

WISCONSIN STATE
LEGISLATURE
COMMITTEE HEARING
RECORDS

2005-06

(session year)

Senate

(Assembly, Senate or Joint)

Committee on
Agriculture and
Insurance
(SC-AI)

File Naming Example:

Record of Comm. Proceedings ... RCP

- 05hr_AC-Ed_RCP_pt01a
- 05hr_AC-Ed_RCP_pt01b
- 05hr_AC-Ed_RCP_pt02

Published Documents

➤ Committee Hearings ... CH (Public Hearing Announcements)

➤ **

➤ Committee Reports ... CR

➤ **

➤ Executive Sessions ... ES

➤ **

➤ Record of Comm. Proceedings ... RCP

➤ **

*Information Collected For Or
Against Proposal*

➤ Appointments ... Appt

➤ **

➤ Clearinghouse Rules ... CRule

**

➤ Hearing Records ... HR (bills and resolutions)

➤ **05hr_sb0242_SC-AI_pt01**

➤ Miscellaneous ... Misc

➤ **

Smyrski, Rose

From: Petri, Tom
Sent: Friday, May 06, 2005 12:06 PM
To: *Legislative Assembly Republicans; *Legislative Assembly Democrats; *Legislative Senate Republicans; *Legislative Senate Democrats
Subject: Sen.Darling Co-Sponsor LRB 2490 : teacher health care coverage / bargaining rights: Deadline: Friday, May 13

Attachments: 05-24901.pdf

DATE: Thursday, May 5th
TO: Legislative Colleagues
FROM: Senator Alberta Darling
RE: Co-sponsorship of LRB 2490

SB242

This bill does two things:

- 1) Makes health care coverage a prohibitive subject of bargaining if the employer can provide a "substantially similar" plan,
- 2) Gives employers the right to change health care providers if the new, less-expensive plan offers "substantially similar" coverage
- 3) Requires the savings to be used to increase teacher salaries

BACKGROUND

This bill represents a reasonable health care reform approach for the school districts of our state. I urge you all to support it, and to actively seek out the opinions of your local school boards and administrators as to whether they think passage of this legislation will help them better balance their budgets.

Despite what the final amount of state aid promised to K-12 districts in 2005-07 will be, it makes all the sense in the world to change the law so teacher health insurance can become a lesser financial burden. Now is the time for the all interested parties to seriously look at how we can better control health insurance costs while still maintaing the high level of care and benefits. I believe one of the best, most pain-free ways we can help those districts during this time of tenous budget deficits and revenue caps is to give them more options. By giving districts the ability to offer "substantially similar" health care coverage, teachers can continue to enjoy the generous benefit packages they currently have, and districts can utilize the savings for teacher attraction and retention.

I undertand this language will help some, but not all districts. I believe the end result for some districts however, is that teachers will receive near-identical health benefits with overall salary and benefit packages that include more dollars in actual income. If no real savings or similar plans can be found, then the districts and the teachers' unions should continue to be able to bargain their health care coverage.

The ability for school districts to offer competitive and cost-effective health insurance to their employees AT THE BEST POSSIBLE PRICES will result in millions of dollars in savings. Those saved dollars can and should be directed back.

Finally, recent Wisconsin Association of School Board (WASB) data reveals that the average annual Wisconsin teacher health benefit package is just under 50% of their average annual base salary. Twenty years ago, teacher health benefit costs were about 15% of annual teacher salaries. The problem won't go away unless we deal with it now.

Please contact Tom Petri in my office (6-5830) by the end of the day Friday, May 13th, if you are interested in signing onto this legislation.

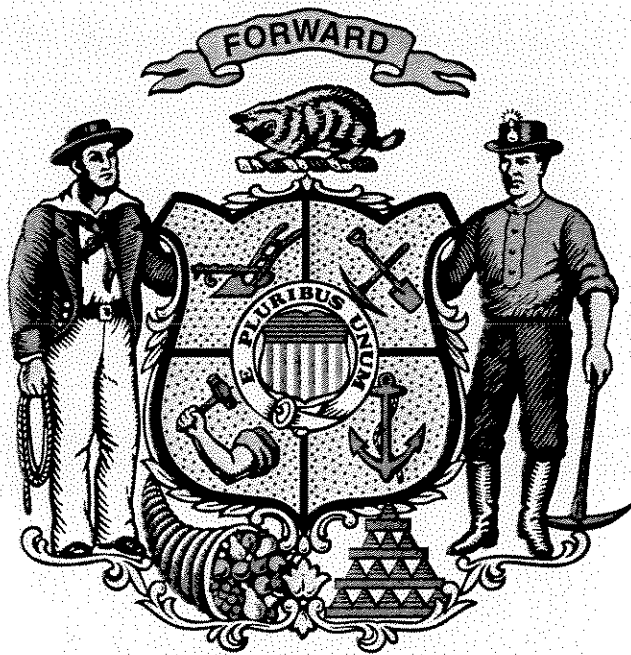


05-24901.pdf (18
KB)

Analysis by the Legislative Reference Bureau

Under the Municipal Employment Relations Act (MERA), all matters relating to wages, hours, and conditions of employment are subject to collective bargaining. This bill prohibits bargaining over the selection of a health care coverage plan if the employer offers to enroll its employees in a plan provided to local government employers by the Group Insurance Board or in a plan that is substantially similar to the plan offered by the Group Insurance Board. Under the bill, the Office of the Commissioner of Insurance must promulgate rules that set out standardized benefits under health care coverage plans and that may be used for determining whether any health care coverage plan is similar to the plan offered by the Group Insurance Board.

In addition, the bill provides that under MERA any employer may unilaterally change its employees' health care coverage plan provider if the benefits remain substantially the same and if either the actual providers of the health care are the same or cost savings will result from changing the health care coverage plan provider. The bill requires, however, that any employer savings that result from changing the health care coverage plan provider must be used to increase salaries paid to the employees affected by the change.



Alberta Darling
Wisconsin State Senator
Joint Committee on Finance

August 3, 2005

Senator Dan Kapanke
104 South
State Capitol

AUG 09 2005

Dear Senator Kapanke,

I respectfully request that you schedule a public hearing for both Senate bill 241 and 242 at the next possible hearing date for the Senate Committee on Agriculture and Insurance. I believe these bills represent an extremely important portion of our shared agenda. That agenda includes controlling rising health care costs and giving local units of government the tools to better manage their budgets.

SB 241 is a bold attempt to help several school districts better manage their ongoing health care expenses. The bill requires WEA Trust to publicly release premium prices and health care claims experience data and history, when the information is requested by a member district.

SB242 makes health care coverage a prohibitive subject of bargaining if the employer can provide a "substantially similar" plan. It also gives employers the right to change health care providers if the new, less-expensive plan offers "substantially similar" coverage.

It is my hope that after a successful committee vote, both of these bills will be scheduled for full Senate debate by the beginning of the fall floor period. As you know, we are scheduled to be in session from September 20th to the 29th and again from October 25th thru November 10th. In order for that to happen however, an expedited hearing in your committee is extremely important.

I plan to push our Senate leadership team very hard to make sure these bills receive full Senate action later this year. It is my hope you will support this effort, and help me convince our colleagues on the Senate Organization Committee to move both onto a session calendar.

