

IN THE MATTER OF THE INTEREST ARBITRATION BETWEEN

Saint Paul Principals' Association

-and-

BMS Case 22-PN-1658

ISD No. 625,
Saint Paul Public Schools

ARBITRATOR: Christine D. Ver Ploeg

DATE & PLACE OF HEARING: November 28, 2022
ISD 625 District Offices
Saint Paul, Minnesota

DATE OF RECEIPT OF POST-HEARING BRIEFS: December 20, 2022

DATE OF DECISION: January 11, 2023

ADVOCATES:

For the Association
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For the District
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INTRODUCTION

This interest arbitration has been conducted pursuant to Minnesota's Public Employment Labor Relations Act (PELRA), Minn. Stat. Secs. 179A.16. The St. Paul Principals Association (hereinafter Association) is the Exclusive Representative of principals employed by Independent School District 625, St. Paul, Minnesota (hereinafter District). The Association and the District have engaged in contract negotiations and have agreed on all but the following items. In this case it is noteworthy that the statute specifically limits principal interest arbitrations to final offer item by item determinations:

For principals and assistant principals, the arbitrator or panel is restricted to selecting between the final offers of the parties on each impasse item. For other employees, if the parties agree in writing, the arbitrator or panel is restricted to selecting between the final offers of the parties on each impasse item, or the final offer of one or the other parties in its entirety. Minnesota Statutes §179A.16 subdivision 7.

The St. Paul Principals Association is made up of 131 members, including principals and assistant principals. These principals supervise 65 schools and programs throughout the District. The contract year at issue here is July 1, 2021, through June 30, 2023.

As described below, the seven issues certified as at impasse include health insurance increases for each year; 403B increases for each year; and salary increases for each year plus a market adjustment for the first year of the Agreement. None of the issues propose a significant contractual change.

The parties have engaged in extensive negotiation and mediation efforts in which the Association submits the District did not participate in good faith. There is no dispute that the school board determined that all compensation increases must be limited to 1.5%, and the District's lead negotiator has acknowledged he had no discretion to exceed that limit, although other cost items could be adjusted within that amount. The District notes that at the time of this hearing 12 of the District's 16 bargaining units had settled negotiations, all of whom agreed to annual wage increases of 1.5% and 1.5% (with some choosing alternative allocations within those increases.) These 12 bargaining units comprise more than 90% of the District's employees.

The Association emphasizes the District's lead negotiator's acknowledgement that he had no discretion beyond 1.5% and asserts this is not good faith bargaining. The Association asserts the District cannot simply adopt a low number, refuse to move and then claim it has met its statutory obligation to bargain in good faith.

The parties met for a hearing on this matter on November 28, 2022, at which time they stipulated that all procedural requirements have been met and these issues are properly before the arbitrator. The parties submitted post-hearing briefs on December 20, 2022, at which time the record in this matter was closed.

ISSUES

The issues certified as being at impasse by the Minnesota Bureau of Mediation Services are:

1. Principal benefits - Health Insurance. What shall the District's health insurance contributions be as of 1/1/22?
2. Principal benefits - Health Insurance. What shall the District's health insurance contributions be as of 1/1/23?
3. Deferred Compensation – 403B/457. What shall the District's deferred compensation contribution be in year 1?
4. Deferred Compensation – 403B/457. What shall the District's deferred compensation contribution be in year 2?
5. Salary Provisions – Schedule Improvement. What if any should be the salary schedule improvement in year 1?
6. Salary Provisions – Schedule Improvement. What if any should be the salary schedule improvement in year 2?
7. Salary Provisions – Market Adjustment (New). . What if any Market Adjustment to Base should be done for year 1?
8. Compensable Leave – Holidays. Should the Association receive Juneteenth as an additional holiday?

AWARD OVERVIEW

The Association's proposed salary increases are awarded but all other proposals, including a market adjustment, are denied. This award is based upon a determination that this bargaining unit should, consistent with the internally comparable teachers group, be brought closer in line with the external comparables. With these wage increases the remaining proposals have been found to be less compelling.

