Sucking the Life Out of America's Public Schools

The Expense of Teachers Union Contracts

Part 2

Minneapolis Federation of Teachers Contract

EAG news.org

Written by **Steve Gunn**
Research by **Victor Skinner**
Spring 2012

HOW UNION LABOR COSTS HAVE SUCKED THE LIFE OUT OF MINNEAPOLIS PUBLIC SCHOOLS

According to media sources, the Minneapolis school district laid off 118 employees last year to help erase a $20 million budget shortfall. School officials say they expect to spend about $20 million from the district's fund reserve (or savings account) in 2012-13 to balance the budget.

The district's financial challenges are the result of a number of factors – declining enrollment over the past few years, increasing operational and labor costs, and state funding that hasn't kept pace with district expenses.

And next year labor expenses will rise, because a new collective bargaining agreement has added four work days to the calendar and lengthened the school day by 15 minutes. Teachers and other employees will be compensated for the extra work.

But even as expenses have piled up and depleted the fund reserve, MPS has continued to spend a great deal of money on salaries, benefits and other perks for employees, particularly those covered by the teachers union collective bargaining agreement.

As of 2010, the district was still handing out big dollars for automatic, annual "step" raises for teachers, low-cost health insurance, extra assignment pay, contributions to employee tax deferred savings plans.

MPS even spent nearly six figures on gifts for teachers who achieved tenure status.

In tough economic times, the natural question taxpayers should ask is whether extra labor expenses like these are necessary and affordable. Is it worth raiding the district's fund reserve to pay for these perks, particularly with even larger deficits possible in future years?

Or even worse, is it worth risking the possibility of future teacher layoffs or the cancellation of student programs to pay for runaway labor costs?

Of course it can be very difficult to lower labor costs when so many of them are written into teachers union collective bargaining agreements. As a memo on the district's website pointed out, "collective bargaining agreements make it difficult for MPS to restructure jobs and contain costs."

To give taxpayers an idea of the kind of labor costs we're talking about, we inspected a copy of the recently expired teachers collective bargaining agreement, then used a freedom of information request to identify the costs tied to various contract provisions.

Here's a breakdown of some key dollar figures, and some of the more questionable labor costs in fiscal year 2010-11. We're certain we haven't uncovered everything. We encourage citizens to do their own digging and find more examples of questionable school spending.

The dollar figures below were provided by Minneapolis Public Schools.

TOTAL LABOR COSTS

The Minneapolis school district spent a total of $601 million in fiscal year 2010-11. A total of $460 million (or 76 percent of the total budget) was spent on labor costs for all employees. Just over $268 million (58 percent of all labor costs) was spent on salaries and benefits for teachers and other employees covered by the teachers union collective bargaining agreement.

AUTOMATIC ANNUAL SALARY INCREASES

You will often hear teachers union officials tell reporters during ugly contract battles that their members have not had a raise in (fill in the blank) years. That's almost never true. The vast majority of public schools, including Minneapolis, are bound by collective bargaining agreements to give most teachers automatic annual salary "step" increases every year, based on years of service and number of college credits earned, rather than performance.

A copy of the teacher step salary chart from the recently expired collective bargaining agreement is near the end of this report. The numbers on the left of that chart represent years of service, while the letters across the top represent earned college credits. Every 15 credits earned allowed teachers to advance two salary lanes at the top of the chart.

Minneapolis schools paid out an estimated $5.6 million to cover automatic, annual "step" raises for teachers in 2010-11.

2010-11 Per-Hour Compensation

Step	Days	Salary	Per-Hour Pay*
1	186	$37,087	$25.72
5	186	$41,208	$28.58
10	186	$54,601	$37.87
15	186	$55,631	$38.59

** 7.75 hours per day, according to the contract*

EMPLOYEE HEALTH INSURANCE

The collective bargaining agreement says "the district shall pay the full cost of employee-only coverage" and "shall contribute $3,250 above the cost of employee-only coverage toward the cost of family health plan coverage."

The school district paid $24.2 million for health insurance for employees covered by the teachers union collective bargaining agreement. Employees paid a collective $3.3 million, or about 12 percent of the costs.

TEACHER PENSION COSTS

According to state law, the school district must pay 10.64 percent of total teacher salaries to the Minnesota Teacher Retirement Association to help cover future teacher pension costs. Teachers are required to pay six percent of their salaries.

The district paid $19.8 million into the teacher pension fund in 2010-11, while teachers contributed a cumulative $11.9 million.

