

## Statement from the Board of Education Regarding Contract Negotiations with the Franklin Lakes Education Association

October 9, 2018

The Board of Education wants our teachers, administrative assistants and aides/paraeducators to be happy in their jobs and to know that we respect them and value their contributions to our district. This Board is committed to settling the contract with the Franklin Lakes Education Association (“FLEA”).

The Board has put forth a fair and reasonable proposal and expressed a willingness to compromise. The proposal includes significant Chapter 78<sup>1</sup> relief<sup>2</sup>. We are disappointed that FLEA leadership refuses to negotiate unless the Board agrees to a different *form* of Chapter 78 relief. All three sessions with the state-appointed mediator ended over this issue, and FLEA leadership would not even meet with the Board over the summer unless the Board would first commit to a “cap” on Chapter 78 contributions.

To resolve confusion and help our community understand the issues, here are details of the Board’s proposal to FLEA:

1. The Board proposed a “pool” of funds to provide Chapter 78 relief. The pool would start at \$77,000, which represents the amount of additional district funding that would be necessary if staff contributions were initially capped at 26%. *In terms of its financial benefit to employees, this pool was calculated to be identical in year one to a 26% cap on employee contributions.*
2. The Board proposed to increase the pool annually by one-half of the rate of health insurance premium increases. So, for example, if premiums increased by 10% in year two, the pool would increase by 5%, from \$77,000 to \$80,850. If the pool were to be insufficient to fully offset excess Chapter 78 contributions (i.e., those above 26%), the pool would be distributed among affected employees pro rata in proportion to their share of the total excess contributions.

The Board understands that the “pool” is not the “cap” approach preferred by FLEA. But we ask FLEA leaders and members to consider the following:

- this approach gives FLEA membership exactly what they want in year one;
- the pool increases each year (with rising insurance premiums);

- this pool is better than the pool recently approved in the Ramapo Indian Hills district. Our proposal uses the same *structure* as RIH, but is a *larger dollar amount* (\$77,000 vs. \$60,000) for a smaller group (180 vs. about 300);
- this approach represents a significant benefit and a constructive effort by the Board to address Chapter 78 and provide a path forward.

The Board proposal compares favorably to Chapter 78 relief reported<sup>3</sup> in some Bergen County settlements, for example: Bogota (\$25,000 pool), Cresskill (\$500/employee at top of salary guide), Demarest (\$415/employee with 15+ years of service, \$165 6-14 years, \$65 0-5 years), Old Tappan (\$25,000, \$30,000, \$35,000) and Ramapo Indian Hills (smaller pool shared among more employees).

3. As an alternative to the Chapter 78 pool, the Board proposed “capping” staff insurance contributions at 30% of premiums (subject to elimination of insurance waivers and longevity payments). Under this alternative, the cap would sunset at the end of the contract and be subject to renegotiation. The Board confirmed that this alternative was presented to FLEA, but did not receive a direct response or any feedback.
4. The Board proposal also includes salary increases, additional time for professional development and faculty meetings, the elimination of longevity payments, changes to insurance waiver payments and a number of other items that must be addressed. Assuming successful resolution of all of these items, the Board is prepared to offer salary increases comparable to other Bergen County settlements. Note that the elimination of longevity payments *would not affect anyone currently in the district*; it would be a prospective change affecting only future hires. Elimination of those payments would allow the district to redirect funds to salary guide improvement and other priorities.

The Board believes these proposals are fair and reasonable for FLEA members and for the district. The Board looks forward to moving past the Chapter 78 roadblock and to respectful and constructive discussion of the remaining contract issues. The Board is open to compromise, and remains willing to meet with FLEA at any time.

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<sup>1</sup> “Chapter 78” refers to the 2011 New Jersey pension and benefits reform law that required public sector employees (teachers, police officers, fire fighters and others) to contribute to the cost of their health insurance. The employee contributions required by Chapter 78 are payroll deductions and are often referred to as “Chapter 78 contributions”. Before Chapter 78, most teachers in New Jersey (including those in Franklin Lakes) did not contribute to the cost of health insurance; the school district paid the full premium. During the 4-year phase-in of Chapter 78 (from 2011-2014 in Franklin Lakes), rising Chapter 78 contributions offset salary increases, causing, in

some cases, net take-home pay to stagnate or even decline over the period. Now that Chapter 78 is fully implemented, net incomes are again rising. But like most people in New Jersey and in the United States, Franklin Lakes employees continue to feel the impact of rising health insurance costs.

Contributions required by Chapter 78 vary between 3% and 35% of premiums for each employee, depending on the employee’s salary and chosen coverage. For example, based on recent district data:

Example Employee	W-2 Earnings	Coverage Type	Total Premium	Employee Contribution	Employee Share	District Share
1	\$ 29,809	Family	\$ 39,246	4.0%	\$ 1,570	\$ 37,676
2	59,097	Single	13,868	23.0%	3,190	10,678
3	84,770	Family	39,246	24.0%	9,419	29,827
4	107,540	Single	13,868	35.0%	4,854	9,014

These Chapter 78 contributions were mandated by the State of New Jersey and were non-negotiable until completely phased in. With the Chapter 78 contribution rates as the status quo, this is now subject to negotiation in collective bargaining.

<sup>2</sup> “Chapter 78 relief” refers to a plan or approach that provides a benefit to employees impacted by Chapter 78, by, for example, reducing or offsetting Chapter 78 contributions. Approaches used by Bergen County school districts include fixed stipends, a pool of funds and adjustment of contribution rates. Regardless of the approach, in some cases the relief is shared among all employees, in others it may be shared among just a subgroup (such as those contributing at the highest rates).

<sup>3</sup> New Jersey School Boards Association (2018). *Changes to Chapter 78 Health Insurance Contributions Obtained in Teacher Contract Negotiations*. Unpublished report.