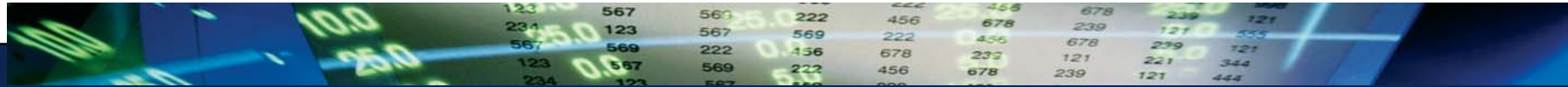


A presentation to: MASC / MASS Joint Conference



Case Study: Alternative Salary Structure for Teacher Compensation

Presented on 16-Nov-2007 by

**Michael Caffi
Rockport School Committee**

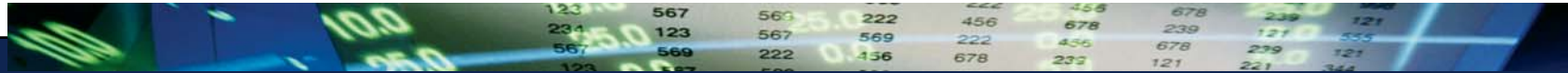
**Dr. Rosemary DiTullio, Ph.D.
Superintendent of Schools**



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A presentation to: MASC / MASS Joint Conference



Case Study Overview

Case Study Overview

Case Study

Review of events and proposals that transpired during teacher's union contract negotiations in FY07. Negotiations began in Dec 2006, were completed on Mar 28, 2007, and ratified on Apr 5, 2007.

Rockport Public School System Demographics – FY07

One campus containing one elementary school and combined middle/high school

Approximately 1100 students system wide

Approximately 110 Professional Staff/Faculty

Approximately 10% of student body from school choice

Approximately 20% of student body receives SPED services

Appropriated FY07 budget \$8,939,675, up 2¼% from prior year.

Budget supplemented with surplus funds from School Choice.