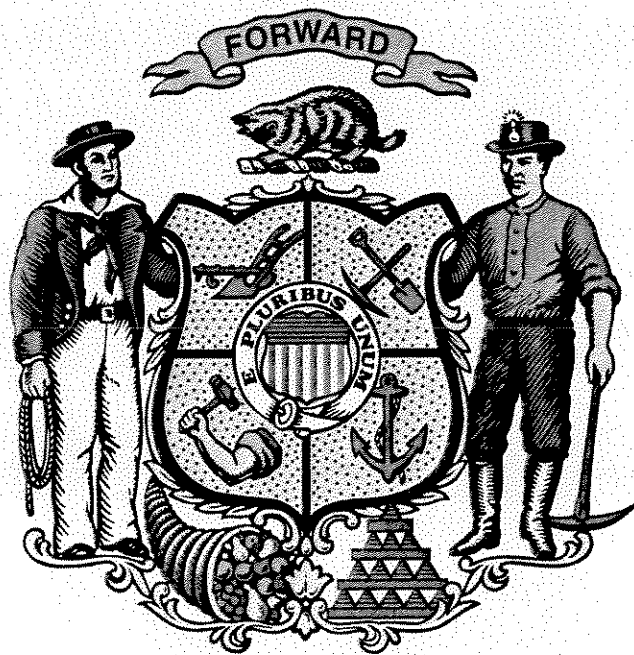
If you have any questions or concerns about this bill please contact me immediately.

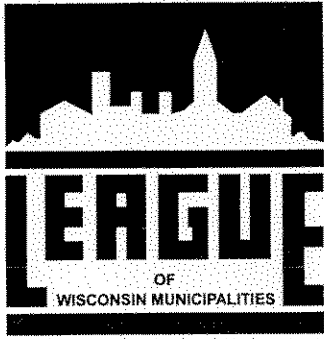
Sincerely,



ALBERTA DARLING
State Senator
8th District

CC. Representative McCormick





202 State Street
Suite 300
Madison, Wisconsin 53703-2216

608/267-2380
800/991-5502
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E-mail: league@lwm-info.org
www.lwm-info.org

To: Senate Committee on Agriculture and Insurance

From: Curt Witynski, Assistant Director

Date: October 25, 2005

Re: SB 242, Collective Bargaining on Health Insurance.

The Committee is scheduled to hold a public hearing tomorrow on SB 242, relating to collective bargaining on health insurance. The League is generally supportive of this bill but I will not be able to attend tomorrow's hearing because I'll be at our Annual Conference in Green Bay. This memo describes the League's qualified support for SB 242.

The bill prohibits local government employers from bargaining over the selection of a health care coverage plan if the employer offers to enroll its employees in the state's Group Insurance Board plan for local governments or a substantially similar plan. The bill also allows any municipal employer to unilaterally change its employees' health care coverage plan provider if the benefits remain substantially the same and the actual providers of the health care are the same. The bill requires, however, that any employer savings that result from changing the health care coverage plan provider *must be used to increase* salaries paid to the employees affected by the change.

The League supports the bill as long as the provision requiring municipalities to use any savings from changing health care providers to increase salaries is deleted or at least clarified. We have the following concerns about this part of the bill:

How will the "savings" be determined? Who will make that determination? Undoubtedly, municipalities will come up with a different savings figure than the unions.

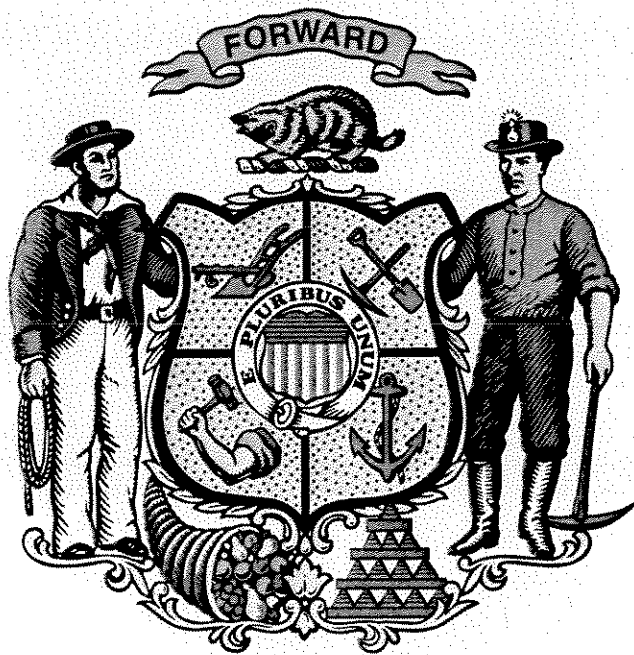
What about the additional cost of adding any savings to wages such as WRS, Social security, Medicare, life insurance, disability insurance, overtime, etc? FICA's 7.65% on top of every dollar. WRS can be over 20% for protective services. Will the savings reflect these factors?

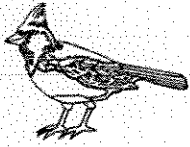
Changes in health insurance really only help municipalities the year that they take effect. The reason municipalities make these "savings" is to try and cover increased costs in other areas, typically wages. Granted, on paper changing to a less expensive health insurance may truly be lower in cost, but the budget only has these savings for one year and then they're gone.

The wage increase requirement will have a ratcheting effect in future years on wages for the community and also inflating the wages to drive up other municipalities' comparables.

In light of these concerns, we urge the Committee to recommend SB 242 be amended to delete the provision requiring municipalities to use any savings from changing health care providers to increase employee salaries.

Thanks for considering our comments.





SCHOOL DISTRICT OF ELEVA-STRUM

Mr. Mark J. Gruen
Principal
Central Middle School
Central High School
gruenmark@esschools.k12.wi.us

Kenneth R. Rogers, Ph.D.
Superintendent of Schools
rogersk@esschools.k12.wi.us

Mr. Craig Semingson
Principal
Strum Primary School
Eleva Intermediate School
semingsc@esschools.k12.wi.us

October 26, 2005

TO: LEGISLATORS

**FROM: Kenneth R. Rogers, District Administrator
School District of Eleva-Strum**

RE: Support for SB 241 and SB 242

It is time for a major change in the medical industry. The cost of medical services is the most pressing concern of the country. The expansion of costs in the industry has squeezed every part of society and has impacted negatively every personnel issue facing our state and nation. The utter disregard by the medical care industry for rising costs will devastate many businesses, schools and families. It is time for significant government oversight and regulation.

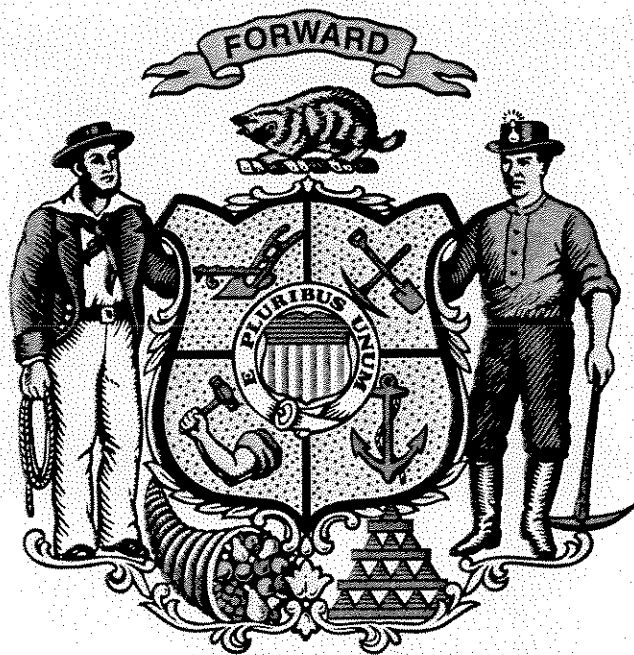
Other industries have varying degrees of government oversight and regulation. These are industries with literal or perceived monopolies that were dictating costs beyond reason for no better reason than they could. These are industries necessary to our way of life and economy, just like medical providers. The telecommunication industry is regulated to make sure access is equitable and reasonable because it is the backbone of our economy. Energy utility companies are also regulated for similar reasons. Our health is the real backbone of our country yet circumstances and markets have weakened our country because of the medical industry's want for more and more and more.

