

1997-98 SESSION  
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Committee Name:

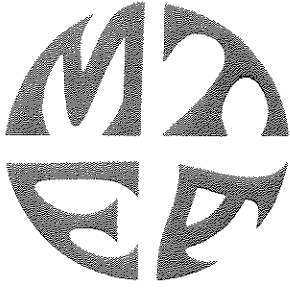
Senate Committee on  
Education(SC-Ed)

Sample:

Record of Comm. Proceedings ... RCP

- 05hrAC-EdR\_RCP\_pt01a
- 05hrAC-EdR\_RCP\_pt01b
- 05hrAC-EdR\_RCP\_pt02

- Appointments ... Appt
- \*\*
  
- Clearinghouse Rules ... CRule
- \*\*
  
- Committee Hearings ... CH
- **97hrSC-Ed\_Misc\_pt15**
  
- Committee Reports ... CR
- \*\*
  
- Executive Sessions ... ES
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- Hearing Records ... HR
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- Miscellaneous ... Misc
- \*\*
  
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***Milwaukee Teachers' Education Association***

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August 7, 1997

To: The Honorable Senator Calvin Potter  
Chair, Senate Education Committee  
Members of Senate Education Committee

From: Linda Gaston-Mounger  
Assistant to the Executive Director  
Milwaukee Teachers' Education Association (MTEA)

Re: Senate Bill 298

Attached is the MTEA position paper on the Qualified Economic Offer (QEO).

If you have any concerns or questions, please feel free to contact me at 414-259-1990.

LGM:SAW

Enclosure

SB298

# MTEA Position Paper: School Board's Reliance on QEO Salary Caps - Harmful to Teachers Now and in the Future

July 31, 1996

## Background Information on State Law

School boards in Wisconsin are not required by law to bargain with teachers over salary and fringe benefits. Instead, school boards may rely on a state law that allows them to unilaterally cap salary raises and fringe benefit cost increases by making what the law defines as a "qualified economic offer" or QEO.

Unless a school board chooses to negotiate over salary and fringe benefit increases, teacher unions must accept the QEO. Arbitration is not an option because the law prohibits arbitrators from even considering economic proposals that exceed the QEO limits.

## The 3.8% Myth

Ever since the State Legislature initially enacted the QEO law as part of Governor Thompson's 1993-95 State Budget, the public has had the misconception that the QEO law means that teachers receive salary raises of 3.8%. With an annual inflation rate of under 3% in recent years, that well-publicized figure seems fair, and there was little debate when the QEO law was made permanent as part of the governor's 1995-97 State Budget.

## The Reality - Raises of a Half of a Percent

For teachers in MPS and elsewhere in Wisconsin, the QEO law means miniscule raises, not the mythical 3.8%. When the Milwaukee School Board relied on the QEO for the 1992-95 contract, the result was a salary schedule raise of less than half of a percent (0.49%) for 1993-94 and slightly more than a half of a percent (0.635%) for 1994-95.

## Reducing 3.8% to 0.5%

How does the 3.8% figure become only about a half of a percent? First, under the law, the QEO is divided into two parts. The school board's cost to pay salary increases is capped at 2.1% of the prior year's total compensation cost. The increase in fringe benefit costs is capped at 1.7%. The combination of the 2.1% cap on the cost of salary increases plus the 1.7% cap on the cost of increases in fringe benefits establishes a total maximum increase of 3.8%.

Second, before salary raises are calculated, the QEO law requires that first the cost of annual service increments and then the cost of division (lane) changes be subtracted from the 2.1% amount. Salary raises are calculated after increment and division change increases are deducted. The amount left over is very small - especially when it is used to provide all teachers on the salary schedule with raises.

There is a third way in which salary raises can be even further reduced under the QEO law. If the cost for fringe benefits exceeds the 1.7% cap, the excess is applied to the 2.1% salary cap - further reducing raises. For example, suppose the increase in costs for health insurance and other fringe benefits were 2.0% of total compensation for the prior school year. By law, the 0.3% in excess of the 1.7% cap on benefits would be subtracted from the 2.1% salary cap - reducing the salary cap to 1.8%.