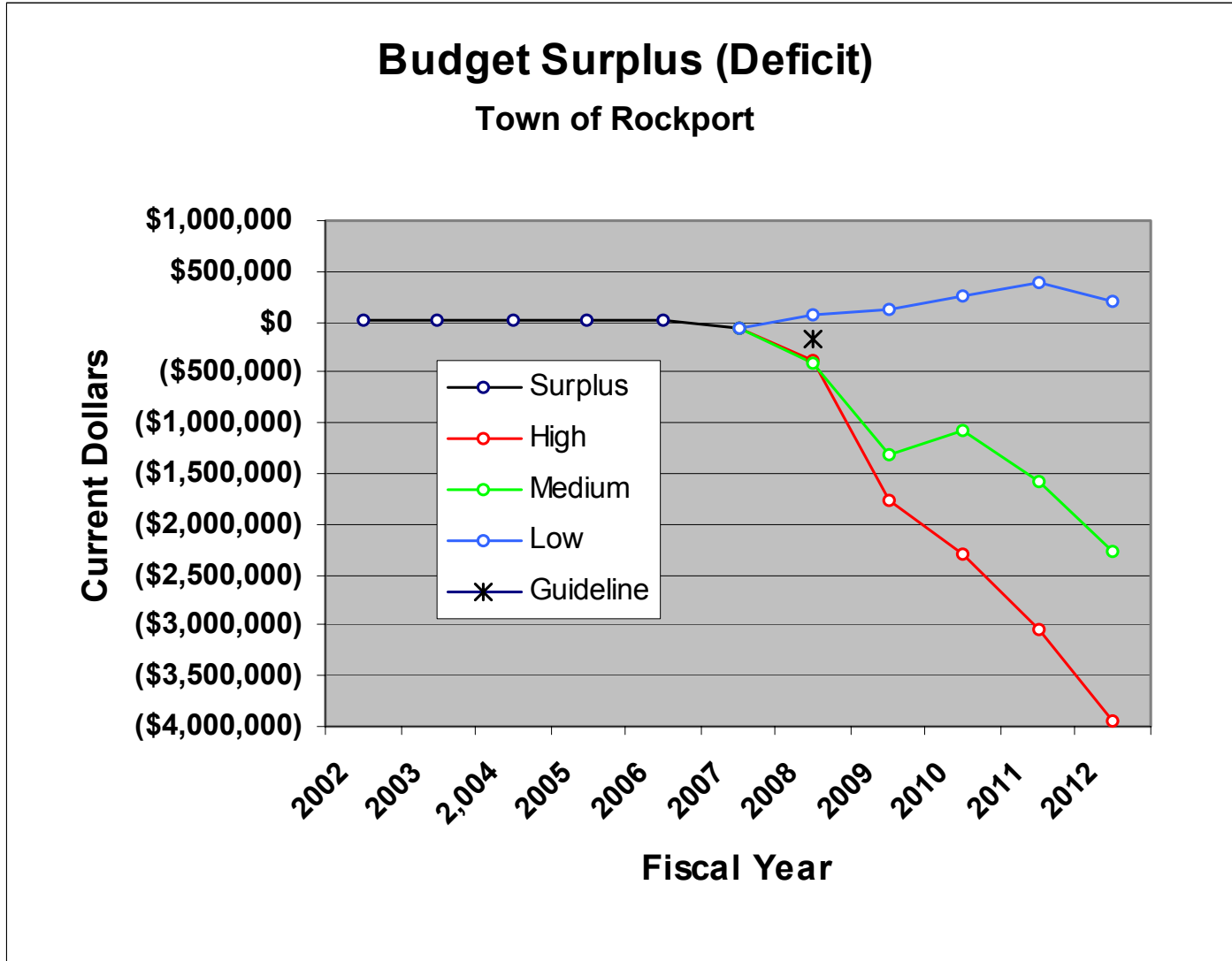
Case Study Overview

Timeline of Events

Nov 2006

- **FY08 town and school budget cycle begins**
- **Rockport Teachers Association (RTA) requests to start contract negotiations**
 - Current 3-year contract expires August 2007
 - SC negotiating team consists of Superintendent, SC Chairman, Vice Chair, and Counsel.
- **Finance Committee Presentation of Rockport Fiscal Health**
 - Over past 10 years town moved from running surpluses to structural deficit.
 - Will require large override to maintain present services or cuts to meet Prop 2 ½.
 - Next slide shows history and forecasted scenarios

Case Study Overview



Case Study Overview

Timeline of Events

Dec 2006

- **School Committee creates ‘Citizens Guide to the School Budget’**

- Created in anticipation of difficult budget year for FY08 based on Finance Committee forecasts
 - 13 page document explains the budget in plain English, distributed town-wide

- **Contract negotiations begin with RTA**

- RTA presents entire proposal at first meeting, including salary increase requests
 - SC begins to address all non-monetary issues Dec 2006 through Jan 2007

- **Caffi begins to independently research salary practices, facts begin to emerge**

- 80% of school budget is labor

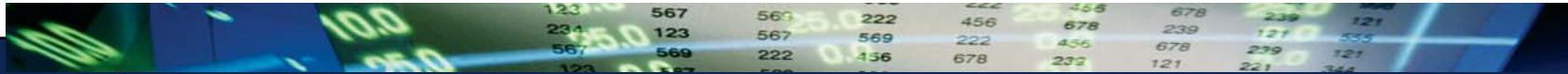
- 75% of labor budget is covered under RTA contract

- Average teacher career lasts 35 years.

- New teachers reach full salary in 9 years.

- Cutting payroll costs will be the biggest factor in reducing the budget (duh)

A presentation to: MASC / MASS Joint Conference



Problems with the Existing Salary Structure

Problems with Existing Salary Structure

- **RTA pay scale based on standard “STEP and TRACK” approach**

 - TRACK requires earning educational credits or awarding of advanced degree

 - STEP is based solely on time in the system.

- **Low starting salaries are deliberately recovered through aggressive STEP increases**

 - Average yearly STEP increase is 5.5%, ranging from 3% to 10%

 - Last STEP is 10%

- **Salaries stagnate starting in 10th year**

 - Teachers hit max salary in 10th year of service.

 - Only increases are COLA from negotiated contract.

 - Longevity increases creep into contracts over the years to compensate

 - 1-2% additional increase at 5-year intervals.

- **Average salary increase in FY07 → 6.10%**

 - COLA in FY07 was 3%, so STEP and TRACK add 3.1% on top.

 - Can only be maintained through staff reductions or use of surplus funds

Problems with Existing Salary Structure

Intra-year single STEP and TRACK salary increases

FY07 TRACK percent increases

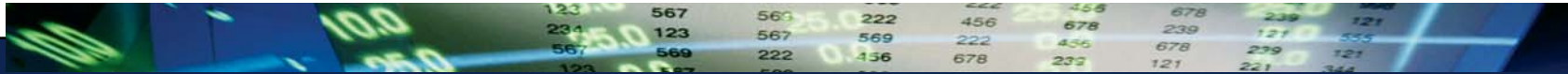
Step	BA	MA	MA+15	MA+30	MA+45	MA+60	Avg
2	--	9%	3%	5%	3%	--	5.0%
3	--	10%	3%	4%	4%	--	5.1%
4	--	7%	3%	4%	4%	3%	4.3%
5	--	5%	3%	4%	3%	3%	3.7%
6	--	7%	3%	4%	4%	3%	4.1%
7	--	6%	3%	5%	4%	3%	4.0%
8	--	7%	3%	5%	3%	3%	4.3%
9	--	8%	3%	5%	3%	3%	4.3%
10	--	11%	3%	4%	4%	3%	5.1%
						Total Avg	4.4%
Longevity							
X		11%	3%	4%	3%	3%	
Y		11%	3%	4%	3%	3%	
Z		11%	3%	4%	3%	3%	

