

# UNDERSTANDING THE NEWPORT TEACHERS CONTRACT

## II. Six Contract Changes that Would Save Newport Approximately \$1.5 Million per Year in Operating Costs and Significantly Reduce the School District's \$38,000,000 Unfunded Retirement Benefit Liability

- A. Newport requires a teacher to work 10 years in the district to qualify for 100% family medical and drug program coverage for life. The district will also pay 100% family dental and life insurance from early retirement until age 65.

**Action:** Change the minimum required work years to at least 20 years. (This would save yearly operating costs and lower the unfunded benefit liability.)

- All 4 peer school districts have 15 year minimum work requirements or provide no retirement benefits.
- Newport police and firefighters require 25 year minimums.
- Only 33% of private employer retirees receive any form of medical coverage.

- B. 231 active teachers and 159 retired teachers receive 100% family medical and dental coverage, (total cost \$4,635,000 last year), with no premium cost sharing.

**Action:** Require medical and dental premium co-sharing at 15% for all teachers and retirees. (Annual operating savings \$700,000 and would significantly lower the unfunded benefit liability.)

- All 4 peer school districts have teacher premium co-sharing for medical coverage.
- All 4 peer school districts offer either reduced medical coverage or no medical coverage for retirees.
- Nationwide, city and town workers contribute an average of 25% premium sharing. (International City Management Association Survey)
- Nationwide privately employed workers contribute 28% to premium sharing. (Karsen Family Foundation and Health Education Research Trust)

- C. Newport provides family dental coverage for all retired teachers until age 65.

**Action:** Eliminate this coverage for retirees. (Annual operating savings \$161,000 and would lower unfunded benefit liability)

- 3 peer districts do not offer any dental coverage for retirees.
- Newport police and firefighter retirees receive no dental coverage.
- Private sector retirees typically do not receive any dental coverage.

- D. Newport provides employees and retirees a cash award in lieu of taking medical coverage. The payment is ½ of the coverage cost.

**Action:** Eliminate this payment. (Annual operating savings \$332,000)

- 3 peer districts have significantly lower buyback provisions. (Adopting Portsmouth's provision would save Newport \$260,000)
- Private industry does not offer this provision.

- E. Newport's current contract includes the "Optional State Retirement Program" which provides for a lump sum bonus payment of \$150 for each year of service up to 30 years (\$4,500 maximum amount).

**Action:** Eliminate this retirement benefit. (Annual operating savings \$146,000)

- 3 other peer districts either do not offer this bonus program at all or have a reduced payment amount.
- Newport police and firefighter retirees do not have any retirement bonus programs.

- F. Newport is required to pay teachers an extra \$150 for any professional development days and continue to pay any earned stipends every year in the future. The district has paid over \$300,000 to teachers for 2 professional days that occurred in 2001 and will continue to pay over 200 teachers next year for 2001 training.

**Action:** Eliminate the annual stipend for 2001 teacher training and the continuous payment provision for professional development days. (Annual operating savings \$70,000 and would eliminate an estimated \$400,000 of future payments)

- No other peer district pays continuous yearly stipends for one time development day.
- No other Newport labor contract has this provision.

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## I. The Financial Importance of This Contract

- “When compared to its peer districts, Newport had the highest per pupil expenditures. \$12,500” (RIPEC Study)
- “Among its peer districts, Newport had the second highest recent increase in expenditures ... an average annual growth rate of 8.5%.” (RIPEC study)
- Compared to its peer districts, Newport had the highest per student revenue funding from city tax levies. (RIPEC study)
- Newport city funding per student was \$9,219 this past fiscal year. (an increase of 47% over the past 4 years)
- The school district has had to request more than \$1.0 million in additional mid-year funding to pay its bills each of the past two years. There is a funding disconnect of over \$1.0 million in this years spending plan.
- School district mid-year funding requests have been a significant factor in reducing the cities’ surplus cash from \$8.0m to approximately \$2.0 million.
- Newport has the second highest effective property tax rate among its peer districts. (RIPEC Study)
- “82% of total school expenditures relate to personnel costs.” (RIPEC Study)
- Current school retirement benefit plans have an unfunded future cost of \$38,000,000 and should be funded at \$1.5m to \$2.0m per year. (Buck Report 2003)
- The school district may try to raise \$30 to \$40 million in the bond market to build new schools.
- Last year’s (2004/2005) Newport Teachers Contract had a salary and benefit value of \$22,972,000.
- The current 2005/2006 school budget assumes \$500,000 in benefit reduction from the new contract negotiations.
- The RI State pension plan just reduced the pension benefits for teachers.
- The Newport Teachers Contract represents 40% of the value of all six City of Newport union contracts.