Our nation and our nation's relationship to the world economies cannot sustain the unmitigated self-indulgence shown by the medical community. Medical costs that outpace inflation by three to 10 times cannot be justified. If left unchecked and unregulated, we will all be paying more for medical services than any other personal cost. If costs keep rising like the past five years, within another 10 to 15 years, the only people who will be able to afford insurance or medical care will be millionaires. Our country should not stand for medical care for only the rich. Medical care must be reasonable and equitable if the ideals of our democracy are to be upheld. It is no longer either. Medical providers have not recognized that their costs must be contained if our society is to survive as a positive progressive country and world leader. Since they are unwilling or unable to find a reasonable niche in our economy, it is time to regulate them as we have any monopoly in the past. Time is long past to let the medical industry determine their own paths. In their rush for profits and market share, they have forgotten about the American people and the economy of the nation.

Of all the organizations involved in the picture of health care, I trust the government the most. It is past time for government to regulate the medical industry. It will take strong involvement of a big player such as state government if we are to keep our economy stable and healthy. These bills, SB 241 and 242 could be major steps in creating stability for the economy and at the same time giving schools some relief from these uncontrollable costs.

These two bills are directed at health insurance companies. Although this is a very good start to assist in controlling the cost of health care, it is only a start. Many other firms in the health care sector are causing the exorbitant increases in health care. The legislature can start here but for the good of the state and country, you cannot stop at this step.

I call upon all representatives to take strong action to ensure the future of our country and heritage.



Alberta Darling
Wisconsin State Senator
Joint Committee on Finance

TESTIMONY BEFORE THE SENATE COMMITTEE ON AGRICULTURE & INSURANCE
SENATE BILL 242
WEDNESDAY, OCTOBER 26, 2005

Good morning Chairman Kapanke and members of the Senate Committee on Agriculture and Insurance.

I am pleased to sit before you today for the purpose of testifying in support of SB242. SB242 would 1) Make health care coverage a prohibitive subject of bargaining if the employer can provide a "substantially similar" plan, 2) Gives employers the right to change health care providers if the new, less-expensive plan offers "substantially similar" coverage 3) Requires the savings to be used to increase teacher salaries.

This bill represents a reasonable health care reform approach for the school districts of our state. I urge you all to support it, and to actively seek out the opinions of your local school boards and administrators as to whether they think passage of this legislation will help them better balance their budgets.

Now is the time for the all interested parties to seriously look at how we can better control health insurance costs while still maintaining the high level of care and benefits. I believe one of the best, most pain-free ways we can help those districts during this time of tenuous budget deficits and revenue caps is to give them more options. By giving districts the ability to offer "substantially similar" health care coverage, teachers can continue to enjoy the generous benefit packages they currently have, and districts can utilize the savings for teacher attraction and retention.

I understand this language will help some, but not all districts. I believe the end result for some districts however, is that teachers will receive near-identical health benefits with overall salary and benefit packages that include more dollars in actual income. If no real savings or similar plans can be found, then the districts and the teachers' unions should continue to be able to bargain their health care coverage. The ability for school districts to offer competitive and cost-effective health insurance to their employees AT THE BEST POSSIBLE PRICES will result in millions of dollars in savings. Those saved dollars can and should be directed back to the hard-working teachers.

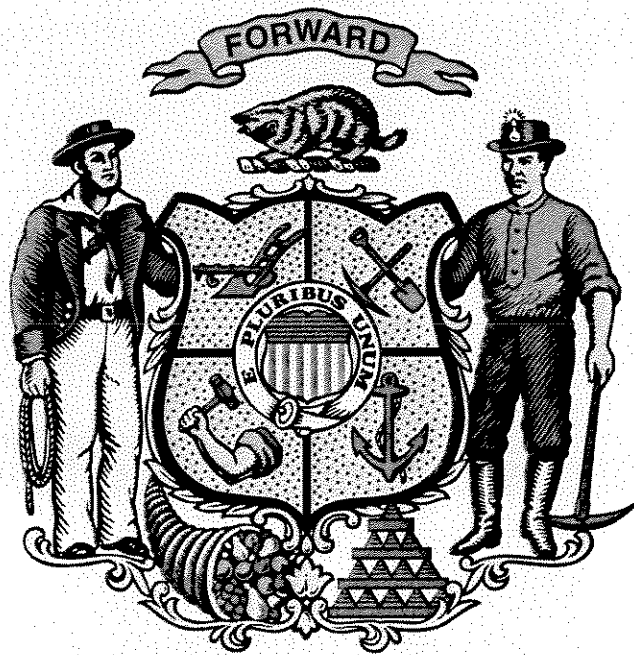
Finally, recent Wisconsin Association of School Board (WASB) data reveals that the average annual Wisconsin teacher health benefit package is just under 50% of their average annual base salary. Twenty years ago, teacher health benefit costs were about 15% of annual teacher salaries. The problem won't go away unless we deal with it now.

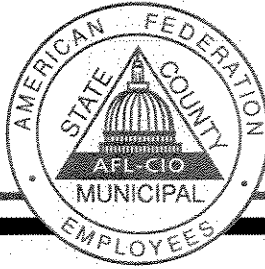
Thank you again Chairman Kapanke and members of the committee. At this time, if you have any questions about the bill, I would be happy to answer them.

Capitol Office: P.O. Box 7882 □ Madison, Wisconsin 53707-7882 □ Phone: 608-266-5830 □ Fax: 608-267-0588 □ Toll-free: 1-800-863-1113

District Office: N88 W16621 Appleton Avenue □ Menomonee Falls, Wisconsin 53051

Email: Sen.Darling@legis.state.wi.us □ Web page: www.legis.state.wi.us/senate/sen08/news/





AFSCME®

WISCONSIN OFFICE • 8033 Excelsior Drive, Suite A • Madison, Wisconsin 53717-1903 • Telephone 608/836-6666

To: Members of the Senate Committee on Agriculture and Insurance

From: John Gabel and Susan McMurray

Re: Senate Bill 242

Date: October 26, 2005

Currently health care coverage plans are subject to collective bargaining under the Municipal Employment Relations Act (MERA). Senate Bill 242 prohibits bargaining over the selection of health care coverage plans, provided local governments meet certain conditions. AFSCME encourages members of the Senate Committee on Agriculture and Insurance to oppose SB 242 as it substantially alters this fair and equitable system for determining health care coverage for local public employees.