RETIREMENT PREMIUM REIMBURSEMENT FOR HEALTH INSURANCE

The teachers union collective bargaining agreement says, "The district shall make an annual payment of up to the amount indicated in the accompanying table for the year of retirement annually to the retiree's Minnesota State Retirement System post-retirement health care savings account … This payment is to reimburse retirees for medically-related expenses."

The Minneapolis school district paid out $7.6 million in 2010-11 for retiree health insurance premium reimbursements. According to the district, this figure includes "wellness pay," which allows retiring teachers to claim full pay (at their current salary) for up to 50

percent of their unused sick days. Unused sick days can accumulate without limit.

EXTRA ASSIGNMENT PAY

Minneapolis teachers apparently receive extra compensation for just about any duty performed outside of their normal job description and defined work day. The collective bargaining agreement says, "Teachers shall be compensated at the hourly flat rate of pay for work performed as specifically indicated in the agreement, such as hourly employment, lost preparation or lunch time reimbursement, extended-time program assignments and for work performed beyond the teacher's defined day not otherwise defined in this agreement."

Minneapolis teachers received $3.3 million in extra assignment pay in 2010-11, including $2.2 million for "instructing students," $863,392 for committee work or special projects, $303,559 for leading school teams or committees, and $11,176 for covering for absent colleagues during designated prep periods.

TAX-DEFERRED SAVINGS PLANS

Public school employees in Minnesota are apparently allowed to sign up for one of two tax-deferred savings plans, and the Minneapolis school district matches employee contributions. The collective bargaining agreement says, "The district shall make an employer matching payment to the State of Minnesota Deferred Compensation Plan (457) or the Special School District No. 1 403(b) plan. Teachers enrolled … will be automatically eligible for the match."

The school district paid out $979,301 in matches for employee tax-deferred savings plans in 2010-11.

RETIREMENT SEVERANCE PAYMENTS

The sooner teachers announce their retirement in the Minneapolis district, the better off they will be. The collective bargaining agreement says, "The first 175 teachers who provide notification to the Division of Human Resources, Room 308 … by 4:30 p.m. on Friday, April 30, 2010 of the teacher's intent to retire at the end of current school year, will be eligible for a $25,000 severance payment."

Minneapolis Public Schools paid out $883,865 for retirement severance payments in 2010-11.

EXTRA PAY FOR STAFF DEVELOPMENT

The collective bargaining agreement says, "The district in consultation with (the union) may provide additional days of professional development for all licensed teachers. Teachers will be paid at the staff development hourly rate. Participation is on a voluntary basis." This category includes conventions, conferences and workshops outside the teacher's regular work schedule. The hourly rate for staff development was $25 per hour.

The district paid out $776,463 in extra pay for *voluntary* professional development activities in 2010-11.

EXTRA PAY FOR MENTOR TEACHERS

Mentors are selected teachers in Minneapolis Public Schools who have agreed to serve for

up to five years as peer mentors and then return to their previous location if a vacancy exists, or participate in the transfer process. They receive specialized training to support their role.

Peer mentors are committed to setting an example, sharing ideas with others, offering support and encouragement and assisting teachers in acquiring the Standards of Effective Instruction competencies through the Professional Development Process.

Costs associated with the mentor teacher program were $350,759 in 2010-11.

ACHIEVEMENT OF TENURE BONUSES

Teachers in the Minneapolis school district are required to complete the Achievement of Tenure Program within their first three years. When they become tenured, the collective bargaining agreement says they are entitled to a bonus, paid for by the district. Their options are a laptop computer with a value of $1,000, a before-tax payment of $1,000 into their deferred compensation account, or $1,000 in cash.

The district paid $89,000 for "achievement of tenure" bonuses in 2010-11 - $78,000 in cash and $11,000 in gifts.

HOW THE DISTRICT COULD SAVE MONEY

We know MPS laid off staff last fall to help eliminate a $20 million budget shortfall. Assuming cooperation from the teachers union, we would have suggested the following budget amendments to kill the deficit and avoid the layoffs, without cutting anyone's base salary:

Freeze automatic, annual step increases for one year	$5.6 million
Make teachers pay 20 percent of insurance costs (up from 12 percent)	$2.2 million
Suspend retirement premium reimbursement one year	$7.6 million
Suspend extra assignment pay one year	$3.3 million
Suspend contributions to tax-deferred savings plans	$979,301
Cancel severance payments	$883,865
Suspend staff development payments one year	$776,463
Suspend mentor teacher payments one year	$350,759
Cancel achievement of tenure bonuses	$89,000
Total savings	**$21.7 million**

