

Sucking the Life Out of America's Public Schools

The Expense of Teachers Union Contracts



Part 3

Detroit 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 DETROIT PUBLIC SCHOOLS

Across the nation, public school districts are struggling with finances. But no district has struggled quite like Detroit Public Schools.

Budget deficits have been reported as high as \$327 million in recent years. Thousands of district employees, many of them teachers, have been laid off. Dozens of schools have been closed, the district has been forced to borrow money to meet its payroll and teachers have been forced to accept pay cuts as large as 10 percent.

Rising costs, large-scale theft and fraud, and dwindling enrollment have been blamed for the financial nightmare. Mismanagement also played a role. According to one media report, the school board approved a budget in 2010 showing an \$8 million surplus. Not long after that Robert Bobb, the first state-appointed emergency financial manager for the district, recalculated and found a \$303 million *deficit*.

At one point school officials were discussing the possibility of bankruptcy.

Bobb, who has worked in several large urban school districts around the nation, told Time Magazine, "Detroit is unlike anything I've ever experienced. It's a lot worse than I anticipated."

In the summer of 2009, the district announced that it would lay off 1,700 employees, many of them teachers, to help eliminate a \$285 million deficit. A year later the district announced the layoffs of 2,000 employees to help eliminate a \$219 million deficit.

But during that period of extreme financial anxiety, Detroit Public Schools continued to spend millions of dollars on questionable or unnecessary provisions, as stipulated by the Detroit Federation of Teachers collective bargaining agreement.

While hundreds of teachers were losing their jobs, the district spent big bucks on items like class size overage compensation for the teachers who remained.

Logical taxpayers might ask how many teachers could have been called back, or how many books and supplies could have been purchased, if some of the extra perks negotiated by the teachers union could have been eliminated.

Or, to put it more bluntly, with the school district in the midst of an obvious financial emergency, how could anyone justify paying \$12.5 million in compensation for unused sick days or \$665,000 for longevity bonuses?

We examined the DFT collective bargaining agreement, then used a freedom of information request to learn how much various provisions in that agreement cost the district in 2010-11, the most recently completed school year.

We're sure we didn't find all of the unnecessary costs hidden in the contract. We encourage residents to do some digging of their own and find other examples of questionable spending. In a school district like Detroit, that shouldn't be hard.

The financial information below was provided by Detroit Public Schools.

OVERALL TEACHERS UNION EMPLOYEE COMPENSATION

Detroit Public Schools spent a total of just over \$1 billion in 2010-11. The total spent on salaries and benefits for all employees was \$710 million.

The total spent on salaries and benefits for DFT members was \$520 million (73 percent of all labor costs and 52 percent of the total school budget).

AUTOMATIC, ANNUAL "STEP" SALARY INCREASES

Don't believe it when you hear teachers union leaders say their members have not had a raise in any number of years. That's almost never the case. Most public schools give the majority of their teachers automatic "step" increases every year, based on the number of years served and the college degree earned. Classroom performance and effectiveness are not factors in granting the raises.

Detroit's salary schedule is very financially challenging for the district. In most school districts around the nation, it takes an employee between 17 and 20 years to reach the top of their pay scale. In Detroit, employees advance to the top of the bachelors and masters degree pay scales in 10 short years, and the masters and doctorate pay scales in 11 years. That means the district must pay a lot more money in step increases much sooner than other districts.

The bachelors salary scale runs from \$39,647 in the first year to \$62,332 in the tenth year. A copy of the teacher salary schedule is near the end of this report.

Detroit Public Schools paid out \$15.6 million to cover automatic, annual salary increases in 2010-11.

SUPER STEPS

Besides automatic, annual step raises, Detroit teachers are allowed to collect "Super Step" raises. The collective bargaining agreement explains: "Four additional steps, at the rate of \$3,000 per step, beyond the current maximum of Step 10 or 11 will be granted according to criteria determined by the district."

Detroit Public Schools paid out \$435,000 for "super steps" for teachers in 2010-11.

EMPLOYEE HEALTH INSURANCE

Employees are eligible to receive coverage under one of two HMO plans or one of two PPO plans, according to the collective bargaining agreement. Employees who choose an HMO plan are required to pay 10 percent of the annual premium cost, and those who choose a PPO plan are required to pay 10 percent of premiums plus the difference in premium cost between the chosen PPO plan and the higher cost HMO plan.

Detroit Public Schools paid out \$47.1 million toward health insurance premiums for DFT members in 2010-11. Employees paid a collective \$6.3 million (11 percent of the total) toward their own premiums.

REIMBURSEMENT FOR UNUSED SICK DAYS/SUBSTITUTE COSTS

The teachers union collective bargaining agreement says, "Upon retirement from the district ... all bargaining unit members shall be paid one-half of the daily rate for each day in their sick bank between one and seventy. Regular classroom teachers whose attendance has a direct affect on the amount of substitute service needed shall be paid one-fifth of the daily rate for each day in their sick bank between 71 and 140, and one-fourth of the daily rate for each day in their sick bank between 140 and 200."

This policy gets expensive, because there are a lot of sick days to accumulate. The collective bargaining agreement gives first-year teachers 10 paid sick days per year and veteran teachers up to 15 paid sick days. All teachers receive five paid personal days per year.

This generous policy also contributes to a lot of teacher absenteeism, which in turn drives up substitute costs. The 4,381 full-time teachers on staff in 2010-11 took a combined 32,596 sick days and 4,640 personal days. That means teachers averaged just over 8 paid days off per year, on top of regular school vacations and 8.5 paid holidays.

Detroit Public Schools paid out \$12.5 million in reimbursement for unused sick days in 2010-11. The district also spent \$6.1 million in wages to substitute teachers.