FY07 STEP percent increases

Step	BA	MA	MA+15	MA+30	MA+45	MA+60	
2	--	--	--	--	--	--	
3	3%	4%	4%	4%	4%	--	
4	6%	4%	4%	4%	4%	--	
5	7%	4%	4%	4%	4%	4%	
6	6%	8%	8%	8%	8%	8%	
7	4%	4%	4%	4%	4%	3%	
8	4%	5%	5%	5%	5%	5%	
9	5%	6%	6%	6%	6%	6%	
10	6%	10%	10%	10%	10%	10%	Total Avg
Avg	5.2%	5.5%	5.5%	5.5%	5.5%	6.0%	5.6%
Longevity							
X	2%	2%	2%	2%	2%	1%	
Y	2%	2%	2%	2%	2%	1%	
Z	2%	2%	2%	2%	1%	1%	

FY07 STEP and TRACK percent increases

Step	BA	MA	MA+15	MA+30	MA+45	MA+60	
2	--	--	--	--	--	--	
3	--	13%	7%	8%	7%	--	
4	--	14%	8%	9%	8%	8%	
5	--	12%	7%	9%	8%	7%	
6	--	13%	11%	13%	12%	11%	
7	--	11%	7%	8%	7%	6%	
8	--	12%	8%	10%	8%	8%	
9	--	13%	9%	10%	9%	9%	
10	--	18%	13%	15%	14%	13%	Total Avg
Avg		13.2%	8.7%	10.3%	9.2%	8.9%	10.1%
Longevity							
X		13%	5%	6%	5%	5%	
Y		13%	5%	6%	5%	4%	
Z		13%	5%	6%	5%	4%	



Understanding the Proposed Salary Structure

Understanding the Proposed Salary Structure

Objectives of the Proposed Salary Structure

- **Control salary growth.**
- **Eliminate the need for longevity increases.**
- **Raise starting salaries.**
- **Simplify the salary structure.**
- **Do not penalize salary of existing staff.**
- **Provide a win-win solution for the Town and teachers.**
- **Provide a long-term solution.**

Understanding the Proposed Salary Structure

Overview of the Proposed Salary Structure

- **Structure based on average career length of 35 years.**
- **Retains TRACK but replaces STEP raises with a salary range.**
- **Range is based on the spread between 1st year and 35th year salaries.**
- **Initial range used the current salary structure as a guide.**
- **Salary range will grow every year between 1½% to 2%.**
 - Provides upside growth to eliminate need for longevity raises
 - Range must continue to increase as inflation raises salaries
- **Create two scales.**
 - The proposed scale is for teachers and staff hired on or after FY08.
 - A modified version of the proposed scale for current staff so no one receives a pay reduction.

Understanding the Proposed Salary Structure

Comparison of old and new scales

FY08	2008					
Step	B	M	M15	M30	M45	M60
2	\$35,714	\$38,983	\$40,151	\$41,959	\$43,427	
3	\$36,903	\$40,409	\$41,621	\$43,494	\$45,016	
4	\$39,280	\$42,191	\$43,457	\$45,412	\$47,002	\$48,504
5	\$42,073	\$43,974	\$45,294	\$47,331	\$48,988	\$50,457
6	\$44,450	\$47,421	\$48,843	\$51,040	\$52,828	\$54,412
7	\$46,232	\$49,203	\$50,679	\$52,961	\$54,815	\$56,226
8	\$48,014	\$51,581	\$53,127	\$55,519	\$57,461	\$59,185
9	\$50,630	\$54,432	\$56,066	\$58,589	\$60,639	\$62,459
10	\$53,720	\$59,840	\$61,635	\$64,408	\$66,663	\$68,663
X	\$54,720	\$60,840	\$62,635	\$65,408	\$67,663	\$69,663
Y	\$55,720	\$61,840	\$63,635	\$66,408	\$68,663	\$70,663
Z	\$56,720	\$62,840	\$64,635	\$67,408	\$69,663	\$71,663

FY08	2008			
Track	Track Incr	Range	Min	Max
B		\$21,420	\$35,875	\$57,295
M	10%	\$23,562	\$39,463	\$63,025
M15	7%	\$25,211	\$42,225	\$67,436
M30	6%	\$26,724	\$44,758	\$71,482
M45	5%	\$28,060	\$46,996	\$75,056
M60	4%	\$29,182	\$48,876	\$78,058

