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STATE OF OHIO
STATUTORY FACT-FINDING TRIBUNAL
STATE EMPLOYEE RELATIONS BOARD

STATE EMPLOYMENT RELATIONS BOARD
2005 MAR 25 P 12: 02

In the matter of the Fact Finding between:

HANCOCK COUNTY SHERIFF'S OFFICE

Employer,

Date: March 22nd 2005

- and -

Case Nos. 04-MED-09-0907
04-MED-09-0908

INTERNATIONAL UNION OF POLICE ASSOCIATIONS, LOCAL #76

Fact-finder: Stanley Dobry

Employee Organization

Hearings convened on the 25th day of February, 2005, before Fact Finder Stanley T. Dobry, at the Sheriff's Office in the City of Finlay, County of Hancock and State of Ohio.

REPORT, FINDINGS AND RECOMMENDATION OF THE FACT FINDER

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Date of Report: March 22nd 2005

PART ONE: INTRODUCTION

I. BACKGROUND

This case grows out of a dispute between the Sheriff and Board of Trustees of Hancock County, Ohio ("the Sheriff," "the Board," or "the Employer") and the International Union of Police Officers Association Correctional Officers' bargaining unit. ("IUPA," "labor organization," or "the Union") involving negotiation of a successor agreement. The bargaining units were certified as follows: April 29, 1999 (Corrections Officers), June 24, 1999 (Corrections Sergeants).

The instant cases involve:

> Unit D (Case No. 0908): Includes all full-time Corrections Sergeants (Five employees); and Unit E (Case No. 0907): Includes all full-time Deputy I (Corrections Officers) (30 employees). This matter excludes all other Sheriff Department employees.
>
> General Description of the Functions of the Employer and the Employees in the Unit: The Office of the Sheriff is the chief law enforcement agency for Hancock County; enforces traffic laws; investigates crimes; delivers subpoenas. Corrections Sergeants – Supervises Corrections Officers, classifies and determines prisoner housing assignments, maintains operating records, prepares reports, inspects facility equipment condition. Deputy I (Corrections Officers) – Receives and discharges prisoners, patrols housing area, maintains facility cleanliness, prepares reports, enters data into computer, ensures security, health, welfare, and safety of prisoners.
>
> Unresolved Issues: Article 21 Section 21.1, Wages; and Article 22, Insurance.

The current collective bargaining agreement was to expire December 31, 2004, but expired March 7, 2005 as a result of a memorandum of understanding. However, the parties agreed to prospectively operate under this agreement, subject to retroactive modification as the proceeding continues.

Four bargaining sessions were held. December 13 and 30, 2004, January 13 and 27, 2005.

That many agreements were voluntarily reached does not change the fact that they will make the work place work better, and will effectuate substantial changes and savings. The Sheriff's office is a law enforcement agency, with a vital place in the community, with an overriding purpose of preserving its law and good order. Because of its mission, it is vitally important that its employees be professional, efficient and mindful of their duties to follow the law. Good employee moral is integral to fulfilling its mission.

The parties duly executed numerous tentative agreements. *Those tentative agreements are incorporated herein by reference, are adopted as part of the fact finder's formal recommendations, and are the framework within which the fact finder formulated the remaining recommendations. Additionally, where no change has been proposed by either party to sections or articles, or where the proposed changes have been dropped at the bargaining table, the fact finder*

recommends that the existing contract language prevail.

The parties selected Stanley T. Dobry as fact-finder through the State Employment Relations Board. The parties graciously extended the time line for the fact finders report. All other statutory time lines remain in place.. Their position statements, required by Ohio Admin. Code 4117-9-05, were duly filed.

On December 1, 2004, the State Employment Relations Board of Education ("SERB") notified the undersigned of his selection as Fact Finder under the terms of the Ohio Revised Code.

Upon mutual agreement, the hearing was held on February 25, 2005.

The parties agreed before the fact finder that the new labor agreement would have a duration from March, 8, 2005 through March 7, 2008.

As a personal note, I appreciate the representatives's considerable efforts in preparing and presenting their case. Obviously, this effort was expensive, labor intensive and time consuming. I wrote this opinion in the hope that they will avoid the effort, losses, risks, and consequences of further conflict. However, that decision is up to the parties.

II. FACT-FINDERS AUTHORITY AND STATUTORY CRITERIA

The following findings and recommendations are offered for their consideration. They were arrived at pursuant to their mutual interests and concerns, in light of the statutory criteria as applied to the record.

The applicable statute, Ohio Revised Code Section 4117.14(C), and SERB regulation, Ohio Administrative Code Section 4117-9-05, governs this proceeding. In making recommendations, the fact finder is requires to consider:

1. Past collectively bargained agreements, if any, between the parties;

2. Comparison of the unresolved issues relative to the employees in the bargaining unit with those issues related to other public and private employees doing comparable work, giving consideration to factors peculiar to the area and classification involved;

3. The interest and welfare of the public, the ability of the public employer to finance and administer the issues proposed, and the effect of the adjustments on the normal standard of the public service;

4. The lawful authority of the public employer;

5. Any stipulations of the parties;

6. Such other factors, not confined to those listed above, which are normally or traditionally taken into consideration in the determination of the issues submitted to mutually agree upon dispute settlement procedures in the public service or in private employment.

PART TWO: SUBSTANTIVE DELIBERATION

III. DISCUSSION

The Sheriff's Department has the *present* economic wherewithal to pay any of the proposals offered by either party. However, the future is in doubt.

However, governmental fiscal prudence is a significant factor in evaluating the proposals.

Moreover, the county is subject to flat sales tax revenues in a down-turned economy, tax renewal votes which cannot be assured, and Governor Bob Taft's pending budget proposal to cut state revenue sharing with counties by 20%. The Governor's proposal is 'radical surgery' that overturns the historic fiscal status quo. It is more fully discussed in Appendices A, B and C of this opinion. Those articles are not offered as the fact finder's opinion, but the represented opinions of various public officials are concurrent with the employer's position in this case.[1] All this must be factored in.

The proposals were considered as part of the larger package, including the tentative agreements. The employer's proposed change so that it can unilaterally (if need be) modify the health insurance plan (with potentially

[1]The appendices were not part of the official record before the fact finder. In any event, they and the impending legislative struggle are part of the context in which this controversy exists. To ignore the fiscal and political results would be unrealistic.

increased premiums and/or co-pays and/or deductibles) thereby increasing employees' costs, has substantial potential costs. Its worth must be factored in.

Further, the tentative agreements are also integral to the balance and harmony of the entire package. Those tempted to tinker with portions of this recommendation are advised that they place in jeopardy the give and take that is the essence of enlightened collective bargaining.