SUMMARY: HERE'S WHERE THEY COULD FIND THE MONEY TO COVER THE BUDGET SHORTFALLS

Last year Minneapolis Public Schools laid off employees to help erase a $20 million budget shortfall. In the 2012-13 school year the district anticipates using $20 million from its fund reserve to erase a budget shortfall. In the meantime, the district has continued to pay huge amounts of money for questionable expenses tied to the Minneapolis Federation of Teachers' collective bargaining agreement. In the 2010-11 school year, those costs included:

$5.6 million for automatic, annual salary increases for teachers.

$24.2 million for health insurance for teachers.

$19.8 million for the teacher pension program.

$7.6 million for retiree health insurance premium reimbursements.

$3.3 million for teacher "extra assignment pay."

$979,301 for contributions to teacher tax-deferred savings plans.

$883,865 for teacher retirement severance payments.

$776,463 for teacher staff development compensation.

$350,759 in extra compensation for "mentor teachers."

$89,000 for "achievement of tenure" bonuses.

Information source: Minneapolis Public Schools

MINNEAPOLIS TEACHERS SALARY "STEP" CHART

SCHEDULE "A" - TEACHER SALARY EFF. JULY 1, 2009– JUNE 30 2011

Note: Schedule A shall continue in place until a new schedule is negotiated for the 2011-13 contract.

