Buffalo Fiscal Stability Authority
Analysis of the Collective Bargaining Agreement between the Buffalo City School District and the Buffalo Teachers' Federation

Introduction

The Buffalo City School District (the "BCSD" or the "District") ratified a collective bargaining agreement ("CBA") with the Buffalo Teachers' Federation ("BTF") on October 17, 2016. The BTF includes employees funded through both the General Fund and the Grants Fund. The District has not yet submitted a revised 2017-2020 Financial Plan (the "Financial Plan"), which will provide information related to how the District intends to fund the costs of this contract. The District will submit this item to the Buffalo Fiscal Stability Authority (the "BFSA") after approval by the Buffalo Board of Education.

The contract period of the CBA is July 1, 2004 to June 30, 2018, covering a fourteen-year period. The previous agreement expired June 30, 2004.

BTF employees include: department chairpersons, classroom teachers, guidance counselors, school social workers, attendance teachers, guidance counselors, school psychologists, reading teachers, ESEA teachers, librarians, speech therapists, helping teachers, administrative assistants, teachers-in-charge, reading specialists, day school adult learning teachers, JROTC teachers and any other teachers paid on the teacher's salary schedule. The group includes both full-time and part-time employees.

The following chart shows the number of budgeted and filled positions within the General Fund and the Grants Fund of employees represented by the BTF at October 6, 2016:

BCSD BTF Staffing

	2016-17 Budget	Filled as of October 6, 2016	Variance	% Variance
General Fund	3,107	2,995	112	3.6%
Grants Fund	456	471	(15)	-3.3%
Total	**3,563**	**3,466**	**97**	**2.7%**

Summary of Key Contract Provisions

Monetary Compensation

Salary Schedule

The ratified CBA does not include salary increases from July 1, 2004 through June 30, 2016. Therefore, there are no retroactive increases during the period of the BFSA's imposed wage-freeze from April 21, 2004 to June 30, 2007.

The salary increases are effective September 1, 2016. The following table summarizes the salary increases for the contract period:

Salary Increases for BTF		
Effective Date		**Increase**
July 1, 2004 - June 30, 2016	% Increase	0.0%
July 1, 2016 - June 30, 2017	one-time payment	$2,000-$9,000
September 1, 2016 - June 30, 2017	% Increase	10.0%
July 1, 2017 - June 30, 2018	% Increase	2.0%
July 1, 2018 - June 30, 2019	% Increase	2.0%

The percentage increases applied on September 1, 2016, July 1, 2017, and July 1, 2018 include both salary and additional forms of monetary compensation including such items as stipends, class-overage payments, and professional development days.

Along with the percentage increases to all salary steps, other adjustments to the salary schedule were adopted. These are as follows:

- Effective July 1, 2016, all newly hired teachers are placed at Step 2 instead of Step 1 for salaried compensation. Step 1 remains on the schedule and is used for longevity increments.
- Effective July 1, 2017 and July 1, 2018, two sets of "hold steps" are removed from the salary schedule. The prior CBA required two years for individuals to advance from steps 15, 17, 19, and 21. The salary increase after the one-year hold was equivalent to a one-year step increase. Effective July 1, 2017, steps 20 and 22 will be created. Employees on steps 19 and 21 will advance to these steps at the start of the school year. Effective July 1, 2018, steps 16 and 18 will be created. Employees on steps 15 and 17 will advance to these steps at the start of the school year. It is noted that the impact from creation of these four new steps is cumulative as a step's base amount is a function of the prior step plus the step increment. As such, the salary for steps 16 through 27 all increase with the removal of the hold steps.