IV. COUNTY ISSUE: INSURANCE

ARTICLE 22

INSURANCE

The Employer is seeking:

To replace current language of the Agreement (as agreed upon by both parties in the December 18, 2003 Memorandum of Understanding) with language that will continue to provide these bargaining unit employees *with the same level of insurance coverage as other County employees*.

Employer's Arguments:

1. All County employees are currently covered under the same benefit plan. Of the three bargaining units in the County, one (1) AFSCME unit (Engineer's office) recently voted to ratify the exact health insurance language proposed by the Employer. The two remaining bargaining units (this and Unit 63

in the Sheriff's Office) are in negotiations. Non-bargaining unit employees in the Sheriff's Office are also covered by the same plan as all other County employees.

2. If the union's proposal is accepted, the potential exists that these bargaining unit members could end up with a different benefit plan. It is impossible for the Board of County Commissioners to provide a separate plan for the Sheriff's Office bargaining unit employees (35 of approximately 365 County employees). Hancock County participates in the Midwest Employee Benefit Consortium with Auglaize, Mercer, Van Wert, and Shelby Counties. The Board of Commissioners must be able to speak with one (1) voice for all employees in the County. The Sheriff's Office bargaining unit employees will not be damaged by joining their 330 fellow County employees in the already excellent insurance program. Such consistency and uniformity will also help maintain the financial integrity of the plan.

3. O.R.C. Section 305.171 Group Insurance provides that the board of county commissioners of any county may contract for or otherwise procure and pay for all or any part of the cost of group insurance policies. There is no positive provision in state law for the Sheriff of any county to procure or contract for group health insurance.

4. Although the proposals from the parties during negotiations

were substantially different in language, the end result would have been the same. Neither side proposed a change in current benefit levels. The problem with the union's proposal in negotiations, was the specificity of the language. It severely limits the Employer's ability to make any changes in the benefit plan by identifying a specific plan design and a specific provider. The Employer cannot afford to agree to a benefit plan that is frozen in time; one that can not be redesigned to control future costs, or that can be flexible to include additions to benefits brought on by medical advances.

5. The proposal is entirely comparable to the language contained in insurance articles of Sheriff Offices in contiguous and comparable counties.

6. The union also proposed an Opt-Out Incentive during negotiations. They propose to pay employees who do not take the Employer's insurance. The union cannot support the concept of an opt-out incentive from comparables. An opt-out incentive is a new benefit feature and should not be imposed by a neutral. An opt-out incentive is also an aspect of plan design. The State Employment Relations Board has held that the union cannot insist that the Employer (the Sheriff) negotiate over plan design issues, because County Commissioners establish insurance, not the Sheriff, as noted in 2004 SERB 4-17 (10th District Court of Appeals, March 29, 2004). By asking that a requirement be

put into the labor contract, the union is attempting to restrict the Commissioners' negotiating clout with the insurers. It is a bad policy to let the tail wag the dog. Therefore, the Employer rejects this proposal.

The following are the employer's specific language proposals [strikeovers are deletions of existing language]:

ARTICLE 22
INSURANCE

Section 22.1. ~~The Sheriff will maintain and provide for all full-time Bargaining Unit members and their eligible dependents, the life, accidental death and dismemberment and comprehensive medical expense insurance which is provided by the Hancock County Commissioners for all employees of Hancock County.~~ Employees shall pay the same amount in premiums and shall receive the same level of benefits as other county employees under the Hancock County Commissioners' Insurance Plan. The employee's contributions for insurance coverage shall be deducted from the employee's pay. The insurance carrier shall be at the sole discretion of the Employer

Section 22.2. ~~Employee contributions for eligible dependent coverage under the present insurance programs shall continue at their present rates, subject however to change if such contributions are altered by action of the Hancock County Commissioners and are applicable to all County employees.~~

The Employer agrees to ~~increase the amount~~ provide $20,000 of term life insurance ~~to $20,000~~ for the bargaining unit employees. ~~on or before March 8, 2003~~. This amount will be the greater amount if the Commissioners increase it to a greater amount for all Hancock County employees.

Section 22.3. Current Agreement.

Section 22.4. Current Agreement

~~**Section 22.5.** Reference is hereby made to the Hancock County group plan for specific details as to coverage, exclusions and definitions of coverage provided.~~

~~**Section 22.6.** During the term of the Agreement the Hancock County Commissioners will pay the full cost of employee coverage for all members of the Sheriff's Office and not less than fifty (50%) percent of any increase in eligible dependent coverage costs.~~

MEMORANDUM OF UNDERSTANDING

This Memorandum of Understanding is an agreement between the Hancock County Sheriff and the I.U.P.A. Local 76, Unit D-Corrections Sergeants, Unit E-Deputy I Corrections Officers Bargaining Units. This memorandum is an agreement between the parties to change the current language of **Section 22.6** which shall read as follows:

1. The parties agree to change the expiration date of the Agreement from March 7, 2005 to December 31, 2004.

2. During the term of this agreement which will expire December 31, 2004 the collective bargaining member will pay ten percent (10%) of the total premium of the Medical and Dental Insurance for single employee coverage, within the 2004 Insurance Benefit Package. The Hancock County Commissioners will pay the remaining ninety percent (90%) of the Medical and Dental Insurance, as well as one hundred percent (100%) of the life insurance premium.

3. During the term of this agreement which will expire December 31, 2004, the collective bargaining member will pay ten percent (10%) of the total premium of the Medical and Dental Insurance for family coverage, within the 2004 Insurance Benefit Package. The Hancock County Commissioners will pay the remaining ninety percent (90%) of the Medical and Dental Insurance, as well as one hundred percent (100%) of the life insurance premium.

4. During the term of this agreement the employee contribution deductions shall be bi-weekly.

5. The 2004 Plan Contributory Benefits described in the meeting of December 4, 2003 will remain unchanged through calendar year 2004.

6. The 2004 Plan Contributory employee monthly contributions ($42.44 single/$93.64 family) will remain unchanged through calendar year 2004.

7. The Hancock County Commissioners will not change the July 2003 Resolution at this time.

Signed this 18th day of December, 2003.

The Union counters:

The employer's issue should be denied, and additional medical plan safeguards and limitations must be built into the contract, so that the employees will not be subjected to the employer's unilateral predation of their negotiated benefits. Employees should be given an incentive to "opt out" of health care.

INSURANCE

Section 22.1

The parties are in agreement on this issue although the language is slightly different. It is desired that it be included in the Fact-finders recommendations.

Section 22.2.