TERMINATION INCENTIVE PLAN

The school district was obviously trying to shed some payroll by offering this incentive payment, rather than going the regular layoff route that would not have required any sort of payoff. We're sure the idea was to convince older, more expensive teachers to move on. That would not have been necessary if the union-favored "last in, first out" policy was set aside and the district had the power to base layoffs on classroom effectiveness and financial realities, rather than just seniority, or had the power to unilaterally adjust the payroll. According to the collective bargaining agreement, all union members who retired or resigned following the ratification of the collective bargaining agreement received \$1,000 for each year of service with the district, capped at \$10,000 per employee.

Detroit Public Schools paid out \$4.1 million for termination bonuses in 2010-11.

PROFESSIONAL DEVELOPMENT

The collective bargaining agreement says, "The union and the district agree that all state mandated professional development requirements shall be met. Participation in professional development activities outside of regularly scheduled school hours will be voluntary and will be paid at the workshop rate."

Detroit Public Schools paid out \$3.2 million to DFT members for professional development activities (workshops, conventions, etc.) in 2010-11.

LONGEVITY BONUSES

The collective bargaining agreement says, "All employees who, as of June 30 in any year, have completed 15 or more years of service as full-time employees of the district shall receive \$250 added pay. Accompanists and registered nurses who, as of June 30 in any year, have completed 11 or more years of service as full-time employees of the district shall receive \$250 added pay; Twelve-month registered nurses shall receive \$300."

Detroit Public Schools paid out \$665,336 in longevity bonuses for teacher union members in 2010-11.

CERTIFICATION BONUSES

The collective bargaining agreement says, "Auditorium teachers, senior teachers, music therapists, school social workers, psychologists, physical therapists, occupational therapists, speech teachers, language impaired teachers, special education teachers and special education teacher consultants shall receive the following annual bonus" - \$125 for regular school year employees and \$154 for full-year employees. Educators working with emotionally impaired or autistic students shall receive an annual bonus of \$277 (full-year employees) or \$225 (regular school year employees).

Detroit Public Schools paid out \$203,125 for certification bonuses in 2010-11.

CLASS SIZE OVERAGE COMPENSATION

Detroit teachers are paid extra for having a few extra kids in their classrooms. According to the collective bargaining agreement, having 1-2 more students than the negotiated maximum number is rewarded with the equivalent of one day's pay. Having 3-4 extra students equals two days' pay, and having 5 more nets three days' pay.

Detroit Public Schools paid out \$376,082 in "class overage" pay in 2010-11.

TUITION REIMBURSEMENT

The school district reimburses teachers, social workers and psychologists for tuition they paid while continuing their educations beyond the basic bachelors degree. Numerous studies suggest there is little evidence that college graduate classes help K-12 teachers become more effective.

Detroit Public Schools paid out \$434,842 for employee tuition reimbursement in 2010-11.

HOW THE DISTRICT COULD HAVE SAVED MONEY

Assuming the cooperation of the teachers union, we believe district officials could have saved a considerable amount of money in 2010-11 by adjusting, postponing or eliminating several of the expenditures listed above. We came up with a potential savings figure of \$41.7 million. Perhaps the savings could have been used to call back some teachers, lower class sizes, purchase new books, upgrade student computers, or all of the above.

We would encourage residents to ask school officials if the types of expenditures listed in this report are still being made, and demand they cut back on union perks until DPS is back on sound financial footing.

Eliminate automatic, annual "step" salary increases	\$15.6 million
Eliminate the "super steps" payment for qualifying teachers	\$435,000
Force employees to double insurance contributions	\$6.3 million
Postpone payment for reimbursement of unused sick days	\$12.5 million
Postpone compensation for professional development	\$3.2 million
Postpone payment of half of termination incentive bonuses	\$2 million
Cancel longevity bonuses	\$665,336
Cancel class size overage compensation	\$376,082
Postpone tuition reimbursement	\$434,842
Postpone certification bonuses	\$203,125
Total savings	\$41.7 million

SUMMARY: HOW DO THEY JUSTIFY THIS KIND OF SPENDING?

In 2010-11, Detroit Public Schools were laying off hundreds of employees and closing schools in an effort to eliminate a budget deficit of more than \$200 million. But at the same time the district continued to spend millions of dollars on questionable labor costs that could have been adjusted, postponed or cancelled to help the district conserve tax dollars. Here are a few examples of the money that was going out the door:

\$15.6 million for automatic, annual "step" raises for teachers.

\$435,000 for "super steps" raises for teachers.

\$47.1 million for low cost health insurance for employees.

\$12.5 million for reimbursement for unused sick days.

\$4.1 million for termination incentives for employees.

\$3.2 million for professional development pay.

\$665,336 for longevity bonuses.

\$203,125 for certification bonuses.

\$376,082 for class size overage compensation.

\$434,842 for tuition reimbursement.

Information source: Detroit Public Schools

DETROIT TEACHERS SALARY “STEP” SCHEDULE

Step	Bachelors	Masters	Masters Plus 30 Hours	Doctorate
1	\$39,647	\$41,537	\$41,837	\$42,137
2	40,674	45,158	45,458	45,758
3	42,774	47,754	48,054	48,354
4	44,810	50,286	50,586	50,886
5	46,909	52,812	53,112	53,412
6	49,013	55,417	55,717	56,017
7	51,122	57,936	58,236	58,536
8	53,154	60,539	60,839	61,139
9	55,251	63,066	63,366	63,666
10	62,332	72,516	72,816	73,116
11	-----	-----	73,216	73,516

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 currently 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.