. Throughout the negotiations, it was evident that PETA's sole goal and strategy was simply one of delaying for as long as possible.

Eventually, facing LACOE's demands for a balanced budget, the financial shortfall and the need to move to conclusion so as to implement any necessary compensation reductions, the District requested that the Public Employee Relations Board ("PERB") certify the parties to be at impasse and appoint a neutral mediator to try and mediate an agreement. PETA opposed this certification or appointment, despite their continued unwillingness to make even one counter-proposal to the District regarding economics. PERB declared the parties to be at impasse and appointed a mediator. That mediator met with the parties twice over the course of 30 days, but was unable to broker any kind of an agreement -- in fact, during the mediation meetings, PETA again declined to make any counter-proposal (or any proposal at all) in response to the District's proposal on salary and benefits, instead and again, seeking delay for as long as possible. Accordingly, and consistent with the law, the mediator requested that PERB order the parties to Factfinding before a neutral factfinder. PERB agreed and ordered the parties to factfinding. After agreeing to a neutral factfinder, and appointing a panel representative of their own, PETA then suddenly opposed the appointment of the factfinder, and initially refused to participate -- more delay tactics. Eventually, however, when the appointed neutral factfinder refused to accept their objections, PETA agreed to participate.

The parties participated in two full days of a factfinding hearing before the neutral factfinder, Bonnie Castrey, who has over 25 years of experience acting as a factfinder for school district impasses. During the factfinding both sides were provided a full opportunity to present their respective positions -- and evidence in support of those positions -- regarding the District's ability to pay the current salaries and benefits, the District's health benefit cap proposal, and a multi-year agreement. Again, during the factfinding process, PETA made no proposal of any kind regarding salary and benefits, despite having now been in negotiations for more than 6 months.

It is important to note that after the first full day of factfinding (factfinding hearings are almost always completed within a single day), PETA made the highly unusual request that the neutral wait more than a month to schedule a *second* day of factfinding. PETA assured both the neutral factfinder that the delay would put them in a position to be more likely reach an agreement. Despite that assurance, when the parties returned more than a month later for a second day of factfinding, PETA again made no proposal regarding salary and benefits and, in fact, shared no new information at all -- evidencing their continued bad faith and goal of delay.

After the two full days of hearing and deliberation the Factfinder Castrey completed and distributed her report and recommendations to the parties on July 4th. In that report, Ms. Castrey sides with the District on virtually every substantive point at issue regarding its finances, and recommends a course of action not significantly different to what the

District has been proposing for several months. Specifically, Ms. Castrey made the following findings and recommendations:

1. **The District met its very “heavy burden” of proving that it cannot afford to continue to pay salary and benefits at their current level.**

In reaching this conclusion, Ms. Castrey noted several important points regarding the District’s finances.

a. State law mandates that the District maintain a positive ending balance with at least a 3% reserve for economic uncertainties.

b. As a result of the State budgets “free fall” over the past several years, the District has suffered a more than 22% decrease in unrestricted revenue funding and a 20% decrease in restricted revenue funding from what is required by statute, so that today the District receives only about 77 cents for every dollar to which it is entitled.

c. The District has also sustained a loss of Average Daily Attendance (“ADA”) of more than 1,400 students, which translates in to an ongoing loss of more than \$7 million dollars based on current year projections.

d. The Governor’s new funding model is not clear and the District will not know for several months how its actual funding will fair in the coming year. This means the District must make its budgeting assumptions and projections based on the current funding model.

e. For the first time, LACOE has placed the District in “Qualified” rather than “Positive” status, and has ordered the District submit a plan for substantial reductions and fiscal stabilization.

f. Because 87% of the District’s budget is tied to salary and benefits, the District simply cannot balance its budget without making cuts to compensation.

Based upon these findings, Ms. Castrey -- the neutral factfinder -- concluded that the District met its heavy burden of proving an inability to pay personnel costs, including salary and benefits, at the current levels. In other words, the neutral factfinder concluded that the District simply cannot continue to fund teacher salaries and benefits at current levels and must implement reductions.