The Union wants to maintain and memorialize the current arrangement of the Employer paying ninety percent (90%) of the medical premium and the Union paying ten percent (10%). The Union proposes to continue the current practice of the Employer paying 100% of the term life insurance.

The amounts that other comparable county employees pay for insurance is all over the board with at least one (1) paying zero percent (0%), and some paying up to twenty percent (20%).

The Employer wants to charge the employees *whatever it wants with*

no negotiations. This an unprecedented demand. Research does not reveal ***any*** such arrangement anywhere. For the Employer to have such latitude could have catastrophic implications for employees and their families.

Section 22.3

The Union wants to maintain the current practice of providing the equivalent medical coverages and associated costs and deductibles as currently provided in the Midwest Employee Benefit Consortium, as all other county employees for the life of the Agreement.

The Employer's proposal allows the Employer to change any or all of the medical benefits up to and including the elimination of *all* medical benefits. This is grossly unfair to employees and their families particularly since there would be no negotiations.

Section 22.5

Employees desire to identify the source of its medical benefits and the detailed provisions. The Employee Benefit Plan Document and Employee Benefit Booklet, Effective Date of January 1, 2004, is currently that source. This is standard practice so employees can plan on medical procedures and related costs.

Section 22.6

The current language no longer applies. The new language proposed is from the Employer's Handbook. Employees may opt-out of the Employer's

medical plan if alternative coverage is obtained; and if their alternative coverage is lost, they may re-enroll without waiting for the open enrollment period.

Section 22.7. *NEW*

The Union proposes this new Section for employees who opt-out of the Employer's medical coverage. The Employer indicates that currently the Employer's annual cost for the medical plan is approximately $12,000.00. If an employee opts-out this is a huge savings to the employer and one that the employees should share in. An annual payment of $1,000.00, is a small amount to pay an employee who is saving the employer $12,000.00 a year.

The Union presented one exhibit that provides a payment of twenty-five percent (25%) of the annual premium to the employees of the Corrections Center of Northwest Ohio (CCNO) -- a five county and one city consortium that runs a common jail -- if they opt-out. CCNO is located in Williams County and is owned by the City of Toledo, Lucas, Henry, Defiance, Williams and Fulton Counties, all of which are included in the Union's list of comparables. In addition, the County of Henry provides a minimum of $1,000.00, annually for those who opt-out, but was just negotiated and is not in print as of this date.

Obviously, if the employees opt out of health insurance, there will be big savings for the employer. Asking the employer to share a meager portion of that savings, and to provide a positive incentive to opt out, is not asking too much.

The Union's specific proposed language on health care follows [strikeovers are deleted current language; underlined is new]:

Section 22.2

Employee contributions for eligible dependent coverage under the present insurance programs (Medical and Dental Insurance) shall (be ten percent (10%) for either dependent or single coverage. The Employer's contributions will be ninety percent (90%). The Employer's contribution will remain at one hundred percent (100%) for term life insurance.) ~~continue at their present rates, subject however to change if such contributions are altered by action of the Hancock County Commissioners and are applicable to all County employees.~~

Section 22.3

~~Should the coverage provided to other County employees, by and through the Hancock county Commissioners Office, be changed or altered such changes shall be applicable to the coverage herein provided effective and concurrent with its application to all other County employees.~~

Every full-time Bargaining Unit employee will be provided medical, hospital, and dental coverage during the life of this Agreement. The benefits are contained in the Midwest Employee Benefit Consortium program. The Employer may from time to time change the insurance carrier and/or self fund its health care program if it elects to do so provided general deductibles. coverages and co-pays are consistent with other County employees.

Section 22.5

Reference is hereby made to the Hancock County group plan, Employee Benefit Plan Document and Employee Benefit Booklet effective date of January 1. 2004. for specific details as to coverage, exclusions and definitions of coverages provided.

Section 22.6

At the time of open enrollment. the Employer will allow Bargaining Unit employees that are currently receiving the benefit to opt-out of the Employer's Health Care Plan. Re-enrollment of a Bargaining Unit employee into the Employer's plan shall only be allowed at open enrollment or at the loss of alternative coverage. If the alternative coverage is lost, the employee shall not have to wait until open enrollment.

~~During the term of the Agreement the Hancock County Commissioners will pay the full cost of employee coverage for all members of the Sheriff's Office and not less than fifty percent (50%) of any increase in eligible dependent coverage costs.~~

Article *22.7 [NEW]*

Any Bargaining Unit employee who opts out of the Employer's health care plan will be eligible to receive one thousand dollars ($1,000.00) in any year in which they opted out under this

Section. Such payment shall be made twice a year by a separate check. The Employer and Bargaining Unit will meet and mutually agree to a written procedure for the implementation of the terms of the opt-out program.

DISCUSSION OF INSURANCE

The IUPA characterizes the proposals as seeking significant changes to the current contract language that is detrimental to the bargaining unit. They charge that it will allow increased premiums and decreased benefits without negotiating with the Union.

The Union seeks to maintain present medical benefits and costs for the employee, and prevent the Employer from selecting/changing health care providers without union participation.

Next to wages, this is the most fundamental and divisive issue.

Any changes in the health care plan must balance complicated and conflicted needs. It should be fair, affordable by the employee and the employer. The should be designed to give a good return for the money invested. Although it is not clear how effective deductibles and co-pays actually are, the plan should attempt to foster individual responsibility – an appreciation by every employee that they should make health care decisions that make economic sense -- since there is no medical or health care service or product that is free.

Any plan needs to serve the diverse needs of employees, based upon their families and their ability to pay.

The employer has proposed the nominal equality of level premiums

and benefits (deductibles and co-pays) between employees. This is outwardly fair. In fact, however, better paid employees are better able to afford the costs. The plan design that is currently in place does not address this, although at least the union in collective bargaining can now bring the subject up.

Moreover, there is a need to get a grip on pharmaceutical expenses. The employer needs to consult with experts in the field, and to aggressively check out its alternatives.

Likewise, there is a need to institute or broaden a program for wellness. Wellness programs are cost effective. Every dollar spent on wellness can more than pay for itself in health care dollars saved. This does not even take into account the predictable effect on the workplace, and the intangible benefit to the employees.[2]

The identity of the carrier is a matter of consequence for both sides. In particular, some plans are better administered than others. Some plans have more choices and participating physicians and facilities. Trying to actually collect on benefits can be a chore.

As plans are modified, or carriers may be changed, in the process of collective bargaining, it is to be expected that there may be a quid pro quo.

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[2]Outside observers, including some ill-informed members of the general public, see such things as a health club membership as an abusive perquisite. In fact, if wellness programs are implemented and then actually used, there is a tremendous payback according to documented studies.