Atop AFSCME's concerns is the removal of employee's voices in crafting health care coverage packages that best address their needs. While employers certainly have a responsibility to keep costs down, this must be balanced by ensuring that provided benefits reflect the priorities and needs of the employee. By removing the employee's involvement in this aspect of bargaining employers will be making their health care coverage determination increasingly on cost considerations and decreasingly on how these plans respond to employee's health care needs.

Additionally, AFSCME is concerned with the implementation of returning savings achieved by reducing health care coverage costs to employees through wage increases. Specifically the following statements in the Legislative Fiscal Bureau's analysis of SB 242 raise concerns

In one instance the fiscal note mentions that;

'Section 2 (Page 3, Line 18-23) however, requires that any moneys saved by a municipal employer shall be used to increase wages, meaning there will be no fiscal savings to the municipality for changing health care plans.'

However, in another section titled the fiscal note says;

'Although savings to local government are initially passed on to employees as wage increases, local government costs will decrease over time if the cost of the former insurance plan increases to a greater extent than the cost of the current plan.'

The first statement raises the question of what problem is being solved by this legislation if the bottom line for local government remains unchanged?

in the public service

American Federation of State, County and Municipal Employees, AFL-CIO

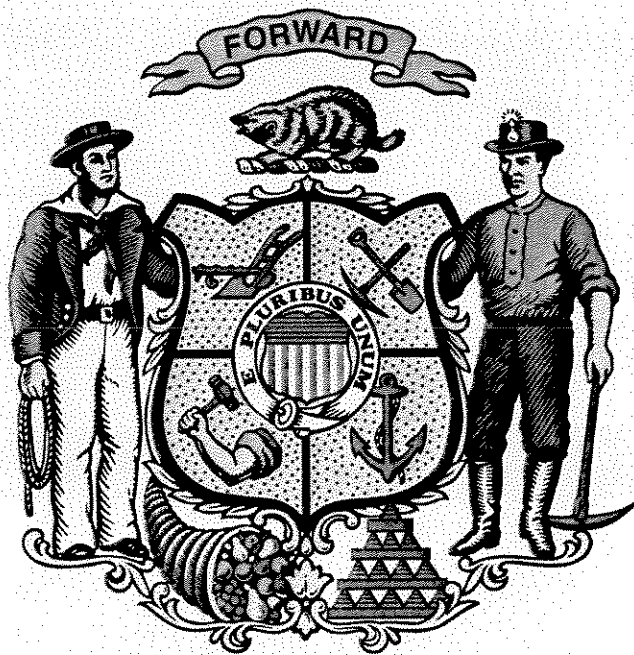


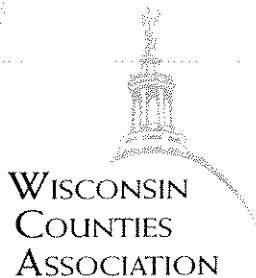
Of greater concern is the second statement which, if accurate, indicates that over the long haul employees will see an overall decrease in wages and benefits packages if SB 242 is passed. This decrease would take place away from the bargaining table. In order to obtain the health care coverage packages public employees currently receive, employees have given up wages in return. Under this bill the quality of health care coverage may erode and employees will be unable to bargain increased wages to offset the impact. In effect SB 242 would substantially alter the fair and equitable nature of collective bargaining under MERA and place employees at a significant disadvantage.

Finally, should savings in health care coverage be passed along as wages, the employee and the employer would then be required to pay taxes on those wages. How are these costs accounted for under this legislation? Will the employer share be reflected in an overall reduction in the amount that would be wages, or will local governments pay income taxes in excess of the additional savings?

Given these questions, and the basic negative impact that SB 242 would have on the collective bargaining process under MERA, AFSCME urges you to oppose SB 242 and vote against its passage out of committee.

Thank you for your consideration, and please contact either John (608-279-9093) or Susan (608-279-9697) if you have any questions.

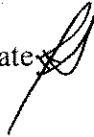




22 EAST MIFFLIN STREET, SUITE 900
MADISON, WI 53703
TOLL FREE: 1.866.404.2700
PHONE: 608.663.7188
FAX: 608.663.7189

MEMORANDUM

TO: The Members of the Senate Committee on Agriculture and Insurance

FROM: Jayme Sellen, Legislative Associate 

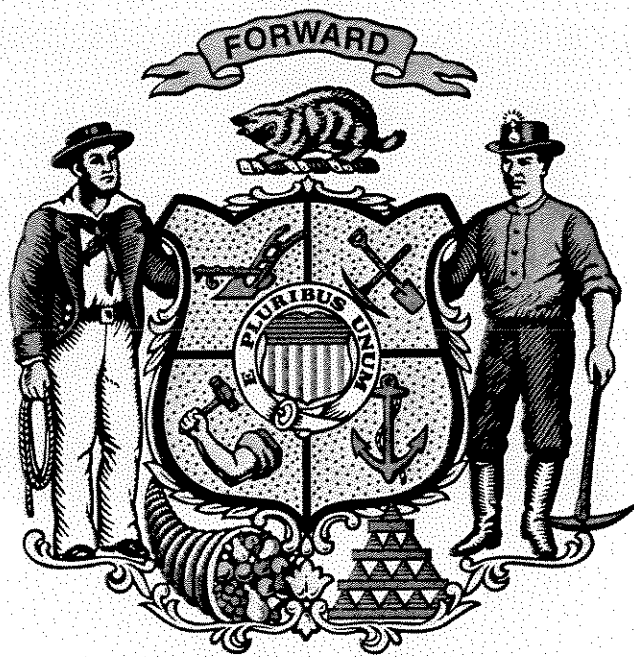
DATE: October 26, 2005

RE: Senate Bill 242

The Wisconsin Counties Association (WCA) supports the concept of Senate Bill 242 (SB 242). However, WCA would like to see a change made to this legislation. SB 242 prohibits bargaining over the selection of health care coverage plans if the employer offers to enroll employees in the Group Insurance Board or one substantially similar. It also allows municipal employers to change the health care coverage of municipal employees without going through collective bargaining. If a change in health care coverage occurs, all of the savings would go to municipal employees as salary. While WCA strongly supports giving municipal employers flexibility when it comes to health care coverage plans of municipal employees, we do not support using that savings as an increase salary for municipal employees.

Using this savings to increase the salaries of municipal employees will artificially inflate municipal employee's salaries. When their contract ends and a new one is being negotiated, any increase in salary would be based on the current salary plus the savings from the change in health care coverage plans. This will cause the municipality to pay more for salaries than if they had not changed health care coverage plans.

Thank you for considering my comments. Please contact me if you have any questions.



Re: Senate Bill 242

Paul V. Wysocki
President
Mukwonago Area School District Board of Directors
S67 W29082 South Ridge Pass
Mukwonago, WI 53149

October 26, 2005

Senate Agriculture and Insurance Committee
Senator Kapanke, Chairperson

Dear Senators:

Please accept this letter as testimony supporting SB 242. I'll start with some background on the Mukwonago Area School District's Insurance numbers. Our insurance plan currently costs \$20,448 annually for a family plan and \$9,000 annually for a single plan. The district pays 93% of the premium and employees pay 7%. We have around 500 employees and will be spending \$7.2 million out of this year's \$46.5 million operational budget on health insurance premiums. That's more than 15%! We also spend \$863,651 for health insurance premiums for current retirees.

In the last 4 years, we have seen annual insurance increases of 17%, 35%, 11%, and 12%!