One-Time Payments (Active Employees)

As noted above, the CBA includes a one-time payment in the current fiscal year to all active teachers based on their Step at July 1, 2016, as follows:

- Steps 1-9: $2,000
- Steps 10-15: $5,000
- Steps 16-19: $6,000
- Steps 20-21: $7,000
- Steps 22-26: $8,000
- Step 27: $9,000

Individuals impacted by the wage-freeze receive a substantially higher one-time payment. The wage-freeze was imposed April 21, 2004 through June 30, 2007. Individuals without prior teaching experience who were hired after the end of the wage freeze are currently at steps 1-9, and receive a substantially lower one-time payment of $2,000. Step 10-27 employees are almost exclusively comprised of employees who worked for the District during the BFSA-imposed wage freeze and will receive a one-time payment between $5,000 and $9,000.

One-Time Payments (Retirees)

All teachers who retired between July 1, 2007 and October 17, 2016 will receive a one-time payment of $2,500. The District will make this payment within 90 days of the contract's ratification or January 25, 2017. The amount paid by the District is reportable to the New York State Teachers' Retirement System as "earnings after retirement" and is subject to an employer contribution rate of 11.72%. It is likewise subject to the 7.65% for employer payroll taxes.

Miscellaneous Reimbursement Increases

The CBA increases two miscellaneous reimbursements as follows:

- Teachers who use their personal vehicles to travel between schools to perform their assigned duties will be reimbursed at the Internal Revenue Service's standard mileage reimbursement rate, which is currently $0.54 per mile. The prior CBA provided mileage reimbursement at $0.31/mile.
- Teachers who purchase supplies with their own personal funds may submit a reimbursement request. Effective July 1, 2016, the amount per pupil that a teacher may be reimburse rose $1.00 to $6.00 per pupil. The reimbursement amount rises another $2.00 to $8.00 effective July 1, 2017.

Health Insurance

The following is a summary of the health care provisions changed in the ratified CBA.

Active Employees - Healthcare

The District currently provides teachers with the option of four healthcare plans provided by Blue Cross/Blue Shield. The average cost of the plans are currently $6,800 for single coverage and $17,700 for family coverage. Plan A is the costliest of the four plans and has premium equivalent costs of $7,400 (single) and $16,500 (family). Approximately 43% of all teachers are enrolled in this particular plan. Plan A is the only plan of the four that includes the cosmetic surgery option. Health insurance was provided at no cost to the employee under the prior labor agreement.

The ratified labor contract continues the four healthcare plan options. The cosmetic surgery rider will be eliminated from Plan A on February 17, 2017, four months after the ratification of the contract.

Teachers will now be required to contribute a flat amount towards health insurance. The contribution rate starts at $500 (single) and $1,100 (family) in FY 2016-17 and increases to $600 (single) and $1,500 (family) by FY 2018-19. The 2016-17 contribution amounts represent a 7.4% contribution rate (single) and a 6.2% contribution rate (family) of the current average premium equivalent cost at July 1, 2016; it is noted the July 1, 2016 average rate does not reflect the anticipated premium equivalent cost adjustment for the elimination of the cosmetic surgery benefit in February 2017, therefore the percentage being contributed will likely be higher after this adjustment is made. The percent that teachers contribute toward their insurance premium is projected to increase annually as the District currently projects 4.5% annual increases in health insurance premium costs to an 8.1% contribution for single coverage and 7.8% for family coverage.

Under the terms of the prior CBA, employees were required to pay a $5 copay for doctor visits and $5/$10 for prescription drugs. Under the current CBA, effective February 1, 2017 the copay increases to $15 per doctor visit and $10/$25 for prescription drugs.

<u>Active Employees - Supplemental Benefits</u>
The BTF maintains a Supplemental Benefits Fund for eye care and dental insurance which is administered by the BTF. Per the terms of the CBA, the District will make contributions to this fund as follows:

- A one-time contribution to the Supplemental Benefits Fund in the total amount of $350,000 in the current fiscal year; and
- An additional $25 payment per member in each year of the contract.