ANALYSIS

Generally

The two primary bases for decision in any interest arbitration are:

- (1) Determining what the parties would likely have negotiated had they been able to reach agreement at the bargaining table or, in the case of essential employees, to settle a strike. Although this determination is speculative, arbitrators understand that to award wages and benefits different than the parties would, or could, otherwise have negotiated risks undermining the collective bargaining process and provoking yet more interest arbitration.
- (2) Seeking to avoid awards that significantly alter a bargaining unit's relative standing, whether internal or external, unless there are compelling reasons to do so.

These bases in turn entail a two-fold analysis. First, arbitrators will consider an employer's ability to pay. This issue is self evident: it serves no purpose to issue an award that an employer cannot fund and thus could never agree to in collective bargaining. However, the District has not raised such a claim in this case, and the evidence indicates to the contrary.

Absent evidence of inability to pay arbitrators next consider the comparability data. This step requires the arbitrator to evaluate the parties' proposals in two contexts: (1) considering the wages, benefits, and other cost items this District gives to its other employee groups (internal

comparables); and (2) considering what comparable districts provide to similar employees (external data).

The preceding analysis has been applied in making the following awards on the issues presented by the parties.

General Wage Increases for years 1 and 2

District Position. 1.5% salary schedule adjustment to each step effective July 1, 2021, and 1.5% salary schedule adjustment to each step effective July 1, 2022.

Association position. 2% salary schedule adjustment to each step effective July 1, 2021, and 2% salary schedule adjustment to each step effective July 1, 2022.

Award: The Association's position is awarded.

In reaching this award, I have considered the following evidence and argument:

A. Internal Comparables

Parties present evidence of "internal comparability"--evidence of the terms and conditions of employment an employer provides its other employee groups--to demonstrate that the bargaining unit now in interest arbitration is or is not being treated equitably by comparison. As noted above, an interest arbitrator must try to determine what agreements the parties would have struck for themselves if they had been able to do so. In making that determination evidence of the wages and benefits negotiated by the District's other employee groups is very relevant.

The District notes that at the time of this hearing 12 of the 16 bargaining units representing 90% of the District's employees had agreed to salary increases of 1.5% in each of the two contract years. The District asserts this provides compelling evidence that as a matter of internal comparability this bargaining unit should be awarded the same percentage increase. To award

otherwise would be to create substantial disparity and strife within the District and unsettle future negotiations.

I have considered this argument but agree with the Association that the fact that other bargaining units have accepted the board's inflexible determination to limit annual increases to 1.5% is not evidence of internal consistency. That view of comparability —i.e., if others are offered and accept 1.5% in the bargaining cycle, then all of the salaries are comparable—is too limited. Such an approach inherently can perpetuate the under compensation of certain employee groups. For example, if teachers are the highest paid teachers in the state, they will remain the highest paid. If principals are in a lower paid group they will remain so situated.

Here evidence of the external comparables demonstrates that this is, indeed, the case. Vis a vis comparable districts St. Paul teachers rank high while St. Paul principals rank low.¹

The District asserts that St. Paul should be compared with districts that are geographically close, thus excluding the higher paid districts such as Wayzata, Eden Prairie, Minnetonka and others. By contrast the Association argues, and I agree, that district size remains relevant. This warrants comparing Saint Paul with the state's other four districts, which are also relatively geographically close: Anoka, Osseo, Minneapolis and Rosemount. Of these 5 largest districts, St. Paul principal salaries rank last. The Association also notes that the District's 1.5% proposals would maintain the principals' bottom ranking within a larger comparison group (15th in year 1 and 17th in year 2) whereas the Association's proposal would result in a more reasonable ranking of 9th in year 1 and 10th in year 2. By contrast, the District's teachers far outpace the principals when it comes to salaries within those rankings: #1 of listed districts (#4 statewide) in 2021. Indeed, the District's lead negotiator acknowledged in his testimony that the St. Paul teachers are among the highest paid in the state.