This is a matter of mutual concern. The ordinary process is that the Union will be consulted before any agreed changes are made. The employer is now seeking to sideline the Union.

In that regard, it must be candidly noted that the employer is primarily the party seeking a change in the status quo. In that sense, the employer 'has the laboring oar' and the burden of proof.

Its legal position -- concerning the alleged sole power of the county board of trustees to contract for health care -- may have some merit. But it obviously flies in the face of the parties' present collective bargaining agreement, It agreed to specific limits where the sheriff (who is effectively one of the dual employers) and the Board all made promises on the specific level and costs of coverage.

Further, there is no indication that this suddenly became a *prohibited* subject of collective bargaining.

While the county Board of Trustees may be explicitly empowered to contract for health care with third parties, there is nothing to prohibit them from making collective bargaining promises to their employees. This is a different subject, and is more specifically governed by the Ohio public sector collective bargaining law, which broadly requires bargaining over wages, hours and other terms and conditions of employment. To the extent that the employer makes such

a promise, it diminishes its inherent management right *pro tanto*, in accord with the collective bargaining law..

Nevertheless, the employer makes several good points. Specifically, there is the question whether it is good policy *at this time* for there to be clear promises about benefit levels.

The fact finder agrees that the employer has a general need to administer one plan. This is a relatively small employer. If it has one plan, there may be economies of scale and administration. Further, by putting all of its 'eggs into one basket,' the employer likely will enhance its negotiating power with prospective insurer.[3]

Additionally, the employer needs flexibility to use its resources well, and to change benefits or premium contributions, if the need arises.

The fact finder bear in mind that the employer has promised that the benefits and the associated costs will not be changed, at least for the first year.

Everyone must understand that continued health insurance coverage, without some employee contribution, is not an inalienable right. It is not a 'gimme,' but is an expensive and important earned benefit.

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[3]As I previously wrote: "It is singularly important that the County can fund and administer the health insurance plans as a single unit. This will benefit the public and the bargaining unit members when lower premiums can be negotiated." Fulton County Sheriff and FOP/OLC, SERB Case No. 00-MED-10-1044 (Dobry, 2000).

Making these adjustments will at least symbolize the Employer's, the Union's and the bargaining unit member's commitment to do everything reasonably within their power to hold down health insurance costs.

Additionally, the employer is willing to assure 'most favored nation' status to this bargaining unit. This bargaining unit will not to be treated any better or worse than any other bargaining unit, or any other individual employees of the County.

The employer's proposal is in many ways an apparent take-away.

It is a way to give the employer unbridled flexibility The employer is trying to maintain benefits and hold down costs

On the other hand, the employer's new language is not a 'one way street,' It will also insure that these bargaining employees will have their interests protected by the presumed political influence of others (including other bargaining units, members of the judiciary and the board of trustees), who are beneficiaries of the employer's health care program.

Looking at the proposals of the Union, the arbitrator notes that they have been proactive and constructive in trying to address the many issues presented. They did not simply say, "No." They came forward with constructive proposals. The Union's proposals in Sections 22.3 and 22.6 do not impinge on the employer's prerogatives. They encourage employees to use other coverage,

instead of this employer's, and they cost the employer little or nothing.

The Union's proposal in Section 22.7 is materially different. There is no evidence in this record as to the expected usage, benefit or costs of implementing it. Of course, some employees have already opted-out of the county's health insurance plan. The question is whether the employer would be farther ahead -- or not -- if it put in an incentive. This could be determined by a poll of employees, or perhaps by an actuary. All of that is missing in this record.

Another factor is that paying this benefit to this bargaining unit will cause a 'ripple effect' in other bargaining units. It is predictable that there would be new demands for the same benefit from other bargaining units.

The Union had the laboring oar on this proposal. The record does not support its proposed language.

On the other hand, if the employer offers a payment to other employees to opt-out of health insurance, members of this bargaining unit should receive the same option and payment. The fact find so recommends.

As one pundit recently observed, "in health care, never say never." See Appendices D and E.

RECOMMENDATION ON HEALTH CARE

The fact finder adopts the employer's position on health care, with the addition of the Union's language in Sections 22.3 and 22.6. Further, if the

employer offers a payment to any of its other employees to opt-out of health insurance, members of this bargaining unit shall receive the same option and payment.

V. UNION ISSUE -- WAGES

Section 21.1.

Union Arguments:

The Union is requesting a wage increase of 3.5% in each of the three (3) years of the Agreement, effective March 8th of each year.

The Union put forth wage comparisons for fourteen (14) counties that were either immediately adjacent to Hancock County, or abutting those adjacent counties. The Employer compared only five (5) counties and the effective dates were not indicated for a fair comparison. For legitimate comparisons, the effective dates of the wages must be at least for the same year. In fact, the Hancock County wage included their proposed 2.4% increase which further skews the figures. The Union contends that its comparisons are current and thus, clearly more valid.

Hancock County ranks fourth in population of the fourteen (14) counties listed by the Union, but tenth in wages. Much was made of Lucas County having a population of more than six times that of Hancock County, but Auglaize County has less population than Hancock County with nearly the same wage as

Lucas County. Wages are not necessarily tied to population as the data shows.

If the Union was granted an immediate 4.4% increase it would only bring them to the *average* listed wage of **2004** (see Union exhibit 002) . Wage increases of 3.5% each year will not raise their wage ranking to the average, since the other counties will also win increases, let alone move them up to a position commensurate with their population.

The issue of "ability to pay" was raised during fact-finding discussions. This was never brought up during contract talks and to do so at this time is grossly unfair. Without any idea that "ability to pay" was going to be an issue, the Union was not prepared to mount an argument. The County has, for political reasons, failed to procure a tax increase.

Finally, the wages are **4.4% ($1,367.00) below the current average** of the fourteen (14) surrounding counties.

Employer's Arguments:

What the Employer is Seeking:

2.4% increase in 2005; 1.0% increase in both 2006 and 2007.

1. The Employer proposes a 2.4% increase in 2005. All general fund employees received a 2.4% increase in 2005, based on the financial recommendation of the County Auditor. Only the Engineer's office employees received a higher increase (2.5%) because they are not funded through the general fund, but by the County gasoline tax. There are approximately 360 general fund

employees, and 34 employees in the Engineer's office funded by the gas tax.

2. The Corrections Officers and Sergeants wages for Hancock County are very comparable, especially compared to the seven (7) contiguous counties. And, considering the Corrections employees reach the top level within one (1) year, instead of 3, 4, 5, 6, or even 15 years like the contiguous counties, more than just comparable.

