

January 2, 2012 No.12-1

Highlights

- A teacher with a Bachelor's Degree plus 15 graduate credits at step 3 would receive a salary increase of 30.5% with the BPS plan and 38.1% with the BTU plan over four years.
- A teacher with a Master's Degree plus 75 graduate credits at maximum would receive a salary increase of 5.6% with the BPS plan and 11.7% with the BTU plan over four years.

A special thank you to the Research Bureau's Cabinet Members for their generous support.

Arlington Advisory Partners
Beacon Capital Partners
Blue Cross Blue Shield of
Massachusetts
BNY Mellon
Citizens Bank
Comcast
Fidelity Investments
John Hancock Financial
KPMG LLP
Liberty Mutual Group
McKinsey & Co.
NSTAR
Partners HealthCare System
P & G Gillette
State Street Corporation
Suffolk Construction
Verizon

BPS and BTU Far Apart on Salary Plans

Salary difference of \$83.5 million over four years causes delay

One reason the negotiating teams for the Boston Public Schools (BPS) and Boston Teachers Union (BTU) did not meet until late December for the first time since August is that they are still far apart on their respective salary proposals. The full BTU salary plan over four years is \$83.5 million greater than the BPS proposal over the same period. That is the finding of the Research Bureau's analysis of both proposals undertaken to clarify the differences. The teachers' contract expired on August 31, 2010 and in the 20 months since last May, the two sides have met 34 times and have moved closer on a few issues but still remain far apart on the money issues of salary increase and extended time. The two sides also are far apart in how they describe the costs for both issues. This report will focus on the salary proposals and what they mean for selected categories of individual teachers. The cost for extended time will be covered separately.

Practically all of the collective bargaining contracts between the City and its employee unions expired on June 30, 2010 or August 31, 2010. The City is proposing new four-year contracts with salary increases of 1% in fiscal 2011 (now completed), 0% in fiscal 2012 (current), 2% in fiscal 2013 and 2% in fiscal 2014. This translates into a 5% salary increase over four years. This is the proposal that is now on the table for the BTU members. No union has yet completed negotiations with the City and ratified a new four-year contract.

A few other key findings of this report include:

- Boston continues to be in a tight financial position that will not change over the next few years. The average annual increase in operational revenues over the past five years was 2.7%. Total departmental spending over this period increased by only 1.1%, with the BPS growing by 2.2%.
- The Boston Teachers Union has submitted a salary proposal that would provide a salary increase of 10% over three years. The BTU has requested a three-year contract that would provide 2% in fiscal 2011, 4% in fiscal 2012 and 4% in fiscal 2013.
- The urgent need of this teachers' contract is to provide the students in the City's traditional schools the systemic reform that will lead to greater student achievement. Nothing less should be acceptable for this contract now being negotiated. A real reform oriented contract will serve the interests of both parties by making the BPS traditional schools more competitive with the charter schools in Boston.

Urgency for Reform

What should not be lost in the financial discussion of the contract is what is at stake for the students and parents in the final outcome of these negotiations. This contract is the only vehicle that will bring fundamental reform to the vast majority of BPS schools that are not Pilot, Innovation, Turnaround or Horace-Mann In-District Charter Schools which have some form of added school autonomy, flexibility and extended time. The urgent need of this contract is to provide the students and teachers in the City's traditional schools the systemic reform that will lead to greater student achievement. A new contract with only incremental change will fail these students who do not have time to wait another 2-3 years for reform in the next contract and will lead to greater attrition as more charter school seats become available.

Boston's Financial Position

Boston continues to be in a tight financial position that will not change over the next few years. The average annual increase in operational revenues over the past five years was 2.7%. Total departmental spending over this period increased by only 1.1% with the BPS growing by 2.2%. In fiscal 2013, the BPS faces an estimated increase in operational spending of \$24.6 million not including collective bargaining costs. The Department will lose \$10.2 million in federal one-time Education Jobs Funds used to retain 123 teacher specialist positions and federal NCLB Entitlement Grants totaling \$11.8 million.

Different Costs-Different Methodologies

The BPS and BTU have very different public estimates of the cost of their contract proposals because they are using different methodologies in defining the costs of the contract. A September 26, 2011 *BPS This Week* newsletter stated that the financial gap between the two proposals was \$85.4 million through fiscal 2014. The next day a BTU *e-bulletin* newsletter responded that the gap over three years was only \$34 million. The main reason for the difference is that in calculating costs, the BPS is totaling the accumulated cost increases of each year, applying a compounding factor over the

four years of the contract. The BTU is not factoring in the accumulated costs and only counting the new incremental costs in each of three years which does not show the true contract cost.