As a related matter the evidence suggests that this disparity is, or has the potential of, adversely affecting the District's ability to recruit and retain principals. However, although the Association's argument that St. Paul principals face increasingly demanding challenges is persuasive, the District's response that other district employees deal with these same students and many of these same challenges is equally persuasive.

¹ Although a Superintendent's individual employment contract often affects perceptions, it is of minimal to no relevance in collective bargaining.

Deferred Compensation – 403B/457. What shall the District's deferred compensation contribution be in years 1 and 2?

Association's Position: \$500 increase in year 1 (\$3,250)

\$500 increase in year 2 (\$3,750)

District's Position: No increase deferred contribution either year

Award: No increase

The Association argues that external comparables support its position. By contrast the District notes that the principals' current match of \$2,750 significantly exceeds its every other employee group; it is nearly two and a half times more than the teachers. Moreover St. Paul principals enjoy a unique benefit: the District automatically deposits \$1,000 into their 403B accounts without requiring a corresponding employee match. The Union has acknowledged it is unaware of any other school district that provides this unilateral contribution.

Discussion

The District's contributions are not so discrepant as to constitute a serious inequity. There is no compelling reason to increase the principals' match to three times that of the teachers.

Principal benefits - Health Insurance. What shall the District's health insurance contributions be as of 1/1/22 and 1/1/23?

Association's Position:

Family year 1: \$ 1,442.17

Family year 2: \$ 1,514.28

Single year 1: \$ 914.50

Single year 2: \$ 960.22

District's Position:

Family year 1: \$ 1,373.50

Family year 2: \$ 1,373.50

Single year 1: \$ 914.50

Single year 2: \$ 914.50

The District proposes no health insurance contribution increase in each year while the Association proposes a 5% increase in year 1 and a 5% increase in year two. The health insurance year begins on January 1, so the proposal is to institute the increase on January 1, 2022, and January 1, 2023. The rate increase in the second year would continue into the 6 months of the following contract year.

The Association notes that there are various models of health insurance, one of which is to provide for percentage contributions resulting in automatic annual increases. The District's annual dollar contributions makes it challenging to cover ever increasing premium costs. The Association simply seeks to keep reasonable pace with the ever-increasing health care costs.

The District offered evidence that even without an increase Association members receive higher health insurance contributions than either their supervisors or the teachers. For example, the principals' proposed increases would exceed the District's contribution to the teachers by more than \$300 per month. Of the District's other bargaining groups only two have higher District contributions and, unlike the Association, both groups have taken wage delays in exchange for these increases. The District submits that the Association's proposal would further increase the substantial gap between the principals' insurance contributions and the other bargaining units.

Discussion and Decision

I agree that neither the internal nor the external comparables support granting this benefit. This is particularly true given the preceding wage award.

Salary Provisions – Market Adjustment (New). What if any Market Adjustment to Base should be done for year 1?

Association's Position: A market adjustment of 3%.

District's Position: No market adjustment

The Association submits that a market adjustment, such as that agreed upon in Minneapolis, would permit the parties to better address preexisting compensation inequities. The District's proposal would result in St. Paul Principals being paid less than Minneapolis principals, while the Association's proposal would put them slightly ahead.

The District notes that no other employee group has received a market adjustment in the last round of negotiation; the only changes to wages have been annual increases of 1.5%. The Association's proposals would result in a 5% pay increase in Year 1, which is more than three times the increase provided to every other employee group. Moreover, the District submits that it has previously provided the principals with a market increase. Thus, to the extent an adjustment has been necessary to maintain the principal's position in the marketplace, the District has already provided it.

Decision: I agree that neither the internal nor the external comparisons support granting this benefit. This is particularly true given the preceding wage award.

Compensable Leave – Holidays. Should the Association receive Juneteenth as an additional holiday?

The parties have agreed to this additional holiday effective with the start of the 2022-2023 school year. Therefore this issue is moot.

SUMMARY OF AWARD

The Association's proposed salary increases are awarded, but all other proposals, including a market adjustment, are not adopted.



January 11, 2023

Christine D. Ver Ploeg