2. **The District should use salary reductions and furlough days to balance its budget.**

Based upon the District’s inability to pay and the Chair’s recognition of the need for reduction in compensation costs, Ms. Castrey recommended that the parties enter into a multi-year agreement (three years), during which salary reductions and furlough days be taken as necessary to balance the District’s budget. Ms. Castrey declined to identify a specific salary percentage reduction or number of furlough days, but because she accepted in total the District’s evidence of an inability to pay, she clearly endorsed the use of salary reductions and furlough days in an amount sufficient to offset the District’s fiscal shortfall. She also did not discount or dispute the District’s current proposal for a 3.8% salary cut in the first year, and additional 8.4% cut in the second year, and 9 furlough days in each year. This proposal, by the way, is identical to that agreed to by CSEA and overwhelmingly ratified by our classified employees, and also identical to what is being applied to all management and confidential employees so that more than half the District will already be experiencing these identical reductions.

3. Teachers should pay for health benefit costs above a health benefits funding cap.

As referenced above the District has also been proposing, since negotiations began, the implementation of a \$15,550 cap on District expenditures of health benefits for teachers, with the teacher absorbing any additional costs above that amount. As explained in negotiations and to the factfinder, the District proposes this cap for several reasons:

- a. This is the identical cap as has already been in place for years for all classified employees and for all management and confidential employees in the District;
- b. This cap amount is the second highest cap among all Districts in Los Angeles County, and so clearly offers a more than adequate and appropriate level of funding;
- c. Among our current teachers, the newer teachers (those hired in 2006 and beyond) already are subject to a lower level of health benefit expenditure, and that number is below the proposed cap, so any cap at this level would have no effect on them. There is no reason to have two classes of teachers, or employees, when it comes to health benefits.
- d. Uncapped health benefits, where an employer pays the full cost of benefits no matter the eventual premium, is no longer workable in today's economy, as recognized by the fact that all of our peer districts have a cap as do most private employers.

During negotiations, PETA refused to discuss a cap at any level, insisting that the District must continue to fully fund health and welfare benefits year after year, regardless of the premium cost.

In her report and recommendations, Ms. Castrey recognizes the need to cap health benefit costs based on the 4 points raised above. She suggests the parties agree to a 50/50 split of the costs above a cap of \$16,750. She also goes on to recommend, however, that any funding for health benefit costs above the cap be captured from the restoration formula. The District appreciates and accepts the factfinder's recommendation of an implementation of a health benefits cap. We respectfully disagree however that that cap should be a 50/50 split, with the funding from the District coming from sources that would otherwise be dedicated only to salary and furlough day restoration. Instead, the District remains committed to treating all of its employees equally and equitably when it comes to the funding of health and welfare benefits. The District is committed to: (1) providing a base health benefits plan for all employees that will not require any out of pocket contribution by employees; (2) allowing the option to all employees of buying up to a more comprehensive (and expensive) plan if they so choose; and (3) dedicating all monies available to restoration of salary and benefits before any consideration is given to additional funding beyond the current District cap.

Conclusion

Throughout the last almost 7 months of negotiations, the District has repeatedly sought to engage PETA in good faith negotiations, while taking positions reflective of the economic realities of our District and the State. PETA, on the other hand had declined to engage in negotiations at all on salary and benefits, failing to make **any** proposal other than to maintain what they have. Instead, PETA's response has been one of delay, delay, delay, ignoring the economic realities of the situation. The District has followed the legally-mandated process set out by the state legislature -- using first a PERB-appointed neutral mediator and then submitting the issues to a neutral factfinder.

That process has validated the District's position at every turn: the District has an inability to continue to pay current salary and benefit costs and significant and substantial reductions in salary and benefits in the next few years are necessary in order for the District to meet its current and future financial obligations. But as the District has pointed out to PETA at the table time after time, the story does not end there. The District has committed to extraordinary steps to protect its employees and to best assure restoration of these cuts. Specifically, if any new unrestricted monies become available or unrestricted monies are otherwise available in ending balances, the District has committed to use all those unrestricted dollars for restoring salary and furlough days until all compensation cuts are restored, and then if any monies remain, to come back to the bargaining table to discuss possible compensation enhancements.

The District's proposal that PETA agree to the same health benefits funding cap as is currently in place for all other District employees is also fair and reasonable -- and actually raises the amount the District would contribute to health benefit costs for all teachers hired after 2006.

Finally, these same salary reductions and furlough days have already been agreed to by CSEA (our classified unit) and are also being implemented for all management and confidential employees --including the Superintendent and the Board. The District is asking nothing more from its teachers -- just that they share equally with all other District employees in these cuts, just as they share in the gains when monies become available.

We look forward to working in good faith with PETA as soon as possible in post-factfinding negotiations to reach a speedy resolution so that we can begin the new school year.

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