3. There are a number of factors influencing the County's ability to fund future wage increases. First and foremost is the potential decrease in local government funds coming from the state. Governor Taft has proposed a 20% cut in funds allocated to counties in FY2006. The 20% cut equals approximately $450,000 less revenue in the general fund.

4. Another major factor influencing the County budget is the Criminal Administration and Justice Services sales tax levy, which ends July 1, 2005. This tax generated approximately 2.5 million dollars for the courts and jail. Without the tax money, all expenses for the jail will fall back to the general fund. The end of the sales tax equals 2.5 million dollars less revenue for the County in 2006. The Commissioners have not decided whether a new sales tax levy will be on the November 2005 ballot. Of course, the levy will be subject to voter approval, and if approved, the County will not see generated income from the levy until July of 2006.

5. As previously mentioned, the projection for 2006 is that the County will realize approximately 3 million dollars less revenue in the general fund. Another factor driving the uncertainty of the general fund balance is the amount of sales tax revenue generated. The sales tax accounts for approximately 40% of the general fund budget. Although the County's sales tax revenues grew between 1994 and 2002, the year 2003 would have experienced a 1.33% decrease in sales tax revenue without the voter approved tax of .25% to support criminal and administrative justice services. Sales tax revenues remained flat in 2004 (only a 3% increase), and the same is projected for 2005.

6. The current labor cost of this bargaining unit is $1,638,649. The union's proposal would cost the County approximately $352,000 over the life of this Agreement, an additional $183,000 over the cost of the Employer's proposal. Members of the bargaining unit are an important asset, and Hancock County recognizes that fact.

However, the County also recognizes it must work within the confines of its budget. With budget projections of declining revenue, it is not economically prudent for the County to agree to increases it may not be able to fund.

DISCUSSION OF WAGE INCREASE

In evaluating the parties' positions, the fact finder applied many commonly used factors used in arriving at wages. I have looked at ten factors, which are included, explicitly or implicitly in the statutory criteria.

The County's economic fortunes. Overhanging this whole controversy is the instability of the whole state budget, and the economic fortunes of Hancock County. This has already been discussed above in detail. Prior to the fact finding the employer never asserted an 'inability to pay' argument. Nevertheless, there is a question of fiscal prudence -- the employer has limited resources and cannot 'print money.' It must work within a limited and practical budget.

Nevertheless, the employer has conceded, at least, that it can afford its own wage proposal. The issue then is whether it can afford something more.

External Comparability. Each party has chosen its own set of comparable communities. Labor market analysis. Limitation to contiguous counties is artificial. One needs to look at the broader area, and the union's use of contiguous and contiguous/contiguous (second tier) counties does that.

In looking at the data, it must be noted that for purposes of comparison the employer used its proposed increase for this year, and ignored the fact that some of the other counties are not settled.

Cost of living. The fact finder takes notice of cost of living increases. The cost of living has not beem, and will not be, flat for the life of the contract. The parties chose not to put in direct evidence on the issue, but even at that it cannot be ignored. According to the Consumer Price Index for the north-central region, which includes Ohio, inflation is substantial. This has an impact on all wage earners, but its impact is greater on those in the lower end of the economic spectrum. The fact finder recognizes that for certain demographic groups, the Consumer Price Index may substantially overestimate the actual increased cost of living – especially for persons who have adequate health insurance coverage;

Internal comparability. This is the 'first orbit of coercive comparison.' Internal comparability is a factor that must be given weight.

The value of the total economic compensation package. Consideration of the important concession on health care which are part of this recommendation. The Union is being relegated to being a "me too," with diminished impact on future health care changes for the life of the agreement.

The Employer proposed, and the fact finder recommended, that any agreement on the details of employee medical benefits and costs be removed and that employees be provided the same insurance coverage as provided other county employees.

Thereby, the employees take on the risk of increased premiums,

decreased benefits, and increased co-pays.

This is consequential. The employer should pay for this change, and it is a factor that means larger compensation is in order.

The fact finder is concerned about the total balance of the contract, and not just the wages in isolation.

Costs of the settlement. Both side must look seriously at the costs of settling -- and the costs of not settling. I have taken into account so-called 'roll-up costs' as that is the only valid way to cost out a settlement.

The pattern of settlements in law enforcement in Ohio. The wage increase pattern is generally is larger than the employers' proposal but less than the IUPA'; (2) the increase in the cost of living far exceeds the employer's proposal.

Shortage of law enforcement personnel and the unique nature of this bargaining unit's duties. There is a shortage of trained and experienced law enforcement personnel, nationally and in Ohio, so it is vitally important to keep wage levels realistic. We do not want to risk losing experienced personnel, as hiring and training costs are substantial, and the 'brain drain' is irreplaceable. Being a corrections officer is one of the toughest jobs around.

The public interest. Both parties are trying to exercise responsible stewardship. They have a fiduciary duty to the public which they must

scrupulously discharge.

The interest in collective bargaining and harmony in the work place. Both sides have real needs that should be protected. The administration must be able to run the Department and its employees deserve financial and job security. This is a rough balance of the union's and employer's interests. The scales were weighted with a long term view of the best interests of the community and the bargaining unit.

In conclusion, the fact finder finds the foregoing considerations as militating in favor of a larger recommendation than that proposed by the Employer, and less than that proposed by the Union.

Therefore, it is the fact finder's recommendation that the police officers are given annual increases of 3.1% for each of the three years in the upcoming contract. These wage increases would be effective on March 8 of each contract year. This increase is contingent upon their acceptance of the changes in health care benefits as recommended.

PART THREE: GENERAL CONCLUSION

For the preceding reasons, I recommend the tentative agreements, the current contract except as modified by them, and the resolution of the two issues as indicated above.

As a personal note, both parties put together studious presentations. This helped understanding their positions, and the import of the ample record.

It is my task to find and make principled recommendations based upon facts.

Both sides would have me find their facts dominant. But truth here is neither black nor white. Settlement patterns, financial circumstances of the County and the employees, and costs of inflation are all relevant.

On the facts and issues presented, reasonable persons could differ on the results. Obviously, these are recommendations only. The parties can choose to ignore them and resort to continued legal warfare. It is gently urged, however, that these are reasonable solutions to the problems which confront them. Both sides need to compromise with reality. The public would be well served if this advice was heeded.

The Report and Recommendations of the Fact Finder are based upon the evidence and testimony presented to me at the fact-finding hearing. This

award is made and entered this 22nd day of March 2005.