These numbers are astonishing and have already caused us to employ fewer full time employees in favor of part time employees with partial benefits. The insurance costs have also immensely limited our ability to provide salary increases. In fact, for our hourly workers, the increased cost of insurance is so high as to leave as little as 3 cents per hour available for wage increases. In the next negotiation cycle, hourly wages will need to go down for us to be able to afford health insurance premium increases.

These costs are NOT this high because of a nationwide insurance crisis. These costs are NOT this high because of South-East Wisconsin has some of the highest health care costs in the nation (Mukwonago is in southwest Waukesha county). These costs are high because of plan design. Our plan is a POS, but with a network so wide that there is little or no steerage, and no leverage to negotiate discounts with those providers who are in the network. We have no deductible, and no office co-pay, and our prescription drug co-pay is \$2/\$7. We have been unable to get competitive bids for a plan of this design because the plan is so far from the mainstream plan design that insurance carriers are uncomfortable costing a plan of this kind.

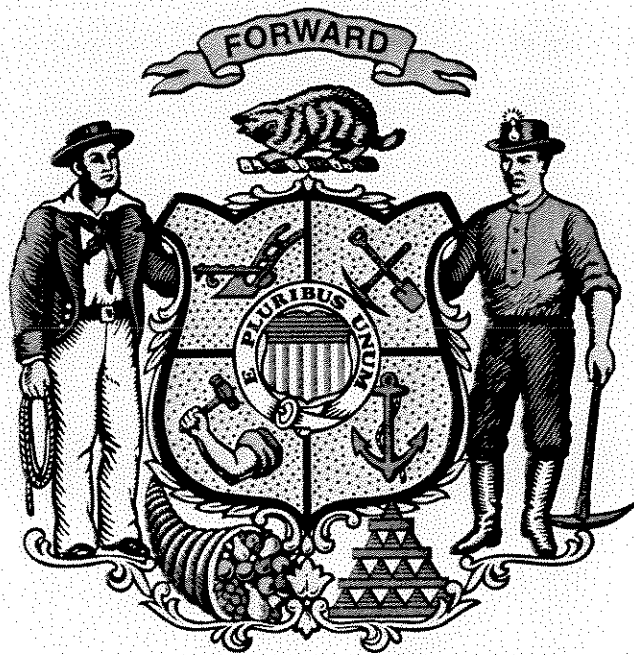
The district has tried for years to negotiate changes that would result in costs savings – offering to put ALL of the savings right onto the salary schedule! But we have been unable to do so.

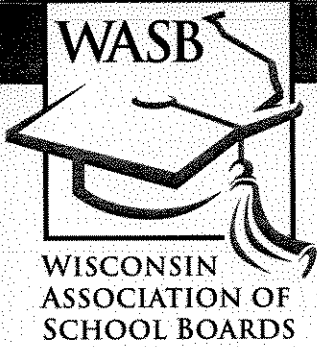
I'd like to encourage you to consider the benefits of SB 242 to help us achieve negotiated changes to our health insurance plan design. I don't anticipate that our district would ever make a unilateral change of our health insurance coverage; we have had negotiated settlements since at least 1990. But, I think the adoption of SB 242 would provide the impetus for a negotiated change that would free up money for salary for our employees AND provide long term costs savings for our tax-payers; providing the win-win of better wages and lower taxes.

Thank you for listening.

Sincerely,

Paul Wysocki
President
Mukwonago Area School District Board of Education





122 W. WASHINGTON AVENUE, MADISON, WI 53703
PHONE: 608-257-2622 • FAX: 608-257-8386

JOHN ASHLEY, EXECUTIVE DIRECTOR

TO: Senate Agriculture and Insurance Committee
FROM: Sheri Krause, Legislative Services Coordinator
DATE: October 26, 2005
RE: Senate Bill 242, relating to collective bargaining over health care coverage for municipal employees and allowing municipal employers to change health care coverage plan providers.

The Wisconsin Association of School Boards (WASB) strongly supports Senate Bill 242, which would allow school boards and other municipal employers to unilaterally offer the state health insurance plan to their employees or a plan deemed comparable by the state Commissioner of Insurance.

Recruiting and retaining high quality teachers is extremely important for school districts. Unfortunately, the rising costs of health insurance are depressing salaries for teachers and support staff, and impacting districts' staffing decisions.

Currently, school boards are required to solicit sealed bids prior to selecting a group health care benefits provider for their professional employees. However, there is no provision allowing boards to select from among the lowest bidders and, unless the benefit packages are identical, it is extremely difficult to change the status quo.

As a result, school boards' efforts to control health insurance costs are considerably limited. Since 1984-85, health insurance costs have increased 608 percent for school districts. Over the same time period, base salaries for new teachers have increased 93 percent and the consumer price index has increased 69 percent. Using conservative estimates, health insurance costs are expected to exceed base salaries in Wisconsin school districts by 2014-15.

According to the U.S. Census Bureau data, Wisconsin teachers rank fourth in the nation for their level of benefits, but only 27th for their salaries. This impacts not only districts' ability to recruit and retain quality teachers, but also negatively impact the public's perception of K-12 education as taxpayers question the level of benefits available in the public school system as opposed to the private sector.

In May 2004, WASB staff compared what districts were actually paying for health insurance versus what they could be paying if they were in the state plan. Using some conservative estimates and assumptions, the WASB staff concluded that about 50 percent

of school districts would benefit by entering the state plan, saving approximately \$65 million for teacher salaries, textbooks, computers and items that can directly benefit student learning.

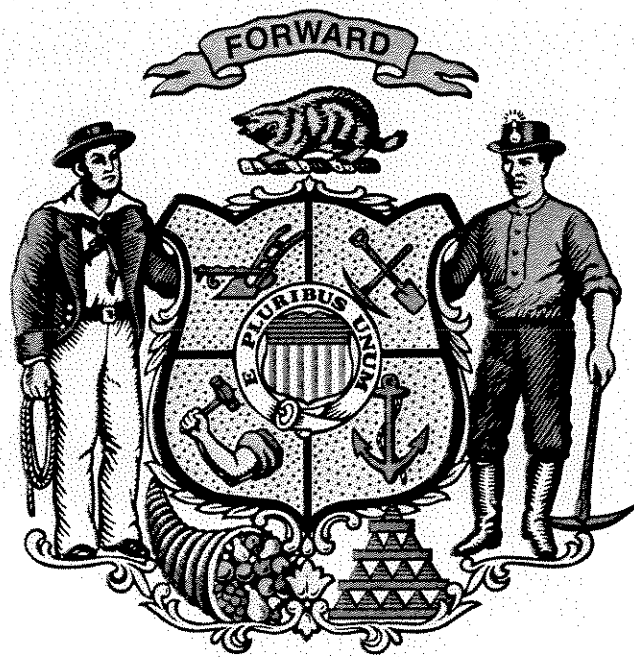
In January 2005, The Wisconsin Policy Research Institute released a report entitled *Health Insurance for Wisconsin Public Schools: The Case for Competitive Bidding*. The report included a statistical analysis of what health insurance benefits would cost if Wisconsin public school teachers were allowed to select a health insurance plan in a manner similar to other state employees. The Institute estimated that the total savings across the state would be over \$100 million or a \$1,448 salary increase for every teacher.