<u>Active Employees - Workers Compensation</u>
Under the previous CBA, teachers who were unable to work due to a work-related illness or injury, other than one caused by an assault received regular pay and benefits in the form of workers compensation while unable to work for up to two years. Per the terms of the new CBA, teachers injured after January 1, 2017 will be eligible for regular pay and benefits for up to one year.

<u>Retired Employees - Healthcare</u>
There are no changes for those individuals who retire prior to July 1, 2017. Employees who retired under the terms of the prior CBA continue to receive the coverage that they had as an active employee. The contribution rate for these former employees is fixed at $475 annually for single coverage and $950 annually for family coverage. Employees must enroll in Medicare Parts A & B upon eligibility and currently have the option to forego their traditional healthcare plan for a Medicare Advantage Plan; this is not a requirement under the terms of the prior CBA. The Medicare Advantage Plan is less costly to the District and at $6,500 (in-network) and $7,200 (out-network) while providing retirees with additional benefits.

- Teachers who retire between July 1, 2017 and June 30, 2018 shall annually pay $600 for individual coverage and $1,350 for family coverage.

- Teachers who retire on or after July 1, 2018 shall annually pay $650 for individual coverage and $1,500 for family coverage.
- Teachers who retire after July 1, 2017 shall have the option to receive benefits under a Medicare Advantage Plan or a plan with a substantially equivalent level of benefits at age 65.
- Those teachers who retire continue to be entitled to the same healthcare benefits that they received as an active employee. This includes the cosmetic surgery rider provided under Plan A.

Work Rule Changes

The following is a summary of the work rule changes associated with the ratified contract:

- Class-Size Overages – Teachers who have more students enrolled in their classes than the CBA stipulates are eligible to submit for additional compensation. The ratified CBA amends this clause be adjusting class size enrollment to exclude students who have registered for the class but have not been in attendance.
- School Start & End Times – Beginning with the FY 2018-19 school year, the District may change the starting and ending time at schools. This affords the District the ability to redesign the bussing schedule and realize saving in fuel expenditures. The savings are largely one-shot as New York State reimburses the District for 90% of their transportation expenditures in the form of the following year's Transportation Aid.
- Work Day – Effective September 1, 2017, a teacher's work day will increase 25 additional minutes from 6 hours and 50 minutes to 7 hours and 15 minutes. It has not yet been decided how the extra time will be utilized, but in intent of the provision change was to increase student contact time. The previous CBA structured the work day as follows:
  - Grades K-6: 25 teaching periods of no more than 45 minutes per week with at least 5 unassigned preparation periods;
  - Grades 7-12: 25 teaching periods of no more than 45 minutes per week with at least 5 unassigned preparation periods.
- Work Year – Effective July 1, 2017, teachers shall work a maximum of 188 days per school year with two of the days used for professional development prior to the opening or end of the school year. The prior CBA required a maximum of 186 days per year. One of the days prior to the start of the school year is duty-free and used by teachers to prepare their classrooms for the school year.
- Retirement Notification – Teachers who provide at least a sixty-day notification prior to their retirement will receive an additional $500 payment. Per the prior CBA, teachers who submit their intent to retire by August 15th prior the school year are eligible for an early retirement incentive, if certain conditions are also met. The existing early retirement incentive has been maintained with language clarifying who is eligible to receive the payment.
- Pending Legal Actions – Both the District and the BTF repeal their respective bad faith negotiations appeals. The BTF agrees to withdraw its litigation regarding the District's unilateral switch from a multiple-provider healthcare plan to a single-carrier healthcare plan. All other litigations and/or grievances remain active.