RESPECTFULLY SUBMITTED,

Stanley T. Dobry
Fact Finder

Dated: March 22nd 2005

PROOF OF SERVICE: MAILING

STANLEY T. DOBRY states that he served all representatives of records at their addresses as indicated above, by placing a copy of this report filed in this cause, to wit into an envelope, which had typed upon it the names and addresses indicated above, and the return address of Stanley T. Dobry, Attorney at Law, written thereon, with Express Mail charges fully prepaid thereon, and placing same into a United States Mail receptacle in the United States Post office in the City of Warren, Michigan on March 22nd 2005.

STANLEY T. DOBRY Fact Finder

Subscribed and sworn to before me this 22nd day of March, 2005.

BETTE N. DOBRY, Notary Public
Macomb County, Michigan
My Commission expires: August 22, 2008

BETTE N. DOBRY
Notary Public, Macomb County, MI
My Commission Expires Aug. 22, 2008

APPENDIX A

Article published March 17, 2005 in the Toledo Blade

Ford, others lobby state to restore budget cuts

Toledo could lose $3.6M in funding

By

JIM PROVANCE
BLADE COLUMBUS BUREAU

COLUMBUS - Hundreds of local officials from across Ohio descended on the Statehouse yesterday, protesting proposed budget cuts they say will mean fewer cops on the beat, longer waits for emergency calls, and shorter library hours.

Toledo Mayor Jack Ford told the House Finance Committee the proposed 20 percent cut in the city's revenue sharing, $3.6 million out of an annual $223 million budget, will mean 46 fewer employees. Many of those laid off would be police officers and firefighters.

"This is not the beginning of the tough times," he said. "This is the third year for us. We have no other place to go."

While noting a layoff of 46 of a police force of 665 would be significant, Committee Chairman Chuck Calvert (R., Medina) pointed out the state cut amounts to 1.5 percent of the city's budget.

The $51.3 billion, two-year budget Gov. Bob Taft sent lawmakers would cut aid 20 percent for counties and cities, 10 percent for townships and villages, and 5 percent for libraries. The state's three local government funds, fueled by a variety of state taxes, are expected to distribute $1.2 billion in the current year.

"The end result is that less kids get to read library books," said Akron Mayor Donald Plusquellic, a Democrat. "Fewer people get to go to a park. ... How about fewer police officers out there to respond to our calls, more time built in whenever we get a fire or [emergency medical services] call?"

Dozens of other northwest Ohio officials traveled to Columbus to lobby lawmakers.

"Our budget is in a very tight situation with the fact that our tax code continues to keep our economy from growing," Taft spokesman Mark Rickel said. "These are very difficult decisions to make. The local government fund is a revenue-sharing partnership that is one of the most generous in the country. We will still be contributing more than a billion dollars in each of the next two years."

Local officials stopped short of suggesting how the state should pay for the restored funding.

"The General Assembly is going to have to make decisions as to what are their priorities in this budget. We feel we should be the top priority," said Tuscarawas County Commissioner Kerry Metzger, a Republican.

Clyde Scoles, executive director of the Toledo-Lucas County Public Library, said the cuts would likely force more public libraries to seek support from taxpayers via levies as Toledo-Lucas County has already done.

The local library system receives 49 percent of its $35 million annual budget from a local levy. The rest comes from a local government fund fueled partly by individual income tax collections. "For 78 percent of the Ohio library districts, it's their only source of funding," Mr. Scoles said. "If we lose any more than we've already lost, you're going to see much more closings, materials being reduced, and staffing be laid off."

Contact Jim Provance at:
jprovance@theblade.com,
or 614-221-0496.

APPENDIX B

Posted on Wed, Mar. 16, 2005 from the Akron Beacon Journal

Municipal government officials decry Taft plan to cut revenue sharing
Local leaders demand slice of pie
By Julie Wallace
Beacon Journal staff writer

Officials representing every level of local government will rally in Columbus today against a plan by state officials to carve away at the chunk of state revenue that gets passed down.

Never heard of the local government fund? That's not a surprise -- hardly anyone outside of government has. But that's likely to change.

Nearly every city, township, village and library official is intent on spreading the word about the money that has been earmarked for them since the state's first sales tax in 1934.

Their motivation is the proposed budget announced by Gov. Bob Taft, which calls for cutting the amount of local government money for cities by 20 percent and other localities by lesser amounts.

"It's not just 20 percent,'" said John Mahoney, deputy director of the Ohio Municipal League, the Columbus-based lobbying organization for cities that is staging today's press conference. ``It's 20 percent on top of four years of freezes and cuts at a time when we are 49th in the country in job growth.

"Our municipal budgets have been battered by local government cuts and freezes. It's been a very tough time, and to put 20 percent on top of that? This idea that we can sustain services with these cuts -- it's simply wrong.'"

Mahoney said the cuts should be made somewhere else. In terms of the state's total revenue, he said local government fund money that goes to cities is only about a half-percent.

"This is making a cut that doesn't save the state that much money, but when it trickles down to local governments, counties and townships, it's a huge cut for those folks," he said.

The 10 a.m. press conference, originally planned for a hallway of the Statehouse outside Taft's ceremonial office, encountered scheduling conflicts and was moved to an area known as the ``crypt"-- an area in the statehouse basement.

The move wasn't a message, Mahoney said. "None except irony. There are no bodies... that we know of.'"

Akron Mayor Don Plusquellic will be there to continue his lambasting of state officials he accuses of breaking a long-standing revenue-sharing agreement.

The first statewide sales tax was passed in 1934 during the Depression -- with $10.7 million being doled out to the counties in 1935. Plusquellic said it was the state leaders' promises at that

time to share the money that persuaded local leaders to support the plan and sell it to their strapped citizens.

"I think it's evil, it's unconscionable and it's absolutely unethical for them not to keep the commitment," he said. ``The people down there don't care about local citizens."

Akron's bean counters estimate that the 20 percent cut would slash $3 million from an already tight budget. That would mean losing 56 employees. Sparing the police and fire departments would mean losing other city services, the mayor said.

Cleveland Mayor Jane Campbell, who has already had to lay off more police and firefighters than most communities employ in a decade, on Tuesday had a rally in Cleveland to get the word out about what the proposed cuts would do.

She was joined by officials from many of the city's suburbs as well as library and park officials. In Cleveland, the 20 percent cut would mean losing $11 million annually -- or another 155 police officers and firefighters.

"It would be disastrous to the safety of the citizens here," said city spokesman John Goersmeyer.

Bill Lillich, interim city manager for Kent, said the $300,000 his city stands to lose pales in comparison to Cleveland but would be equally difficult for his city to overcome. Kent has already cut eight city jobs in the past few years through attrition.

"We've already put some effort into maintaining service while seeing a decline, but you reach a point where you keep bending the stick and it's going to snap," he said.