If school districts are going to continue to survive under revenue limits, they must have more authority at the bargaining table to contain costs. SB 242 would give school boards the ability to get control of the rapidly escalating costs of health insurance.

The WASB urges your support for SB 242. Thank you.

Wisconsin Association of School Boards
Health Insurance Information
October 2005

- For school districts, rising health insurance costs have an impact on budgets, salaries and staffing levels. Using conservative estimates, health insurance costs are expected to exceed base salaries in school districts by 2014-15.
- Since 1984-85, health insurance costs have increased 608 percent for school districts. Over the same time period, base salaries for new teachers have increased 93 percent and the consumer price index has increased 69 percent.
- According to the U.S. Census Bureau, Wisconsin ranks fourth highest in the nation in staff benefits, but 27th on average teacher salary in 2003-04.
- Wisconsin public sector benefits are dissimilar from those offered in the private sector and the cost of health insurance is distorting the labor market. Criticism of the level of teacher salaries discounts the value of fringe benefits. By failing to address the fringe benefit side of the compensation equation, the distortion in compensation continues.
- Health insurance rates in school districts increased on average:
 - 19 percent in 2000-01;
 - 20 percent in 2001-02;
 - 28 percent in 2002-03;
 - 11 percent in 2003-04;
 - 5 percent in 2004-05; and
 - an estimated 7 – 7.5 percent in 2005-06.
- In comparison, the state plan contribution increased:
 - 12 percent in 2002;
 - 9 percent in 2003;
 - 12 percent in 2004;
 - 5 percent in 2005; and
 - a projected 10 percent in 2006.
- In May 2004, WASB staff estimated that about 50 percent of districts would benefit by entering the state plan, saving approximately \$65 million for teacher salaries and other items that can directly benefit student learning.
- In January 2005, The Wisconsin Policy Research Institute released a report indicating that if teachers were allowed to select a health insurance plan in a manner similar to other state employees, the total savings across the state would be over \$100 million or a \$1,448 salary increase for every teacher. The report is available on-line at www.wpri.org.



A QUALITY
EDUCATION
FOR
EVERY
CHILD



**State of Wisconsin
Department of Public Instruction**

Elizabeth Burmaster, State Superintendent

October 26, 2005

The Honorable Dan Kapanke
Chair, Senate Committee on Agriculture and Insurance
State Capitol
PO Box 7882
Madison, WI 53707-7882

Dear Senator Kapanke:

I am writing to express my concern with 2005 Senate Bill 242, relating to collective bargaining over health care coverage for municipal employees and allowing municipal employers to change health care coverage plan providers.

SB 242 inserts the state into the collective bargaining process between local employers and employees. I believe the bill directly impacts previously negotiated language that was agreed to by local boards and associations. The actions resulting from the enactment of SB 242 infringes on local control. Bargaining on these issues belongs more appropriately at the local level.

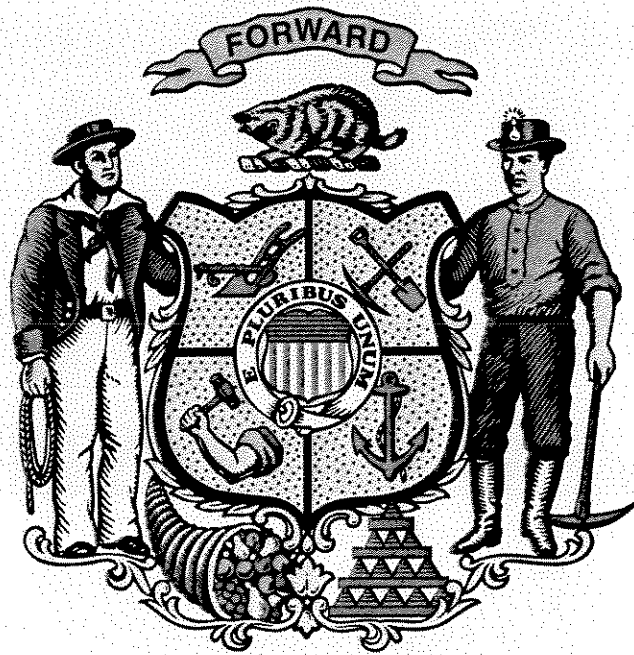
Sincerely,

A handwritten signature in black ink that reads 'E. Burmaster'.

Elizabeth Burmaster
State Superintendent

cc: Senate Committee on Agriculture and Insurance

EB:ty:jk



Perlich, John H.

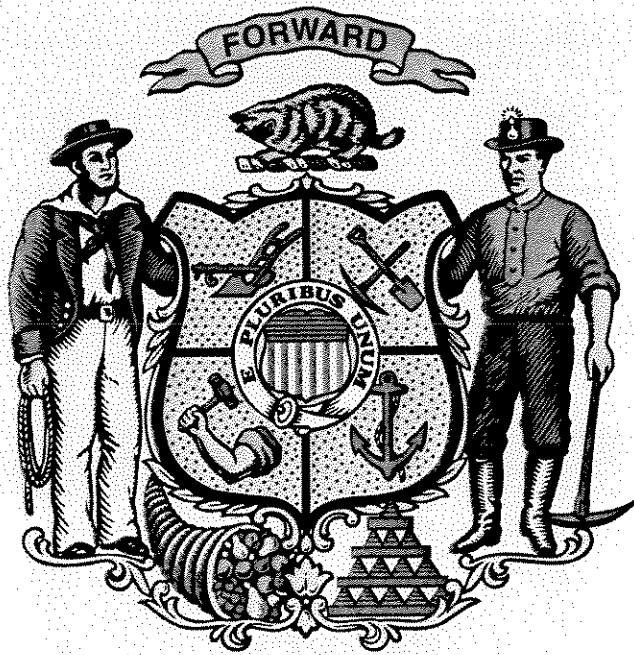
From: Soulis, Dave
Sent: Wednesday, October 26, 2005 8:30 AM
To: Tormey, Jessica
Cc: Darling, Alberta; Kapanke, Dan
Subject: today's Ag & Insurance committee

Dear Senators and Jessica,

Last night, I sent an e-mail to Jessica Tormey informing her that Rep. McCormick would be testifying today in support of SB-241 and SB-242 at the Ag & Insurance public hearing. After further consideration and a review of the bills, Terri has decided not to testify in support at this time. Rep. McCormick feels that the bills have old language from the bills she authored in 2002, and revisions were made in late 2004 to update them, but are not in SB-241 and SB-242. Terri would like to set up a phone conversation with Senator Darling to apprise her of the updated language as soon as can be arranged. Feel free to call our office at 6-7500, and we can work towards that meeting.

Thanks,

Dave Soulis
Research Assistant
Rep. Terri McCormick
56th Assembly District
608-266-7500(P)
608-282-3656 (F)





TERRI MCCORMICK

WISCONSIN STATE REPRESENTATIVE

CHAIR: ECONOMIC DEVELOPMENT COMMITTEE

October 26, 2005

Senator Dan Kapanke
Chair, Senate Ag & Insurance Committee
Wisconsin Legislature
Madison, WI

Dear Senator Kapanke,

I write to you today concerning the Senate Ag and Insurance committee public hearing, which will this morning consider two bills which I was the original author of, SB-241 and SB-242. Senator Darling is also a co-author on the current versions. I will not be testifying in support of these bills at this time.