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O
2	37,087	38,117	39,148	40,178	41,208	42,238	43,268	44,299	45,329	46,359	47,389	48,419	49,450	50,480	51,510
3	38,117	39,148	40,178	41,208	42,238	43,268	44,299	45,329	46,359	47,389	48,419	49,450	50,480	51,510	52,540
4	39,148	40,178	41,208	42,238	43,268	44,299	45,329	46,359	47,389	48,419	49,450	50,480	51,510	52,540	53,570
5	40,178	41,208	42,238	43,268	44,299	45,329	46,359	47,389	48,419	49,450	50,480	51,510	52,540	53,570	54,601
6	41,208	42,238	43,268	44,299	45,329	46,359	47,389	48,419	49,450	50,480	51,510	52,540	53,570	54,601	55,631
7	43,268	44,299	45,329	46,359	47,389	48,419	49,450	50,480	51,510	52,540	53,570	54,601	55,631	56,661	57,691
8	48,419	49,450	50,480	51,510	52,540	53,570	54,601	55,631	56,661	57,691	58,721	59,752	60,782	61,812	62,842
9	51,510	52,540	53,570	54,601	55,631	56,661	57,691	58,721	59,752	60,782	61,812	62,842	63,872	64,903	65,933
10	53,570	54,601	55,631	56,661	57,691	58,721	59,752	60,782	61,812	62,842	63,872	64,903	65,933	66,963	67,993
11	54,601	55,631	56,661	57,691	58,721	59,752	60,782	61,812	62,842	63,872	64,903	65,933	66,963	67,993	69,023
12	54,601	55,631	56,661	57,691	58,721	59,752	60,782	61,812	62,842	63,872	64,903	65,933	66,963	67,993	69,023
13	54,601	55,631	56,661	57,691	58,721	59,752	60,782	61,812	62,842	63,872	64,903	65,933	66,963	67,993	69,023
14	55,631	56,661	57,691	58,721	59,752	60,782	61,812	62,842	63,872	64,903	65,933	66,963	67,993	69,023	70,054
15	55,631	56,661	57,691	58,721	59,752	60,782	61,812	62,842	63,872	64,903	65,933	66,963	67,993	69,023	70,054
16	55,631	56,661	57,691	58,721	59,752	60,782	61,812	62,842	63,872	64,903	65,933	66,963	67,993	69,023	70,054
17	56,661	57,691	58,721	59,752	60,782	61,812	62,842	63,872	64,903	65,933	66,963	67,993	69,023	70,054	71,084
18	56,661	57,691	58,721	59,752	60,782	61,812	62,842	63,872	64,903	65,933	66,963	67,993	69,023	70,054	71,084
19	56,661	57,691	58,721	59,752	60,782	61,812	62,842	63,872	64,903	65,933	66,963	67,993	69,023	70,054	71,084
20	57,691	58,721	59,752	60,782	61,812	62,842	63,872	64,903	65,933	66,963	67,993	69,023	70,054	71,084	72,114
21	57,691	58,721	59,752	60,782	61,812	62,842	63,872	64,903	65,933	66,963	67,993	69,023	70,054	71,084	72,114
22	57,691	58,721	59,752	60,782	61,812	62,842	63,872	64,903	65,933	66,963	67,993	69,023	70,054	71,084	72,114
23	58,721	59,752	60,782	61,812	62,842	63,872	64,903	65,933	66,963	67,993	69,023	70,054	71,084	72,114	73,144
24	58,721	59,752	60,782	61,812	62,842	63,872	64,903	65,933	66,963	67,993	69,023	70,054	71,084	72,114	73,144
25	58,721	59,752	60,782	61,812	62,842	63,872	64,903	65,933	66,963	67,993	69,023	70,054	71,084	72,114	73,144
26	59,752	60,782	61,812	62,842	63,872	64,903	65,933	66,963	67,993	69,023	70,054	71,084	72,114	73,144	74,174
27	59,752	60,782	61,812	62,842	63,872	64,903	65,933	66,963	67,993	69,023	70,054	71,084	72,114	73,144	74,174
28	59,752	60,782	61,812	62,842	63,872	64,903	65,933	66,963	67,993	69,023	70,054	71,084	72,114	73,144	74,174
29	60,782	61,812	62,842	63,872	64,903	65,933	66,963	67,993	69,023	70,054	71,084	72,114	73,144	74,174	75,205
30	61,812	62,842	63,872	64,903	65,933	66,963	67,993	69,023	70,054	71,084	72,114	73,144	74,174	75,205	76,235
31	62,842	63,872	64,903	65,933	66,963	67,993	69,023	70,054	71,084	72,114	73,144	74,174	75,205	76,235	77,265
32	63,872	64,903	65,933	66,963	67,993	69,023	70,054	71,084	72,114	73,144	74,174	75,205	76,235	77,265	78,295
33	64,903	65,933	66,963	67,993	69,023	70,054	71,084	72,114	73,144	74,174	75,205	76,235	77,265	78,295	79,325
34	65,933	66,963	67,993	69,023	70,054	71,084	72,114	73,144	74,174	75,205	76,235	77,265	78,295	79,325	80,356
35	66,963	67,993	69,023	70,054	71,084	72,114	73,144	74,174	75,205	76,235	77,265	78,295	79,325	80,356	81,386
36	67,993	69,023	70,054	71,084	72,114	73,144	74,174	75,205	76,235	77,265	78,295	79,325	80,356	81,386	82,416
37	69,023	70,054	71,084	72,114	73,144	74,174	75,205	76,235	77,265	78,295	79,325	80,356	81,386	82,416	83,446
38	70,054	71,084	72,114	73,144	74,174	75,205	76,235	77,265	78,295	79,325	80,356	81,386	82,416	83,446	84,476
39	71,084	72,114	73,144	74,174	75,205	76,235	77,265	78,295	79,325	80,356	81,386	82,416	83,446	84,476	85,507
40	72,114	73,144	74,174	75,205	76,235	77,265	78,295	79,325	80,356	81,386	82,416	83,446	84,476	85,507	86,537

ABOUT EAGNEWS.ORG

EAGnews.org is a service of Education Action Group Foundation, a Michigan-based 501(c)(3) non-partisan non-profit organization. It has been researching and promoting school spending reform for more than four years.

Originally focused solely on Michigan schools, EAGnews.org has since begun analyzing school spending and education reform across the nation. The organization has three regular publications: **Focus on Reform** (national), the **Ed Reform Radar** (national) and **Wisconsin School Reformer**. The newsletters focus largely on the agenda and tactics of the national teachers' unions, as well as reform efforts around the country.

EAG's research and writing are regularly seen on websites such as BigGovernment.com and Townhall.com. Kyle Olson, publisher of EAGnews.org, appears in a weekly segment on ***Fox & Friends*** called "The Trouble with Schools" on the Fox News Channel.

EAG recently published a book, "**Indoctrination: How Useful Idiots Are Using Our Schools to Subvert American Exceptionalism**," which can be purchased at Amazon.com.

EAG also produced a short documentary film, "**A Tale of Two Missions**," with Fox News analyst Juan Williams, which examines the fight for school choice in Chicago. It can be viewed at **TwoMissionsMovie.com**.

EAGnews.org is curently producing a series of reports exposing school spending habits tied to teachers contracts from large districts around the country.

Visit **EAGnews.org** for more research, reporting, analysis and commentary.