On the other hand, the increase in costs for fringe benefits could be less than the 1.7% fringe benefit cap. For example, suppose the increase in costs for health insurance and other fringe benefits were only 1.4% of total compensation. If so, the QEO law permits school boards to apply the 0.3% in what can be described as fringe benefit "savings" to increase the salary cap - raising it from 2.1% to 2.4%.

## "Minimum QEO" Means Even Smaller Raises

Since the law was enacted, most school boards have used fringe benefit cost savings to raise the 2.1% salary cap. However, the law does not require school boards to do so. Instead, a school board could legally impose what is known as a "minimum QEO" on teachers. In doing so, the school board retains all of the savings from keeping down fringe benefit costs, and maintains the 2.1% cap on salary increases.

For 1993-94 and 1994-95, the Milwaukee School Board limited salary increases to the 2.1% minimum QEO. If MPS were to impose a minimum QEO for 1995-96 and 1996-97, Milwaukee teachers would be the only teachers in the state to have four straight years of minimum QEO raises.

### Examples Show Impact of Meager QEO Raises for 1993-94 and 1994-95

The small raises which resulted from the Milwaukee School Board's reliance on QEO salary caps are clear from the following examples for 1993-94 and 1994-95:

\*The annual salary for a beginning teacher in the BA division in MPS was increased \$118 a year in 1993-94 and \$154 in 1994-95.

\*A teacher at the top of the salary schedule, in the MA+32 credits division, received a raise of \$244 in 1993-94 and \$319 in 1994-95.

If the salary schedule raises for 1993-94 and 1994-95 had been 3%, which is slightly more than the rate of inflation for both years, there would have been substantial differences. With just two years of QEO, the following shows the differences in actual salaries based on QEO raises at the bottom and top of the teacher salary schedule - compared to projecting 3% raises for 1993-94 and 1994-95.

Base Year	Beginning Teachers		Teachers at the Schedule Top	
	1992-93	1992-93	1992-93	1992-93
	QEO Raises	3% Raises	QEO Raises	3% Raises
1993-94	\$24,259	\$24,865	\$50,244	\$51,500
1994-95	\$24,413	\$25,610	\$50,563	\$53,045

### Cumulative Effect Over the Long-Term

The devastating long-term impact of imposing QEO raises rather than bargaining is evident when you compare the raises reached through contract bargaining over the past several years with what would have resulted if the QEO law had been in effect.

Suppose the school board had been relying on a QEO law since 1975. The starting salary in the MA division in 1975 was \$9,290 and the maximum in that division was \$16,365. If you assume a QEO salary schedule raise of a half percent a year for the past 20 years, the starting salary in the MA division would be \$10,264 - instead of the 1994-95 rate of \$27,587. The MA division maximum would be \$18,082 today - instead of \$47,190.

### QEO Impact Already Felt by Teachers

With just two years of minimum QEO raises, all MPS teachers are experiencing its negative impact.

If you are still earning annual service increments, the impact is not dramatic yet. Fortunately, with low inflation increases in recent years, your increment increases have maintained your purchasing power. The effect of the QEO will be severe when you reach the salary schedule maximum because each year the maximum is falling further and further behind inflation. The devastating cumulative effect of the QEO will worsen the longer you teach - substantially reducing your earnings over your teaching career and your pension benefits, which are based on your highest three years of salary earnings.

If you are at the maximum in your salary division, (approximately 37% of the teachers in MPS are), the QEO is already reducing your purchasing power. For 1993-94 and 1994-95, you have received a cumulative increase over two years of slightly more than 1%. When the employe share of state pension contributions increased from 0.2% to 0.5% in January of 1996, your take-home pay actually decreased.

### Salary Raises - The Major Issue in Negotiations

Although there are 19 unresolved issues in teacher contract talks, the school board's past reliance on the QEO law has made salary raises - especially for those at the schedule maximums - the most important issue. After 13 months without a contract, the MTEA's teacher bargaining team and the school board's team are scheduled to again attempt to reach a voluntary settlement through mediation, on August 6-8. The outcome will greatly depend on the school board's willingness to exceed the QEO salary caps.

# QEO Comparison

