

BUDGET DEFICIT FORCES MORE LAYOFFS AT MT. DIABLO USD
June 15, 2010

Tonight the Board of the Mt. Diablo Unified School District will vote on whether to reduce hours and/or eliminate positions of CSEA unit members. In a time of unprecedented budget deficits throughout the state, our district like many others, is forced into the untenable position of making drastic reductions in staff and services. Because the District must present a balanced budget to the County Office of Education by June 30th and has been unable to reach an agreement with unions on over \$11.9 M in cuts, tonight the Superintendent will also recommend additional reductions to Local One CST and M&O positions. The Board will vote on the Local One reductions or eliminations at the June 22nd meeting.

The District's deficit is projected to average nearly \$13 million per year for the next three years. The current deficit for 2009/10 is approximately \$24.8 million. As our deficit increases, our revenues continue to decline. For instance, while the budget for 2009/10 is \$279.5 million, for 2010/11 it is only projected to be \$264.4 million—a difference of \$15.1 million.

We have already responded to the budget deficit by implementing staff reductions and non-personnel cuts and making one-time sweeps and transfers of \$15.88 million. We also sought to negotiate the following items with all bargaining units:

- Reduce the current and the next three school years through furlough days (\$7.9M)
- Limit the District's contribution to health, vision, and dental costs to current rates for active employees and future retirees (\$8.9M over 3 years)
- Prorate health benefits for part-time employees (\$7.3M over 3 years)
- Eliminate vacation buyouts (\$2.1M over 3 years)

The cost of health, dental, and vision benefits is the largest single cost item contributing to the deficit. The current cost of health benefits for all active employees is \$21,999,748. Our projected health benefits cost for 2010/11 if we cannot negotiate a cap on health benefits will be \$23,027,792 and will escalate to \$27,224,287 over the next three years.¹

Currently, we fully fund (at a rate equal to each tier of the Kaiser coverage) medical benefits for all employees who work at least 20 hours per week. We also fund 100% of the cost of vision, and dental benefits for all employees who work at least 20 hours per week. For classified retirees, we cover the cost of benefits at the Kaiser single rate if the employee retires at 55 or older up until the age of 65. For teachers, managers, and psychologists, the District reimburses the cost of medical benefits for the employee plus one eligible dependent for a maximum of 10 years or until the retiree reaches age 65, which ever comes first.

After months of negotiations with our classified bargaining units, we are now at impasse. Additional bargaining sessions would not be productive without the intervention of an outside mediator because neither party side is willing to change its position. The major points of contention center on the District's proposal of: (a) a hard cap at current rates on benefits for active employees and retirees; (b) proration of benefits for employees and their dependents; and (c) furlough days for the 2009/10 school year and future years. It is important to note that our proposed cap on health care is not to "cut" health benefits but rather to "freeze" the District's contribution at the current rate.

Classified unions initially agreed to a limited number of furlough days during the current school year on the express condition that other employees, including teachers and administrators, agree to an equivalent number of days. If all unions had agreed to 3-4 furlough days for 2009/10, the costs savings would have totaled \$2.6M. District administrators have been voluntarily taking furlough days since March 2010, which has resulted in \$292,859 in savings for the 2009/10 school year. The teachers union would not bargain this fiscal year over furlough days for 2009/10 or a new contract to replace the one that expires on June 30, 2010.

Our position at all bargaining tables has remained consistent: we must reduce the deficit in an amount equivalent to savings to be realized from furlough days, and hard capping and pro-rating benefits. Anything less, will result in an unbalanced budget in 2010/11 and beyond and a possible state takeover. If there is a takeover and appointment of a State Administrator, your elected representatives (the Board) and by extension you, will have no say in running the District. We informed the unions' bargaining teams that failure to reach agreement on furlough days for next year could result in the cuts

¹ This amount does not include vision and dental costs or retiree health benefits. Between 2002 and 2010, medical premiums fluctuated from as much as 17% to as little as 4%. Disregarding the extremes of 17% and 4%, the average rate increase is 10%. Therefore the District estimates a 10% annual increase in the cost of medical benefits.

to Local One positions that are now being proposed. Those reductions will result in some employees being ineligible for health benefits. The District's proposal on furlough days would not have negatively impact health benefits.

Our employees are understandably distressed over the proposed furlough days, medical cap, and prorated benefits. The Board and District leadership are disturbed at having to demand such steep concessions. However, we are no different from other districts, many of which have already negotiated a reduced work year in some form or another. According to a School Services of California survey, 57 school districts throughout the state have negotiated work year reductions this year and 99 districts have negotiated work year reductions for next year. Many districts, including those in the surrounding area already cap medical benefits. For instance:

School Districts	2009 – 2010	2010 – 2011	Hard Cap on Benefits
Acalanes		5 days - 2010/11	
Antioch			Tiered Monthly Caps: \$ 795 Single; \$950 Two-party; \$1,000 Family
Brentwood		2 days	Kaiser rate (Employee only)
Byron		5 days	Tiered Monthly Caps: \$444 Single; \$888 Two-party; \$1,154 Family
LAUSD	4 days		
Pleasanton	3 days	5 days	
Alameda		5 days	
Livermore	3-5 days		
Lodi	5 days	7.5 days	
Oakley	3 days	3 days	\$637 or \$547 per month, depending on bargaining unit
Piedmont		5 days	
San Leandro		3 days	
San Lorenzo	3-4 days		
West Contra Costa		5 days	Hard cap at each tier

Our classified unions have accused the District of being inflexible because we have not changed our position on benefits and furlough days even though the union has made concessions. We have not artificially inflated our proposal or the deficit and we have proposed only those concessions we need to eliminate the deficit. It is true that we could have engaged in the traditional bargaining tactic of making an extreme initial demand (such as insisting on a hard cap at the Kaiser single rate and freezing step increases), in order to have something to concede at the bargaining table. We decided against that tactic because it would: (a) cause even greater upset if we let employees believe their families would lose coverage; (b) be disingenuous; and (c) be a waste of valuable bargaining time.

Conclusion

This is a precarious and unprecedented fiscal environment and we appreciate that everyone is anxious about the future. We will maintain our practice of transparency during the bargaining process by continuing to provide the unions and the public with information on the state budget, the District's budget, and health benefits costs as it becomes available.