



Office of the Internal Auditor

Memorandum

To: City Council Members
From: Matthew M. Clarkin, Jr., Internal Auditor
Date: September 20, 2011
Re: Review of Tentative Agreement with Providence Teachers Union (Local 958)

Below is a review of the proposed Tentative Agreement with the Providence Teachers Union (Local 958), which covers the period September 1, 2011 through August 31, 2014. This Tentative Agreement currently covers 1,875 full-time teachers and 200 substitutes.

Substitute Teacher Compensation:

Prior to this Tentative Agreement, a Long-Term-Substitutes-In-Pool (LTSP) was compensated based upon years of experience at a daily rate of between Steps 1 through 4 of the Teachers Basic Salary Schedule. In addition, a LTSP received family health coverage after one-hundred-thirty-five (135) teaching days in a school year.

LTSP compensation has been changed in this Tentative Agreement to a \$150 per diem for a LTSP in their first year of service in Providence and a \$200 per diem for a LTSP with two or more years of service in Providence. In addition, a LTSP is no longer eligible for family health coverage after 135 days teaching days.

It is projected that changing LTSP compensation from a maximum 4th step to a \$200/\$150 per diem will result in savings of approximately \$2.63 million in fiscal 2012 and \$8.0 million over the period of the Tentative Agreement.

Compensation - LTSP			
	<u>Prior Contract</u>	<u>Tentative Agreement</u>	
Daily Rate (Step 3.5)	\$241.58	\$200.00	\$150.00
FICA	\$18.48	\$15.30	\$11.48
Retirement (13.23%)	\$31.96	\$26.46	\$19.85
Total Daily Cost	\$292.02	\$241.76	\$181.32
School days	170	170	170
Total Annual Cost Per LTSP	\$49,643	\$41,099	\$30,824
# of LTSP	200	110	90
Total Annual Cost	\$9,928,653	\$4,520,912	\$2,774,196
			\$7,295,108
Savings - Compensation LTSP	\$2,633,545		

It is projected that not offering family health benefits after 135 days of teaching will save approximately \$533,000 in fiscal 2012 and \$1.7 million over the period of the Tentative Agreement.

Health Insurance - LTSP		
	<u>Prior Contract</u>	
	<u>Monthly Cost</u>	<u>Annual Cost</u>
135 days @ Individual (Oct-April)	\$433	\$3,031
After 135 days @ Family (May-Sept)	\$1,194	\$5,971.25
		\$9,002
# of LTSPs (70% Family)		140
Total Annual Cost		\$1,260,315
	<u>Tentative Agreement</u>	
135 days @ Individual (12 months)	\$433	\$5,196
# of LTSPs (70% family)		140
Total Annual Cost		\$727,440
Total Savings - Health Insurance - LTSP		\$532,875

Step Increase Freeze:

Teachers will continue to be compensated at their 2010-11 level for the 2011-12 school year. Teachers who are eligible for step increases will receive an increase of one salary step in years two and three of this Agreement. It is projected that freezing of step increases for the 2011-12 school year will result in savings of approximately \$1.9 million in fiscal 2012 and \$5.9 million over the period of this Agreement.

Teachers Basic Salary Schedule Change:

Effective in the 2012-13 school year, the Teachers Basic Salary Schedule will be lengthened from ten steps to twelve. The lengthening of the Salary Schedule will slow the pace in which a teacher can achieve the top step salary and will avoid negatively impacting teachers already at their top step. Teachers at their top step as of the 2010-11 school year will be increased from Step 10 to Step 12 effective the 2012-13 school year, while all other teachers will be increased one step.

It is projected that the change to a twelve step salary schedule will save approximately \$800,000 in fiscal 2013 and \$1.6 million over the period of this Agreement.

Steps	2011-12	Steps	2012-13
1	\$36,641	1	\$36,641
2	\$39,074	2	\$38,441
3	\$41,350	3	\$40,500
4	\$45,617	4	\$43,150
5	\$48,984	5	\$46,650
6	\$52,327	6	\$50,200
7	\$55,662	7	\$53,500
8	\$59,065	8	\$57,000
9	\$62,092	9	\$60,100
10	\$69,064	10	\$63,000
		11	\$65,500
		12	\$69,064

Longevity Deferral:

Longevity payments due to teachers in the 2011-12 school year will be deferred and fifty percent (50%) will be paid during the 2012-13 school year and fifty percent (50%) will be paid during the 2013-14 school year. This deferral will save \$1.4 million in fiscal 2012 but have a net zero impact during the period of the Agreement.