FY09	2009					
Step	B	M	M15	M30	M45	M60
2	\$36,607	\$39,957	\$41,155	\$43,008	\$44,513	
3	\$37,825	\$41,419	\$42,661	\$44,581	\$46,142	
4	\$40,262	\$43,246	\$44,543	\$46,547	\$48,177	\$49,717
5	\$43,125	\$45,073	\$46,426	\$48,515	\$50,213	\$51,719
6	\$45,561	\$48,607	\$50,064	\$52,316	\$54,148	\$55,773
7	\$47,388	\$50,433	\$51,946	\$54,285	\$56,185	\$57,632
8	\$49,215	\$52,870	\$54,456	\$56,907	\$58,898	\$60,665
9	\$51,895	\$55,793	\$57,467	\$60,054	\$62,155	\$64,021
10	\$55,063	\$61,336	\$63,176	\$66,018	\$68,330	\$70,379
X	\$56,063	\$62,336	\$64,176	\$67,018	\$69,330	\$71,379
Y	\$57,063	\$63,336	\$65,176	\$68,018	\$70,330	\$72,379
Z	\$58,063	\$64,336	\$66,176	\$69,018	\$71,330	\$73,379

FY09	2009			
Track	Track Incr	Range	Min	Max
B		\$21,848	\$36,772	\$58,620
M	10%	\$24,033	\$40,449	\$64,482
M15	7%	\$25,716	\$43,280	\$68,996
M30	6%	\$27,258	\$45,877	\$73,136
M45	5%	\$28,621	\$48,171	\$76,793
M60	4%	\$29,766	\$50,098	\$79,864

Understanding the Proposed Salary Structure

How Salary is Computed

- **Salary is determined by the following formula:**

$$(\text{Base Salary} + (((\text{Service Years} - 1) / 34) * \text{Salary Range})) * \text{FTE}$$

- **Example of a teacher with 13 years service in track M15 with FTE 1.0 for FY08:**

Current Base Salary = \$42,225 (starting salary for a new teacher)

Salary Range = \$25,211 (means max salary = \$67,436)

$$= (42225 + (((13 - 1) / 34) * 25211)) * 1.0$$

$$= (42225 + (0.26666 * 25211)) * 1.0$$

$$= (42225 + 6723) * 1.0$$

$$= \$48,198$$

- **Adjust the Service Year component for existing staff to avoid pay decrease**

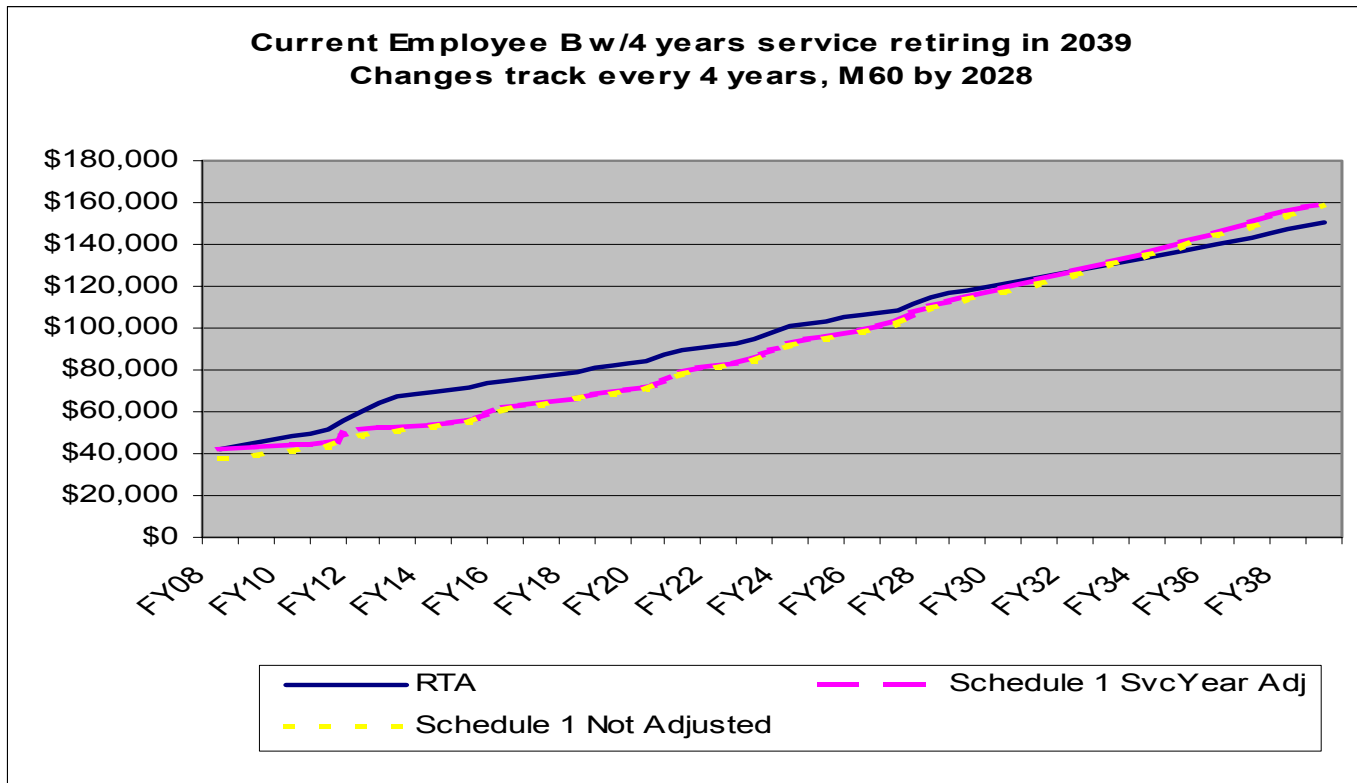
Understanding the Proposed Salary Structure