Counting the accumulated costs in each year of the contract based on a compounding factor is the accurate methodology for determining the total expense of a collective bargaining contract. Each year the salary percentage increase is applied to the increasing base and carried forward to each subsequent year of the contract to establish the total accumulated cost. Counting the incremental increase in each year of the contract, as the BTU has done, identifies the new cost each year but ignores the aggregate growth in the salary base as a result of the contract.

Using the accumulated cost methodology for both proposals over a four-year period, the Research Bureau estimates that the total cost of the BPS plan is \$32.6 million while the cost of the BTU proposal is \$116.1 million, a difference of \$83.5 million. A fourth year was added to the BTU plan which carried over the prior year increases that are now built into the base but did not include a new salary increase in fiscal 2014.

Table 1 summarizes the cost differences between the two proposals. [Click here](#) for more detailed information.

Table 1

BPS - BTU Contract Cost Increase by Year

\$ in millions
FY11- FY14

	FY11	FY12	FY13	FY14	Total
BPS	\$2.4	\$4.0	\$8.9	\$17.2	\$32.6
BTU	\$8.1	\$24.6	\$41.7	\$41.7	\$116.1
BTU Over BPS	\$5.7	\$20.5	\$32.8	\$24.5	\$83.5

Complicating the calculations is the fact that the BPS proposal initiates the salary increase as of January 1 of each of the four fiscal years instead of

September 1, the start of each school contract year. Based on the BPS payment schedule, a January 1 start represents 60% of the full year which mitigates the overall cost in the first year with the full percentage increase counted in the second and subsequent years.

Teacher Salary Impact by Proposals

The total increase in teacher salary costs discussed above only reflects salary increases due to the annual raises prescribed in the contract. The actual compensation for most BPS teachers will be greater due to the cost of step increases, salary lane changes, and career award increases for eligible teachers throughout the life of the contract.

The Boston teachers' salary schedule provides for nine steps to reach the maximum salary in each salary lane. Teachers receive an automatic step increase each year up to and including the ninth step. Each step represents a salary increase that averages between 5% and 6% in addition to any salary increase negotiated in a contract. In this current fiscal year, step increases for teachers are estimated to cost \$9.1 million. After year nine, and every five years following, BPS teachers receive career awards of varying amounts starting with \$1,250 until the 44th year of service. Teachers also can receive increased pay by earning additional graduate credits and moving to higher salary lanes.

Table 2 shows the substantial difference between the BPS and BTU salary plans for three teachers in different steps and lanes and the impact of the step increases and higher salary lanes over four years. For teachers receiving step increases or moving to higher lanes, salary increases can exceed 30%. A teacher with a Bachelor's plus 15 graduate credits at step three as of August 31, 2010 would receive an increase of \$17,562 or 30.5% with the BPS plan and an increase of \$21,934 or 38.1% with the BTU plan over four years. A teacher at step 3 with a Master's that moved to the Master's plus 15 graduate credits lane in the fourth year would receive a 33.8% salary increase with the BPS plan and a 41.6% with the BTU plan. A teacher at Master's plus 75 graduate credits with no step

increases would receive a salary increase of 5.6% with the BPS plan and 11.7% with the BTU plan.

Table 2

Bachelor's +15 With No Degree Advancement

SY	BPS	BTU	
'09-'10	\$57,564	\$57,564	Bachelor's 15 S3
'10-'11	\$61,102	\$61,953	Bachelor's 15 S4
'13-'14	\$75,126	\$79,498	Bachelor's 15 S7
Variance	\$17,562	\$21,934	
%Change	30.5%	38.1%	

Master's to Master's +15

SY	BPS	BTU	
'09-'10	\$59,458	\$59,458	Master's S3
'10-'11	\$63,003	\$63,881	Master's S4
'13-'14	\$79,578	\$84,209	Master's +15 S7
Variance	\$20,120	\$24,751	
%Change	33.8%	41.6%	

Master's +75 At Maximum With No Degree Advancement

SY	BPS	BTU	
'09-'10*	\$92,607	\$92,607	Master's +75 S9
'10-'11	\$94,413	\$95,709	Master's +75 S9
'13-'14*	\$97,799	\$103,417	Master's +75 S9
Variance	\$5,192	\$10,810	
%Change	5.6%	11.7%	

*Assumes 9 years of experience in 2009 (no career award) and 15 years of experience in 2013 (\$1,250 career award).

Conclusion

The urgent need of this teachers' contract is to bring fundamental reform to the classroom that will lead to improved student achievement. Realizing that objective must be done within a realistic framework of available resources. Both parties have a stake in negotiating a reform contract that will enable all BPS schools to be competitive with the charter schools or risk school closings and reduced teaching positions. These negotiations also should focus on the current compensation incentives and how they can be changed to better position the system and its teachers to succeed. After 20 months, it is time to reach agreement now.