<u>Longevity Schedule</u>	
15 years (10 in Providence)	\$700
20 years (15 in Providence)	\$1,672
25 years (20 in Providence)	\$1,787

Furlough Days:

Effective during the 2011-12 school year, teachers will have two days of compensation deducted from their annual salary based upon their individual daily rate of pay. To compensate teachers who are subjected to furlough days during the 2011-12 school year, one additional Personal Day will be provided in each of the two remaining years of the Agreement.

The deduction of two furlough days are projected to save approximately \$1.7 million in fiscal 2012 and result in a net savings of approximately \$800,000 during the three years of the Agreement.

Step	Yearly Salary	FTE's	# Days	Savings
Step 1	\$36,641	38	2	\$15,185.16
Step 2	39,074	16	2	6,818.31
Step 3	41,350	23	2	10,372.22
Step 4	45,617	27	2	13,432.57
Step 5	48,984	27	2	14,424.03
Step 6	52,327	42	2	24,539.34
Step 7	55,662	37	2	22,461.00
Step 8	59,065	48	2	31,564.21
Step 9	62,092	54	2	37,244.91
Step 10	69,064	624	2	476,033.35
Step 11 *	69,764	480	2	369,773.87
Step 12 **	70,736	276	2	216,006.64
Step 13 ***	70,851	185	2	144,496.11
*(15yrs+)		1,875		1,382,351.72
**(20yrs+)			FICA	105,749.91
*** (25yrs+)			Retirement	182,885.13
			Total	\$1,670,986.76

Attendance Bonus:

In the prior contract, an Attendance Bonus of up to five (5) days was paid to any teacher who utilized five or fewer sick days during a work year. The eligibility for the Attendance Bonus has been revised so that the bonus is paid on a sliding basis. More specifically, a teacher can still earn a bonus equivalent to five days, but each sick day utilized during the school year is subtracted from the total number of bonus days paid. For example, a teacher who utilizes two sick days in a school year will be eligible for an Attendance Bonus equivalent to three (3) days.

It is difficult to determine the response and effectiveness of this revised Attendance Bonus, but assuming that the utilization of sick days is identical to last school year, the change to a sliding scale is projected to save approximately \$1.15 million in fiscal 2013 and \$1.2 million in fiscal 2014.

Sick Leave Severance:

Prior to this Tentative Agreement, teachers were not eligible for a sick leave severance payment upon their retirement. This Agreement establishes that any teacher who has been employed by the Providence School Department for a minimum of ten years and has a minimum balance of one hundred (100) sick days in their sick leave reserve are eligible for a sick leave payout upon retirement. Sick days eligible for the Sick Leave Severance payment will be calculated at the Step 1 of the Basic Teacher Salary Schedule, not the teacher's actual daily rate of pay.

Currently, thirty-two (32) teachers are eligible for a Sick Leave Payout upon retirement and would be paid for an average of 140 sick days. Assuming that seventy-five (75%) of these teachers officially declare their intention to retire prior to January 31st, it is projected that the annual cost of sick leave severance pay will be approximately \$425,000.

Across-the-Board-Salary Increases:

Effective the first day of the 2013-14 school year, a three percent across-the-board salary increase will be applied to the Basic Teacher Salary Schedule. An additional a three percent across-the-board salary increase will be applied to the Basic Teacher Salary Schedule effective the last day of the 2013-14 school year.

Based upon the current number of full-time teachers (1,875), it is projected that the first three-percent (3.0%) increase will result in additional salary costs of approximately \$3.8 million in fiscal 2014. The second three-percent (3.0%) salary increase, which is effective the last day of the school year, will not have a financial impact in fiscal year 2014 but will result in additional salary costs of approximately \$4.1 million in the following fiscal year (2015).

Health Benefit Co-shares:

Effective in the 2012-13 school year, annual medical co-share payments will increase as shown below.

Coast-to-Coast (Teachers hired prior to 9/1/2004)		
<u>Work Year</u>	<u>Family</u>	<u>Individual</u>
9/1/11 - 8/31/12	\$937.00	\$355.00
9/1/12 - 8/31/13	\$2,046.07	\$779.43
9/1/12 - 8/31/13	\$2,318.88	\$883.35

Plan 750 (Teachers hired effective 9/1/2004 and after)		
<u>Work Year</u>	<u>Family</u>	<u>Individual</u>
9/1/11 - 8/31/12	\$2,316.00	\$867.00
9/1/12 - 8/31/13	\$2,559.00	\$958.00
9/1/12 - 8/31/13	\$2,900.00	\$1,086.00

It is projected that the increased medical co-shares will result in savings of approximately \$565,000 in fiscal 2013 and approximately \$1.2 million over the period of this Agreement.