I would suggest that this working draft presented by Senator Darling goes back to the drawing board in that it has not been discussed with the original author, nor has it been given the due diligence that it should by fast tracking this process.

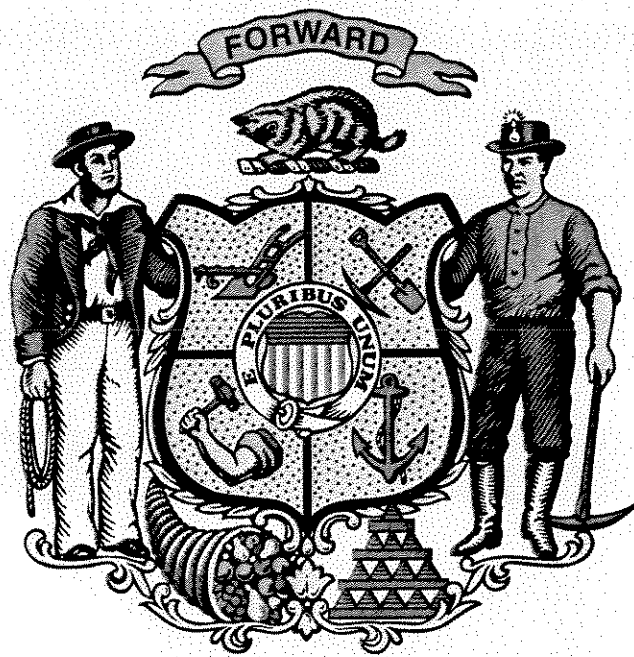
I first heard of this bill going forward yesterday, but my notes and revisions are in my district office in Appleton. I would respectfully suggest that this bill come up at a later date, or advise the Senate Committee that there will be changes on the Assembly side that will need to be negotiated at a later date when I have an opportunity to work with this legislation that I authored in March of 2002 and revised in December of 2004.

Please feel free to call my office if you have questions at 266-7500.

Sincerely,

Terri McCormick
State Representative
Wisconsin Legislature
56th Assembly District

cc Tom Petri



Submitted respectfully to the Committee:

I am Mike McArdle, the Business Administrator for the School District of Monroet. I am here today to support Senate Bills 241 and 242. I applaud the sponsors for bringing forward this legislations and hope the Committee will see and understand the value of also endorsing this needed legislation and moving the proposals forward to successful legislative action and presentation to the governor. I have no illusions about the position of WEAC on this needed legislation. Please look at the greater picture and support this needed legislation that will give back sanity to public sector labor negotiations.

My predecessors, both elected and ministerial officials, gave away cheap benefits more that 30 years ago with the belief that their decisions would go a long way towards labor peace while not saddling the future with unacceptable benefit packages. They, unfortunately, were wrong on the belief that these benefits would remain cheap. We are fast approaching when benefit packages will equal the starting wages/salaries of our professional employees. The WEA Trust family health MCP policy in the Monroe District currently has a premium of \$15,988. Many of our nine (9) month support staff members, when you add in the other employee benefits such as dental, Retirement, Social Security and LTD already have a benefit package that equals the base salary. I cannot believe this was what was envisioned.

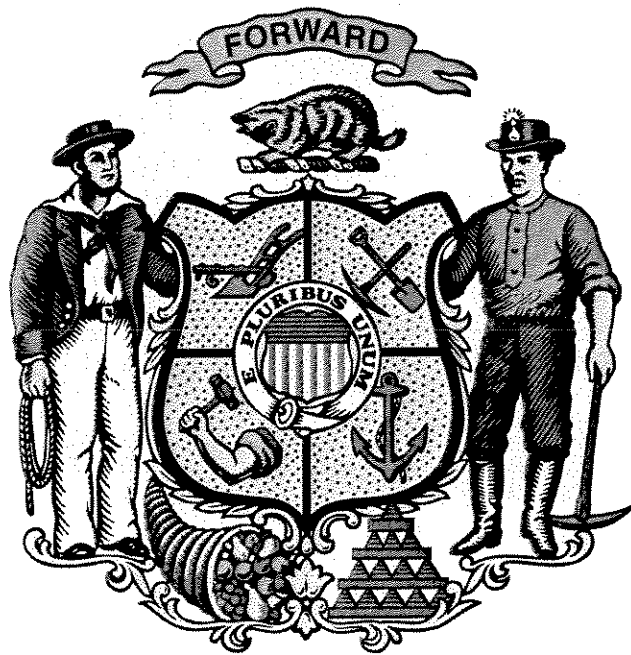
You, of course, are probably saying that I can change this situation at the bargaining table. I cannot. The Unions are looking for a "quid pro quo". I do not have the resources nor the "will" of the taxpayer to find an alternative to such a rich benefit. You then likely argue I should be able to win with the Arbitrator. I was shocked to learn, and I hope you are as well, that the statistics for 2004 arbitrations dealing with health insurance showed that of the 18 cases heard on health insurance in Wisconsin, management won only 8. In all 8, management offered a "quid pro quo". It was even more telling to learn of the 29 cases heard in 2004, 18 where about health insurance. I do not trust the arbitrator process, nor do I think that I can win with the simple argument that our fund balance is gone. I quote from the Whitewater School District support staff case # 30740-A with Arbitrator Thomas Yaeger decided 9/10/2004. The Arbitrator states: "I found in reviewing more that 20 arbitration awards where changes to the health insurance premium contribution levels was an issue, that in those cases where no quid pro quo was offered the employer's proposed increase in insurance premium contributions was never selected. And, in some cases where a quid pro quo was offered arbitrators found it inadequate and did not select the employer offer. Although some arbitrators have commented that a quid pro qui may not be necessary when the health insurance premiums are rising at a rapid rate or under unique circumstances, that notwithstanding, as already noted, I found no decisions where the employer's proposed reduction in the insurance premium contribution level was selected when it was not accompanied by a quid pro quo. There conclusions are clearly based upon the unique facts of each case and this no general rule regarding what constitutes a sufficient quid pro quo has emerged." This is a telling statement. I urge you to support taking off the bargaining table the decision of health insurance.

The survival of many Wisconsin districts depends on being able to bring sanity back to employee benefits. This bill does not ask you to change the level of employee premium participation. I accept that we must get that type of change from our unions at the table. What it does ask you to do is allow school boards and elected officials in towns, cities and counties to move their health insurance program to the state's plan. This will have an immediate positive affect on the cost of running local government. The Monroe School District has a \$26,164,186 General Fund. The subsidy of Special Education included in that number is approximately \$3,631,506. The employee benefits in the number are \$5,154,175. The employee benefit number represents nearly 1/5 of our expenditures and is even greater than the poorly funded mandate for Special Education where we spend \$5,383,859 in that fund and, as already mentioned, we must support those expenditures to the tune of \$3,631,506. We must have your assistance in addressing the dynamics of our benefit costs. The solution will also be good for the state by increasing the number of participates in the health plan there by allowing not only the municipalities to benefit, but the State as well through future population/experience pricing.

In addition, many Wisconsin school districts are struggling with the insurance company, WEA Trust, not giving data so one can make a decision as to whether to stay in the main group or go as an independent group or even the information needed to change carriers. Senate bill 241 takes their unilateral power away. I urge you to support that change as well.