How this saves money over traditional STEP and TRACK

- **Salaries start and end higher but in between growth is linear.**

First 5 and last 10 years are higher than STEP and TRACK (15 years)

Years 6-25 growth is slower than STEP and TRACK (20 years) – savings realized here.



Understanding the Proposed Salary Structure

Theory is tested with a model database

■ Created a spreadsheet with 100 real teachers from FY07

Used real-life salary and demographic data, but removed identifying items

Any teacher with FTE ≥ 0.5 was set to 1.0, any FTE < 0.5 was dropped.

Included starting year, retirement year, and length of service

■ Developed a rolling staff out to year 2042 (35 years)

New teachers added as current teachers retire

Randomly assigned different starting levels and track movements

Constant 100 teachers with FTE 1.0 in each year.

Total 3600 records in the spreadsheet (FY07 base plus 35 years)

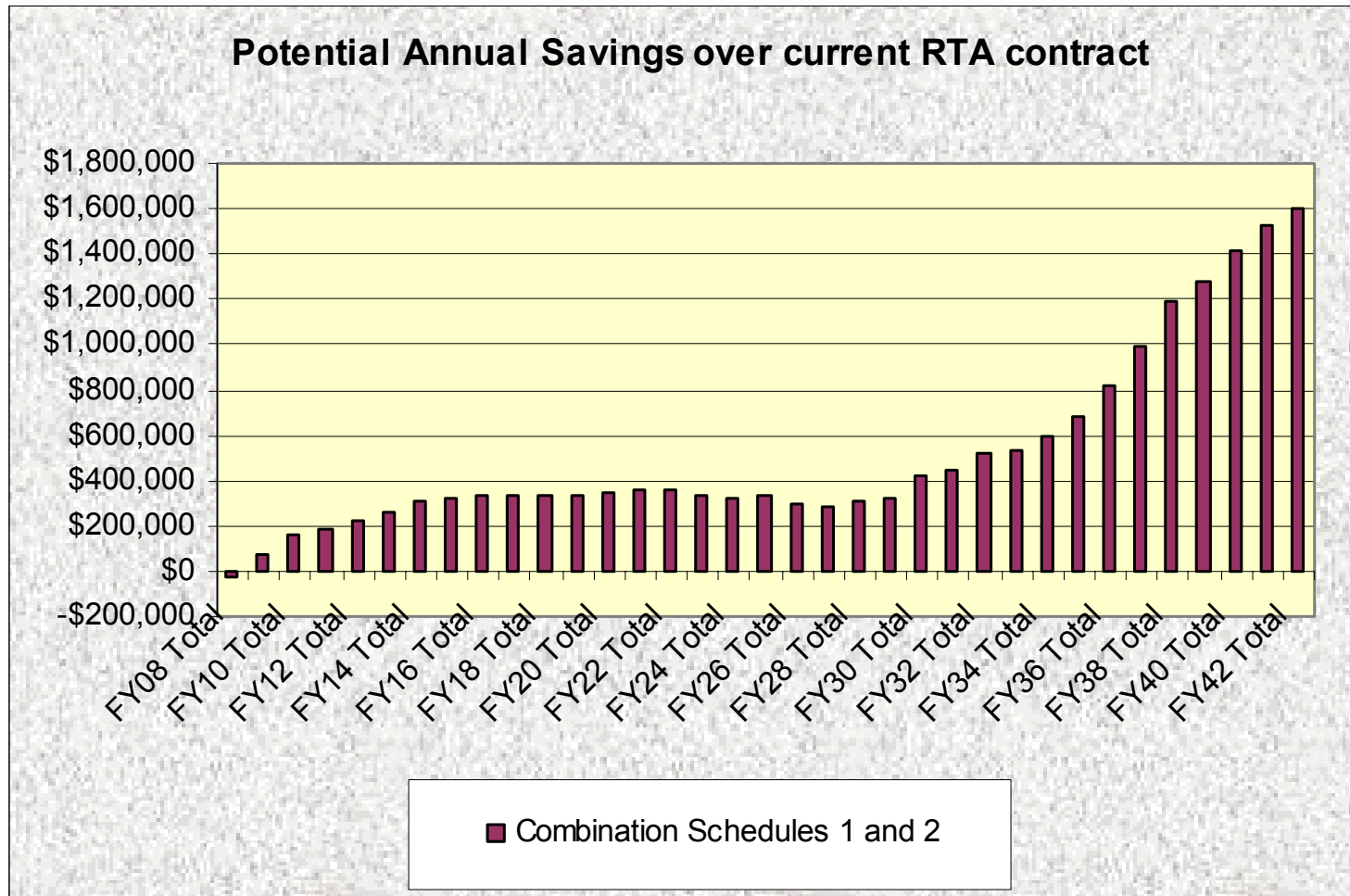
■ For each employee, salary is identified by TRACK and Service Year