Sagamore Township Trustee Rosemary Snell said the cuts wouldn't have an immediate impact on the township because there's a surplus, but eventually the effect would be felt. A separate police levy pays for protection, so the impact would be on other services.

Snell, who is vice president of the Summit County Township Association, said the effect could be far more dramatic on other villages and townships where the budgets are far tighter.

Only Cuyahoga Falls Mayor Don Robart said he wasn't all that concerned about the proposed cuts since his city expected them and planned for them.

"I think the cities that are screaming the loudest are the ones that really didn't budget for it," Robart said. "But you'd have to be brain dead not to see over the last year that something was going to happen. I'm a Republican, so obviously I'm going to side with them, but the decisions they've made are nothing more than a reflection of what they are getting from their constituents.

"Putting Don Plusquellic aside, you can't say, `Cut back, cut back, cut back,' and then give everybody 100 percent of the local government fund."

APPENDIX C

Posted on Thu, Mar. 10, 2005 from the Akron Beacon Journal

Gov. Taft's budget puts a hurt on locally

By Patricia Geissman

The writer, a Republican, is serving her fourth term as a Medina County commissioner.

No road salt in Montville Township.

No road maintenance in Spencer Township.

A closed road in Wadsworth Township.

Fewer police officers, the public libraries closed on weekends, township cemeteries overgrown with weeds.

Local officials say that's just the tip of the iceberg that Medina County residents could be sailing into with the loss of money for local governments in Gov. Bob Taft's proposed biennium budget.

The Republican governor's two-year budget would freeze local government funding for this year at last year's levels.

Then, in January 2006, it would further reduce funding to counties, cities and park districts by 20 percent, to townships and villages by 10 percent and to public libraries by 5 percent through June 2007.

What are local government funds? During the Great Depression, local governments experienced grave financial difficulties. Property-tax delinquencies and foreclosures were high.

So in 1933, the Ohio Constitution was amended to reduce the allowable, unvoted property-tax millage from 15 to 10 mills to address this problem by offering tax relief to property owners. A year later, in 1934, Ohio enacted its first sales tax, at a rate of three cents per dollar.

One of the purposes of the sales tax was to ``support local government activities," and so the Local Government Fund was established at the same time.

In 1935, the Local Government Fund received about 40 percent of the state's sales-tax receipts, thus beginning the ``revenue-sharing" principle of local government funds.

Today, local government funding continues to be a means for counties to retain (by receiving back) a percentage of the dollars collected through the state sales and personal income taxes.

For most public libraries around the state, these funds represent 100 percent of their income.

Cities and villages use the local government funds to pay police officers, to contract for emergency medical services, to maintain roadways and to repair town halls.

The Medina County Park District, for example, uses its local government funds revenue-sharing to help cover the cost of operations and for 67 percent of its staffing expenses.

The governor's local government cuts would come on top of lost revenue from the personal income tax, which the governor proposes to cut by 21 percent.

Although the governor's budget staff has indicated that the freeze and the funding cuts would be only temporary, they follow freezes and reductions in previous years that also were labeled ``temporary'' but that were never returned to the levels set by law.

Gov. Taft's proposed budget is a knife that would cut a wide and indiscriminate swath across all facets of life for Ohioans. These are not just a few dollars here and there. This money represents a significant portion of all local budgets.

The proposed cuts are a clear demonstration that our governor has no understanding of what counties do with these tax dollars. If he did, he'd appreciate the long-range impact his cuts are going to have on local governments already struggling to balance budgets.

Further cuts to the Local Government Fund would cause Medina County, for instance, to consider eliminating nonmandatory services such as subsidies to the Ohio State University Extension Service and to the Soil and Water Conservation District.

Wadsworth Mayor Jim Renacci and Medina City Finance Director Keith Dirham, moreover, say further reductions or the loss of these revenues would cause their cities to cut back further on services, increase fees or taxes, or both.

Bill White, Brunswick's finance director, has said that after sustaining tremendous increases in workers' compensation premiums, health-care expenses, fuel costs and other operating expenses, any cuts made to the city's local government funds revenue would severely restrict Brunswick's ability to continue operations at current levels without having to look for replacement revenues from residents, businesses and service users.

Local officials feel further losses could hit us on multiple fronts and could cause ripple effects.

If libraries are forced to cut services, for example, services to schools may suffer, or certain services that counties now perform might be left to the cities to struggle to do. Medina Mayor Jane Leaver says that her city finally has reached financial stability, so to lose any percentage of the state revenue-sharing would set the city back on a five-year plan that residents and officials have worked so hard on.

The governor declined to personally talk to any local government officials prior to releasing his budget proposal, so our only recourse now is to impress upon our legislators the dramatic effect the loss or further reduction of local government funds wouldl have on everyday life, in Medina County and around the state.

Accordingly, the state County Commissioner's Association and its LGF Task Force (formed last fall in reaction to talk of cutting the local revenue-sharing), as well as other groups of concerned leaders across Ohio, have requested an opportunity to address our lawmakers with our concerns.

As a result, next Wednesday, a joint news conference with recipients of local government funds will be held in Columbus.

In addition, public testimony is scheduled before the House Finance Committee over the governor's proposed budget. Members of the LGF Task Force's executive committee plan to attend these events to show support and possibly testify.

Members of the LGF Task Force also recently taped an informational program on local government funds, to air this month in Brunswick, Medina and Wadsworth on the educational cable TV channel through the county's program, *Your Medina County*.

If you concur with your local officials that the state should honor the original agreement of revenue-sharing of local government funds, and not keep tax dollars in Columbus that should be coming back to our communities, then I encourage you to write your state legislators regarding these concerns.

Letters can be addressed to members of the Senate in care of the Statehouse, Columbus, Ohio, 43215; or to members of the House of Representatives at the Statehouse, Columbus, Ohio, 43266-0603.

APPENDIX D

1

The New York Times
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"TYPE=PICT;ALT=TheNewYorkTimes"

March 22, 2005

Big Three Workers Give an Inch on Health Care

By DANNY HAKIM and JEREMY W. PETERS

DETROIT, March 21 - Like other Big Three auto workers, Deborah Stewart has medical coverage that is, if not a free lunch, then close to it. No deductibles. No monthly premiums. But Ms. Stewart, who works at a sprawling **General Motors** complex in the shadows of the Detroit skyline, says she believes it cannot last.

"They're losing money, saying they've got to make changes, and I think everybody expects that it's going to come," said Ms. Stewart, 55, referring to cuts in health care benefits. A 30-year G.M. veteran who oversees robots that attach fenders to cars, she was heading out after her shift Monday at the Detroit/Hamtramck assembly plant, which produces cars like the Buick LeSabre. "I think it will come," she said, "without a doubt."

