



PORTSMOUTH SCHOOL COMMITTEE

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Dear Members of the Portsmouth School Department and Portsmouth Community:

As you may know, the Portsmouth School Committee has been engaged in contract negotiations with our teachers, represented by NEA Portsmouth (NEA P), since July of 2010. Both the School Committee at that time and the current School Committee have negotiated in good faith for many months. Unfortunately, negotiations have not progressed during this time; and we, the members of the Portsmouth School Committee, believe that it is important to explain the status of negotiations to our employees and our community at this time. A written explanation is below, followed by a shorter “At a Glance” summary. Further, we invite you to attend a public forum for further explanation and discussion of these matters on **Monday, April 11, at 7:00 PM, at the Portsmouth High School auditorium.**

The Portsmouth School Committee has been negotiating with two priorities in mind. First, we know that we have quality teachers in our system whose work is leading to documented improvements in student achievement, and we want to maintain and continue to improve our teacher quality. Consequently, the School Committee wants to pay our teachers and be fair to them, and we also want to reduce the reliance on seniority in teacher placement, in keeping with the State’s new Basic Education Plan.

Second, we know that we need to control costs and reduce the trajectory of spending increases over time, or our system will cease to function, and we will need to reduce the programs we offer to students. We are negotiating in an economic and fiscal environment that does not allow for the historical approach to teacher negotiations of giving step increases and a Cost of Living Adjustment (COLA) to all members.

Negotiations Context – A Poor Economy, Declining Revenues, Increasing Benefit Costs

The Portsmouth School Department is being squeezed by declining revenues and increasing benefit and salary costs at the same time that it is trying to recoup from a structural deficit.

- Revenue declines are due to reductions in state aid, the loss of federal stimulus funds, and the fact that the local appropriation for education in this current school year was only increased by \$129,542 of the \$1,263,345 increase that was requested within the Senate 3050 cap. Revenues will continue to decline over time, as the state’s funding formula calls for Portsmouth to lose approximately \$208,000 of state aid per year for a period of 10 years.

- Benefit increases are primarily in the areas of pension and health care costs. In addition, the step scale in the expired teachers' contract had a 19% increase (\$11,188) between Steps 8 and 9. This increase grew out of contracts that were negotiated over time. However, it had become unsustainable when 15, 11, and 17 teachers are making that large jump over the next three years. The cost for the 17 teachers alone would be over \$190,196, in one fiscal year, given this structure.
- Because of the declining revenues described above, the budget for this current school year was balanced using more than \$1,000,000 of 1-time or expiring revenues, and the budget proposed for the coming school year is supported by more than \$700,000 of 1-time or expiring funds. This proposal assumes that the Town funds the schools to cap, and that the Governor's State Aid for Education proposal holds.
- Even using these one-time funds, the School Department's budget has increased by very small percentages – one-half of 1 percent for this current year, and 1.9 percent for the coming school year if all of our assumptions hold.
- This requested 1.9 percent increase for the coming year would provide \$698,698 in additional revenue.
- All of this increase will be taken up by increased benefits costs: The employer contribution rate to state retirement (over which neither the School Department nor our teachers have any control) grew by 18 percent (\$440,295); health care for active employees has increased by \$208,155; and, health care for retirees has grown by \$214,567 (including a \$169,200 payment toward future healthcare liabilities). The School Department's health care rates actually increased by 15%, following a 14% increase last year. The proposed budget, however, assumes that changes in health plans are made through contract negotiations, thereby reducing the health care increase to 5.6%. If we are unable to negotiate these changes, the School Department's health care costs will increase by \$555,000, making benefit increases outstrip all additional revenues we hope to receive.
- Even assuming these negotiated changes, all new monies are devoted to benefit increases with nothing additional for program enhancements; and our budget, as submitted, still has nearly \$498,000 of additional budget cuts to be found.
- It is true that the School Department ended the last fiscal year with a \$1,056,000, the majority of which was accrued over previous fiscal years. However, \$350,000 of these funds have been committed to the coming year's budget; \$169,200 of these funds have been committed to future healthcare liabilities; and more than \$175,000 was slated to be used for Year 1 of the contract proposal below (understanding that savings in Year 2 of the proposal, would make the contract sustainable). These expenditures leave the School Department with a fund balance of 1 percent of budget. As a frame of reference, if a household costs \$50,000 to run, a 1 percent reserve would mean that there was \$475 in the bank in case of emergency.

Contract Proposals

Within this context, the School Committee's most recent proposal to our teachers was a 2-year contract (this school year and the next) with terms as follows:

2010-2011

- 11-step salary schedule retroactive to October 1, 2010¹
- BCBS Health Mate (as we have now) with addition of \$250 deductible, effective April 1, 2011
- Co-share remains at 13%
- Indemnification of second \$250 deductible (on family plans) as reimbursement (The School Department would cover the second deductible with the submission of receipts.)

2011-2012

- 12-step salary schedule
- BCBS Health Mate with \$250 deductible
- Co-share at 18%
- Indemnification of second \$250 deductible (on family plans) as reimbursement (The School Department would cover the second deductible with the submission of receipts.)
- 1% cost of living adjustment (COLA) for top step only

This proposal provides for a step increase of at least \$2,000 for every teacher on Steps 1-9 in Year 1 and Year 2 and provides for a 1 percent increase for top step teachers in the second year (\$716.00). In addition, the School Committee had some proposed language changes, the biggest of which was moving to teacher placement based on qualifications, rather than seniority. **The 2-year net cost of this proposal is just over \$73,000.**

NEA P's most recent contract proposal was for three years. This proposal also had the \$250 deductible plan and increases in co-share. However, all deductibles were to be indemnified; salary steps were on the same 10-step schedule contained in the expired contract; and there were COLAs of 1.5 percent in Year 2 and 2 percent in Year 3 for top step teachers. **The 3-year net cost of this proposal is nearly \$646,000. The net cost of the first two years of the proposal (2010-2012) is \$374,000.**

In addition, the response to the language on teacher placement was to propose a system that was still largely seniority based and in conflict with the requirements of the state's Basic Education Plan.

In summary, the parties remain \$300,000 apart based on their 2-year contract proposals, and we have been unable to persuade our teachers that a modified step structure and a different approach to placing teachers are required in order for us to move forward.

¹An earlier proposal had the steps retroactive to the beginning of the school year. However, that proposal called for the changes in the health care plan to be effective as of March 1. The School Department loses \$26,000 of health care savings for every month that the new plan is not implemented. The loss of the month of March caused us to need to move the salary increases up to October 1.

For these reasons, we believe that the two sides are at impasse, and we feel that we need to explain our reasoning publicly. We regret the situation in which we find ourselves but see no affordable options.

Sincerely,

The Portsmouth School Committee