E.g., employee #102 has a track of M15 and 13 service years.

Salary for both current and proposed scales are then easily assigned or computed.

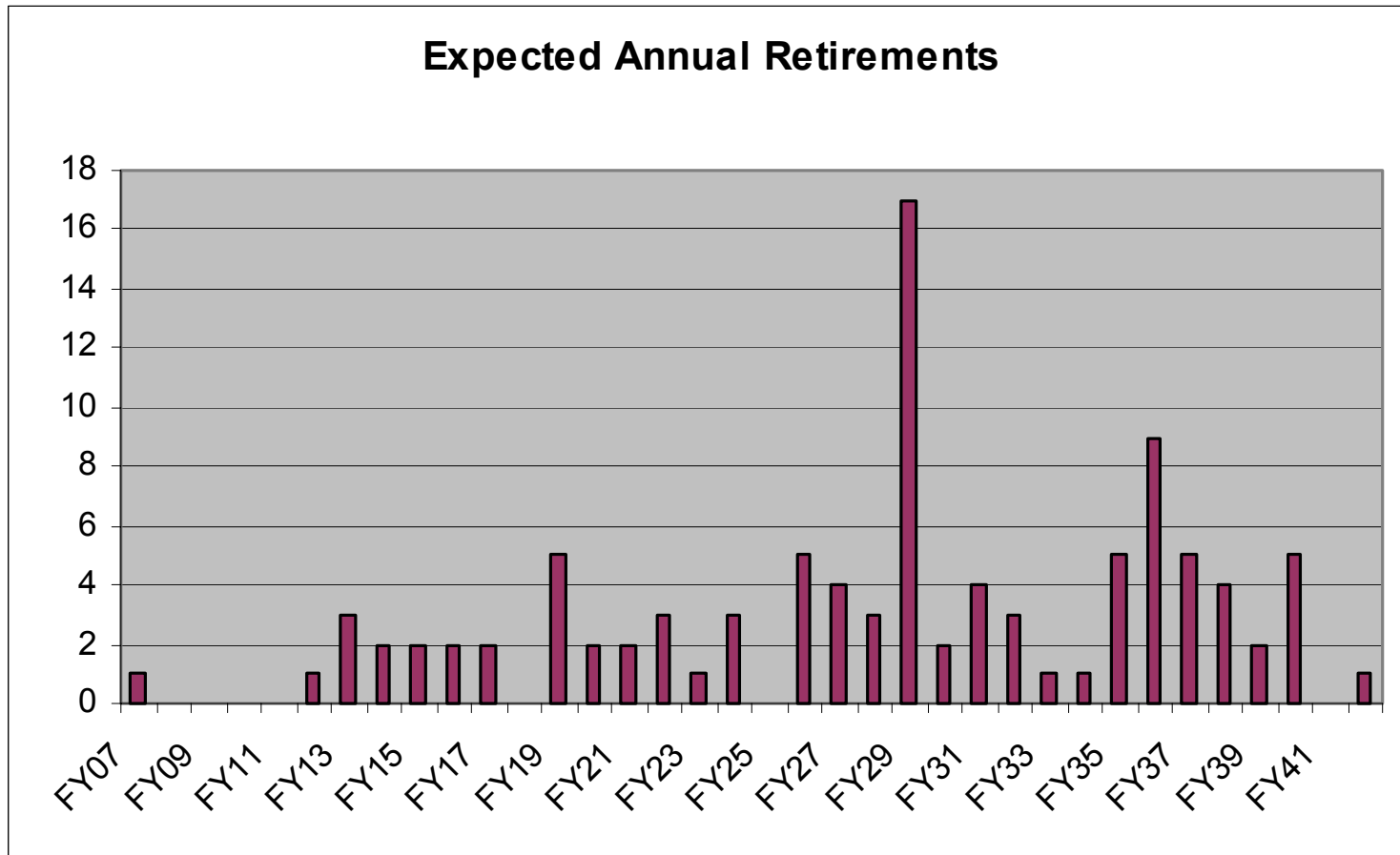
Understanding the Proposed Salary Structure