Contract Changes Unaffected by Ratification of the CBA

Other terms of the current CBA would be unaffected by ratification of the CBA. Notable terms are as follows:

- Residency – All employees must establish residency in the City of Buffalo within six months of hire. Certain exemptions apply.
- Termination Pay – Teachers with less than ten years of service who retire receive a payment equal to the product of 10%, the number of days accumulated sick leave at retirement, 1/200th, and the teacher's final annual salary. Teachers with ten or more years of service who retire receive a payment equal to the product of 1%, the number of days of accumulated sick leave at the time of retirement, 1/200th, the teacher's final annual salary, and the number of years of service.
- In-Lieu-of Health Insurance– Employees receive a waiver incentive of $1,200 annually.
- Holidays – Employees receive 13 paid holidays annually. Teachers have no scheduled work during the Winter and Spring recesses.

Financial Impact

The District has estimated the net costs of the contract in the current fiscal year (2016-17) at $41.5 million on an All-Funds basis. The gross costs are estimated at $50.1 million and are offset by estimated contract savings of $8.6 million.

As previously noted, the District is developing a modified financial plan to address how the additional costs from this labor contract will be paid over the next four years. The following schedule provides an estimate of what the labor agreement will cost the District over the next four years, including the current year, assuming that there is no change in the number of teachers from the current staffing level and is intended to provide an overview of what the costs will be based on the current number of active teachers in the District.

Impact on All Funds					
Contract Costs	2016-17	2017-18	2018-19	2019-20	Total Impact on FY 2017-20 Financial Plan
$ in Millions					
Increase to Salaries	25.5	29.4	38.3	39.4	132.6
One-Time Payment (Active)	16.7	0.0	0.0	0.0	16.7
One-time Payment (Retirees)	2.9	0.0	0.0	0.0	2.9
Increase to TRS & FICA	4.9	5.7	7.4	7.5	25.5
Miscellaneous	0.1	0.1	0.1	0.1	0.4
Total Contract Costs	**50.1**	**35.2**	**45.8**	**47.0**	**178.1**
Contract Savings	2016-17	2017-18	2018-19	2019-20	Total Impact on FY 2017-20 Financial Plan
$ in Millions					
Eliminate Cosmetic Surgery Rider	3.2	3.3	3.3	3.4	13.2
Active Employee Healthcare Contribution	3.2	3.8	4.3	4.3	15.6
Increase in Retiree Healthcare Contribution	0.0	0.0	0.1	0.1	0.2
Increase in CoPays	1.6	1.6	1.7	1.7	6.6
Reduction in Workers Compensation	0.6	0.6	0.6	0.6	2.4
Bell-time Changes	0.0	4.0	0.4	0.4	4.8
Total Contract Savings	**8.6**	**13.3**	**10.4**	**10.5**	**42.8**
Net Contract Cost	**41.5**	**21.9**	**35.4**	**36.5**	**135.3**

Total net cost over the current Financial Plan is estimated at $135.3 million on an All-Funds basis. The increased costs of the contract are estimated at $178.1 million over the four-year period are offset by estimated savings of $42.8 million. As noted earlier, the FY 2017-2020 Financial Plan has not yet been modified to depict the prospective savings and costs associated with the ratified CBA.

BFSA has analyzed the financial analysis as provided by the District and is has determined the estimate to be sound and reasonable.

OPEB Impact

In addition to examining the CBA's cost impact to the FY 2016-17 Adopted Budget as well as the 2017-20 Financial Plan, the impact to the other postemployment benefit ("OPEB") liability from the CBA was examined. The District has not formally evaluated the impact from the provision changes to healthcare within this CBA on the OPEB liability. District officials do not anticipate a significant impact on the District's OPEB liability as current employees will not contribute an amount that is considered significant during retirement.

Conclusion

District officials approved this labor agreement without clear consideration as to how the costs of the contract would be paid for, which is evidenced by the lack of a current modified financial plan. The requirement under the BFSA Act to both annually produce a four-year financial plan and to modify such plan as events occur rendering key underlying assumptions to no longer be appropriate, is critical to maintaining fiscal stability. The District should clearly evaluate costs of labor contracts in terms of long-term financial planning and should modify and approve a revised financial plan concurrently with the approval of any collective bargaining agreement.