October 26, 2005

Mike McArdle
Business Administrator
School District of Monroe
925 16th Avenue, Suite 3
Monroe, WI 53566
(608) 328-7148



Collective Bargaining

An integral part of democracy

Collective bargaining has been part of the fabric of the American free market since the 1930s when federal law was enacted to allow employees to organize as a group and elect a collective bargaining representative to represent them in negotiations with their employer. Collective bargaining continues in the private sector all across America where wages and benefits are bargained with private employers every day.

Public employees in Wisconsin, including school district employees, also have collective bargaining rights. Before they can exercise those rights, a group of school employees (which may be "professional" employees such as teachers and nurses, or support staff such as cooks and janitors) had to petition the Wisconsin Employment Relations Commission to conduct an on-site secret ballot election for the group, where employees were free to choose between one or more unions who wanted to represent the group of employees, or to choose no union at all. While the Wisconsin Education Association Council (WEAC) has been elected to represent both professional groups and support groups in the majority of the schools in Wisconsin, other unions, such as the Wisconsin Federation of Teachers and AFSCME, also represent some school employees. Thus, WEAC has earned its right to bargain on behalf of the school employees it represents through fair, democratic elections supervised by a state agency charged with that responsibility.

All private and public employees who have gone through this process have the right to bargain over wages, benefits, hours, and working conditions (although the right of teachers to bargain over wages has been severely limited by the QEO law).

But the right to bargain with their employer does not guarantee that any group of employees will obtain the wages or benefits they desire. It does give them the opportunity to prioritize the items of most importance to them, explain to the employer why those items are important to them, and then bargain hard, including trade-offs and in some cases arbitration, to try to get their employer to agree to those items.

The role of the WEA Trust

Under its charter, the WEA Trust can offer insurance only to those school districts in which at least one group of employees has elected to be a WEAC affiliate. Even after that condition is met, the WEA Trust has no automatic right to insure any employee; it must first earn the trust of its clients (Boards of Education and school district administrators) and its customers (represented school employees). If the school board and the employees agree to a collective bargaining agreement which includes the WEA Trust as the insurer of one or more benefit plans, then the Trust enters into an insurance contract with the school district. If those same entities decide they no longer want one or more benefit plans offered by the Trust, they can agree through bargaining to terminate the Trust plans. (The QEO actually makes it more difficult to terminate any bargained benefit plan.)

The WEA Trust is generally able to retain its groups for the long term because it offers very good benefits and provides excellent customer service, both of which participants value. But the Trust both gains and loses employee groups through the collective bargaining process, and negotiations produce a variety of outcomes. Here are several notable examples:

continued . . .



- In June 2002, the custodians at the Brodhead School District decided they no longer wanted the Trust benefit plans and negotiated with the school district to replace the Trust with a new arrangement of plans offered by the Teamsters Union.
- Also in June 2002, teachers in the Wausaukee School District negotiated with the district and replaced the Trust with a Blue Cross/Blue Shield plan and applied the premium savings to the salary schedule.
- In June 2003, the Appleton Area School District, after being insured by Blue Cross/Blue Shield for over 40 years, agreed through the collective bargaining process to switch to a Trust health insurance policy. In exchange, the teachers, for the first time, agreed to pay a percentage of their monthly premium.
- Several years ago, the Monona Grove District and its represented teachers faced a situation where no private insurer offered them an acceptable proposal. They agreed through negotiations to join the state municipal health insurance plan. That's right, districts and their employees already have the ability to voluntarily enter the state plan through a negotiated agreement to do so.
- As the Trust watched its insured participants get older and evaluated the growing need for long term care that is not being met by Medicare, the Trust developed a very valuable and unique group long term care plan that was offered to school districts and their employees. It has been the subject of bargaining for over ten years. To

date, 80 districts and their employees have negotiated wisely to implement such a plan—but that means that long term care has *not* survived the collective bargaining process in 350 school districts.

Why collective bargaining works

Collective bargaining of salary and benefits works and works well because the employees are the ones best able to evaluate the true value of the limited dollars the districts can offer them.

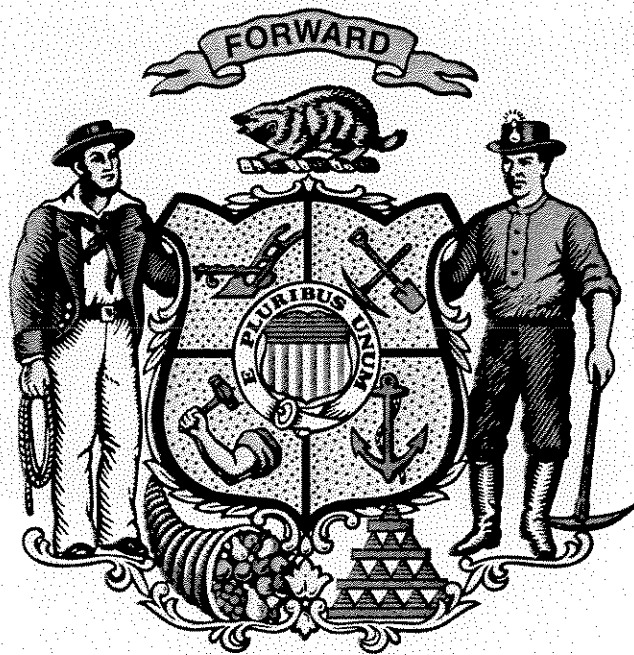
School district employees understand the relative value of a dollar earned in salary (which immediately is subject to state and federal taxes and deductions) versus a dollar in health insurance benefits which is not subject to any taxes or deductions.

School district employees know that the actual administration and customer service from the insurer of a particular health policy is crucial to the actual benefits they and their dependents receive.

School district employees best understand how much the freedom to select their health care providers, or not to have to change specialists during a course of treatment, is worth to them.

School districts and their represented employees should be respected and left alone in local collective bargaining to make the painful decisions only they can make when it comes to the relative value of salary versus benefits. The employees who regularly prepare Wisconsin school children to produce exceptional results on national ACT and SAT exams should not be denied the right to bargain collectively over their salary and benefits.





ABCs of Mediation-Arbitration Reform

Affordability

GOAL: Link the required minimum increase in public employee compensation to the taxpayer's ability to pay, based on statutory revenue or levy limits.

METHOD:

Prohibit an arbitrator from making an award where the percentage increase in total compensation exceeds the following:

- For schools, the allowable percentage increase in the per pupil revenue limit
- For counties, cities, villages, and towns, the allowable percentage increase in property and sales tax levy plus the net change in intergovernmental revenues (shared revenue and transportation aids)
- For technical college districts, the allowable percentage increase in property tax levy plus the net change in state aid

Benefit Equity SB 21 / SB 242

GOAL: Greater similarity between public and private sector fringe benefits.

METHOD:

- Authorize a local government employer to unilaterally change its employee health plan to the public employer group health insurance plan offered by the Department of Employee Trust Funds, or a substantially similar plan. Make the selection of health plans a prohibited subject of bargaining if the ETF or similar plan is provided. (Partial vetoed from 2003 SB 33)
- Authorize a local government employer to change health care providers if the benefits are substantially similar

Competition

GOAL: Greater competition and efficiency in the delivery of public services.

METHOD:

Make the decision to contract for a public service a permissive subject of bargaining if it can be demonstrated that the contract cost is at least ten percent below the cost of providing the service with public employees, and if the public employees are unable or unwilling to renegotiate their compensation or work rules to bring their cost within ten percent of the contract cost. (AB 268)