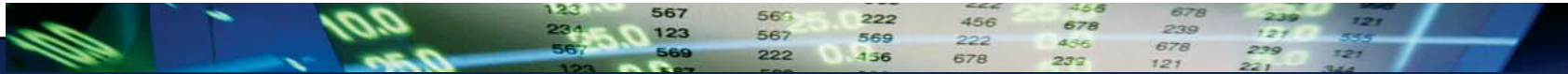
Potential Savings by comparing annual aggregates



Understanding the Proposed Salary Structure

Projected Retirements





D-Day - Selling the Proposal to the RTA

D-Day – Selling the Proposal to the RTA

General Approach and Pre-meeting Apprehensions

- **Sentiment amongst the SC negotiating veterans was that we had little chance but nothing to lose**
- **Approach was to be open and honest – show both sides of the proposal and how everyone can benefit**
- **Afraid that we would lose the RTA in the math and details**
- **RTA was aware of difficult FY08 and looming layoffs if no override.**
- **There had been no discussion of salary prior to this meeting.**

D-Day – Selling the Proposal to the RTA

Game Time!

- **To our surprise, the RTA listened with interest**

The union attorney was ill and not present – would have been more skeptical

- **Methodical and Logical approach**

- **One of the key RTA members was a math teacher and understood the mechanics of the proposal.**

She was able to ask the right questions

This gave some level of assurance to the other members

- **Most of the other members were able to grasp the concepts but were in shock**

- **In the end - Honesty was the best policy**

D-Day – Selling the Proposal to the RTA

Final Score

- **In the end, the RTA found two major problems**

1. The percentage difference on the salary range was not a constant number – this caused a disadvantage to certain salary levels.
2. For existing employees, the salary growth under the new schedule was too slow due to the way adjustments were applied.

- **I asked to be given one chance to address their concerns with a revised proposal**

- **RTA agreed to a final hearing at the next meeting in 12 days.**

They also wanted multiple examples of projected salaries.