Professional Development Stipends:

In the prior contract, PTU members were compensated for Professional Development (PD) at hourly rate based upon the teacher's daily rate of pay. This Agreement changes compensation for PD to a hourly rate of \$40 for all members. It is projected that the change will save approximately \$1.6 million in fiscal 2012 and \$4.8 million over the period of the Agreement.

Union Health & Welfare Trust Fund:

The School Department's contribution to the "Union Health & Welfare Trust Fund" effective September 1, 2012 will increase from \$3.55 to \$4.05 per week for each regular teacher and Long-Term Substitute (LTS) and will increase again effective September 1, 2013 from \$4.05 to \$4.55. It is projected that this increase will result in additional costs of approximately \$49,000 in fiscal 2013 and \$99,000 in fiscal 2014.

Extended Work Day:

The PTU has agreed to extend the work day by five minutes in each year of this Agreement without additional compensation for its members. It is projected that this additional time would cost the School Department \$2.4 million in fiscal 2012 and a total of \$14.7 million over the period of the Agreement.

No Layoff Provision:

A new layoff provision has been included in this Agreement. Specifically, this new provision prohibits the School Board from the laying off or terminating PTU members for financial reasons. This new provision removes an option the School Board had available to balance future budgets and could result in the establishment of a new pool of displaced teachers.

The Rhode Island Department of Education (RIDE) is expected to identify more Providence schools as "Persistently Lowest-Achieving" (PLA). Additional federal funds are available to a PLA-designated school. The designated school must undergo an improvement or corrective plan, and there are four School Reform Models (Turnaround Model, Restart Model, Transformation Model and School Closure) available for each PLA school to choose. Dependent upon the Reform Model chosen, there could be teachers displaced from the PLA school. For example, the Turnaround Model requires that no more than fifty percent (50%) of the teachers currently at a PLA-designated be rehired. The Turnaround Model would likely result in new teachers being hired and a number of the teachers who worked at that PLA school being displaced at the beginning of the new school year.

It is unclear as to whether this layoff provision will prohibit the School Department from laying off teachers who were displaced from a PLA school. If layoffs in such instances are prohibited, the end result of this process will likely be a new pool of displaced teachers being maintained within the School Department. It is not possible at this time to quantify the future projected cost to the School Department, but dependent upon RIDE's designation of additional PLA schools, the Reform Model chosen, and the movement of currently employed teachers from and to these schools, the total cost of a new pool of teachers could be significant.

Description	Fiscal Year			Total 2012- 2014
	2012	2013	2014	
Substitute Teacher Compensation	\$2,633,545	\$2,633,545	\$2,712,552	\$7,979,643
Substitute Teacher Health Benefits	\$532,875	\$559,519	\$587,495	\$1,679,888
Step Increase Freeze	\$1,934,080	\$1,934,080	\$2,011,443	\$5,879,603
12 Step Teachers Basic Salary Schedule	\$0	\$799,020	\$830,981	\$1,630,001
Longevity Deferral	\$1,381,089	(\$690,545)	(\$690,545)	\$0
Furlough Days	\$1,670,987	(\$435,168)	(\$435,168)	\$800,651
Attendance Bonus	\$0	\$1,115,000	\$1,159,600	\$2,274,600
Sick Leave Severance	\$0	(\$425,000)	(\$425,000)	(\$850,000)
Across-the-Board Salary Increase	\$0	\$0	(\$3,817,263)	(\$3,817,263)
Health Benefits Employee Co-Shares	\$0	\$564,610	\$592,841	\$1,157,451
Professional Development Stipends	\$1,600,000	\$1,600,000	\$1,600,000	\$4,800,000
Union Health & Wellness Fund	\$0	(\$49,400)	(\$98,900)	(\$148,300)
Transportation Savings (Bell Time)	\$100,000	\$100,000	\$100,000	\$300,000
Annual Savings	\$9,852,576	\$7,705,662	\$4,128,035	\$21,686,274
Cumulative Savings		\$17,558,238	\$21,686,274	
Increasing School Day 5 minutes/year	\$2,376,799	\$4,884,052	\$7,466,522	\$14,727,373
<p><i>* The administration included a reduction of a net fifty-five (55) PTU positions from the end of the 2010-11 school year to the current school year. This reduction of positions is projected to save approximately \$5.6 million in the fiscal 2012. While the administration's information was confirmed during the process of reviewing this Agreement, the savings were not included in this report because the reduction of positions is not a direct result of the TA.</i></p>				