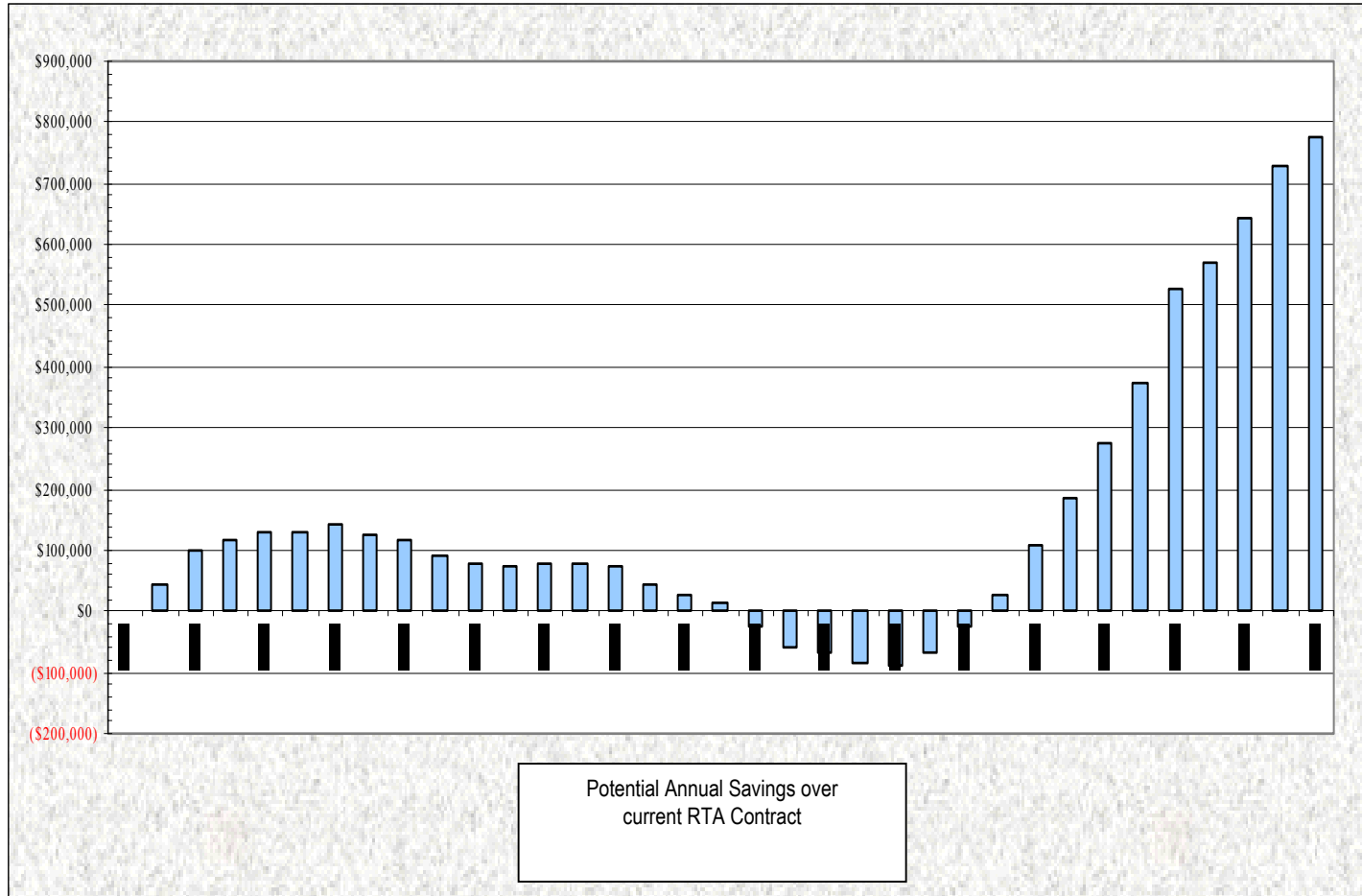
D-Day – Selling the Proposal to the RTA

12 Days later...

- **Was able to address the original concerns, but at a substantial loss of cost savings**
- **Provided many examples of employee salary history**
 - Employees with 10 years or less to retirement would experience a windfall
 - Most employees would end with higher pay and higher pension benefits
 - Overall, lifetime total earnings would fall by 1-2%
- **In the end, the proposal was rejected.**
 - The RTA felt the middle income years, where growth slows, was not competitive with other districts.
 - Felt it was a good plan if implemented on a level playing field.

D-Day – Selling the Proposal to the RTA

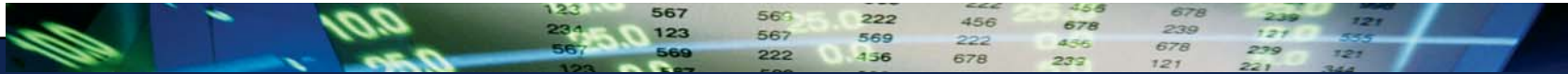
Reduction of cost savings...





Lessons Learned

- **Be honest and show both sides (pros and cons) of the proposal**
- **Listen and try to address concerns and objections**
- **You must be willing to give something to get something in return**
- **Know your subject to attain credibility**
- **Believe in yourself and be willing to take that chance.**



Appendix A: Biographies

Biographies



Michael Caffi

Michael is a Vice President and manager of Global TCA Services in the Equity Trading division at State Street Global Advisors in Boston. He is responsible for all facets of Transaction Cost Analysis and centralized TCA reporting services to support Global Trading, Portfolio Management, and Compliance. Michael joined SSgA in 1995 as VP of Equity Trading Technology in the firm's IT division and spent 5 years overseeing the advancement and globalization of SSgA's electronic trading capabilities.

Prior to SSgA, Michael spent 14 years as a software engineer at the econometrics consulting firm Data Resources and two years at Harvard Management Company developing systems for fixed income portfolio management and trading.

Michael ran for the Rockport School Committee in 2002 but lost in his first attempt. Later that year he served on the Superintendent Search Committee which ultimately led to the hiring of Dr. Rosemary DiTullio. Michael was elected to the School Committee in 2004, served as Vice Chair in 2005, and Chairman in 2006.

Michael holds a B.S. in Computer Science from Daniel Webster College and a degree in Engineering Technology from Northeastern University. He attended Arlington County Public Schools in Arlington, Va.



Rosemary DiTullio, Ph.D.

Rosemary DiTullio is originally from Winthrop, Massachusetts but has been a resident of Saugus, Mass for the last 24 years. She earned a BA in history from the University of Wisconsin, and a MA in history from the University of Massachusetts. She received a Masters degree in educational administration from Salem State College and a Ph.D. in Administration from Boston College.

Dr. DiTullio has spent over thirty years in public education. From 1973 to 1988 she taught social studies and history at Winthrop Jr. High School and Winthrop Senior High School. While teaching at Winthrop High School the position of Assistant to the Superintendent was created. She was the first teacher to be selected for this two year position. In 1988, she was appointed the Principal of Winthrop Middle School and served in that capacity until 1995.

In 1995, Dr. DiTullio became the Director of Curriculum and Instruction for the Wakefield Public Schools. After serving in that position for three years she became the Deputy Superintendent in Wakefield. In July of 2003, she became superintendent of the Rockport Public Schools.