With the decline of the domestic auto industry accelerating, the United Auto Workers union has agreed to a baby-step rollback of its vaunted "first dollar" health care coverage, which has long made assembly work at a Big Three automaker one of the most attractive blue-collar jobs in America. Under the coverage, workers at G.M., **the Ford Motor Company** and the Chrysler division of **DaimlerChrysler** pay no deductibles or monthly premiums.

But this year, the union agreed to let Chrysler start imposing the first deductibles to be paid by Big Three workers, ranging from $100 to $1,000 for workers or retirees who use preferred provider organizations, known as P.P.O.'s. Chrysler workers were informed in a letter on March 10, and the development was first reported this weekend by The Detroit News.

While Chrysler will reap only modest savings from the step, and while auto workers still have coverage that is the envy of many white-collar workers, the move is deeply symbolic and a sign of the union's acknowledgment of the competitive pressures from **Toyota** and other foreign-based competitors. Considering that Chrysler is the healthiest of the Big Three at the moment, and that similar provisions are in all of the Big Three contracts, such arrangements are expected

to follow for G.M. and Ford.

"It's a precedent breaker, and it's a union that relies on precedents and agreements," said Sean P. McAlinden, director of the economics and business group at the Center for Automotive Research, an independent research firm in Ann Arbor, Mich.

"If something has never been done before, it's very difficult for the union to ratify it or an official to allow it. Then once it happens, it can be blown up."

Ford and G.M. would not respond when asked whether they would try to negotiate for the initial use of deductibles for P.P.O.'s.

A G.M. spokesman, Stefan Weinmann, said, "we never talk about our contract with the U.A.W."

Marci Evans, a spokeswoman for Ford, said, "Ford and the U.A.W. continually have discussions regarding contractual provisions which would include health care," but added, in reference to DaimlerChrysler, that Ford "has similar language in its collective bargaining agreement."

In a statement Monday, Ron Gettelfinger, the union president, played down the significance of the use of deductibles, saying Big Three workers have co-pays for drugs and office visits, depending on the plan. He added that U.A.W. members in general, who include workers outside the auto industry, were not "immune to the effects of rising health care costs."

Preserving the generous health care coverage of Big Three workers has been the top priority of Mr. Gettelfinger of the union. Before contract negotiations in 2003 he drew a line in the sand over health care costs, declaring at a news conference before the talks "we're not going to share costs." Still, he did give some modest ground in the 2003 contract, agreeing to small increases of co-payments for prescription drugs and some doctor's visits.

Mr. McAlinden at Automotive Research said going beyond small cuts would not be easy to sell to union members, though many, like Ms. Stewart at G.M., are realistic about the depressed business climate.

"When it comes to really making a concession of health costs, it's going to be very difficult for them," he said.

If deductibles came to G.M., "obviously, everybody would be upset," said Craig A. Nothnagel, a G.M. worker and the president of union Local 22 in Detroit.

"Nobody wants to give up any money if they don't have to, but I believe the membership is educated enough and understands enough what's going on around us, with this world economy we were forced into, that things are changing for all of us," he said.

In the arrangement with Chrysler, the company invoked a little-known provision of its labor contract that allows for a revamping of some aspects of its health care agreements if costs accelerate. Since costs at P.P.O.'s used by the company have recently surpassed those of traditional fee-for-service health plans, Chrysler and the union considered a number of options but agreed to a $100 to $1,000 deductible for workers and retirees who want to remain in P.P.O.'s.

Of the 390,000 Americans covered by Chrysler, about 35,000 blue-collar workers and retirees, and their family members, use P.P.O.'s. The company expects to reap savings in the low tens of millions of dollars on its annual $2 billion health care bill.

"It's a drop in the bucket next to $2 billion, but at the same time it's a significant step and certainly indicates that the U.A.W. has their eye on the same issue," said David Elshoff, a spokesman for Chrysler.

Since the 2003 contract was negotiated, Chrysler has been the one member of the Big Three to show signs of a turnaround. Both G.M. and Ford have continued to see a sharp erosion of their customer base, but G.M.'s sales and financial erosion has been particularly steep. The company held about a quarter of the United States market in February, down from 33 percent a decade ago, and its stock hit a more than 10-year low last week after it announced that it would report two consecutive quarters of losses.

G.M. also plans to produce 10 percent fewer vehicles in the first half of the year than it did a year ago. And as it has for the last half-decade, it continues to cut white-collar jobs through buyouts and early retirement packages at a pace of 1,000 to 2,000 workers annually.

G.M. is meeting next month with union leaders to discuss its current financial situation, including health care costs.

A substantial part of G.M.'s problem - but hardly the only issue - is that it is supporting about two and a half retirees for every worker. With health care costs more than $5 billion a year - and about $1,400 on a vehicle produced in the United States - many G.M. workers are expecting that long-cherished benefits could be pared back.

"I really don't think that it should come out of our pocket, but it's getting to that point," said Rhonda West, 37, a rare recent G.M. hire at the Detroit/Hamtramck plant.

Mike Wakely, 49, a production supervisor at the plant who is worried about cuts to salaried benefits, said, "I fully expect to pay some share of my health care somewhere down the road. Would I like it? No. Would I understand it? Yes. It's not 1950 anymore and there's no longer just three auto companies in the world."

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APPENDIX E

From today's **Detroit News**:

Sunday, March 20, 2005

Chrysler hikes union health costs

UAW agrees to let company shift more of the tab to workers; rivals likely to follow.

By Brett Clanton / The Detroit News

Chrysler struck a deal with the United Auto Workers to raise out-of-pocket medical expenses for 35,000 blue-collar workers and retirees, setting a precedent that its crosstown rivals may seek to follow.

Beginning April 1, Chrysler's hourly workers, retirees and their families will be required to pay annual deductibles of $100 to $1,000 for health care that had previously been free. The Auburn Hills-based unit of DaimlerChrysler AG also will begin charging workers co-payments up to $12.50 for vision care.

The changes were outlined in a March 10 letter to workers obtained by The Detroit News and confirmed by Chrysler officials. The move will save Chrysler tens of millions of dollars.

The automaker was able to negotiate the

Health plan changes

Beginning April 1, Chrysler UAW workers and retirees will pay more for health care.

PPO plan

• Annual deductible: In network, $100 for an individual, $200 for a family; out of network, $500 individual, $1,000 family.

• Deductible applies to office visits, physical exams and all eligible hospital, surgical

changes without breaking open its national contract with the United Auto Workers because of a little-known pact between Chrysler and the union.

The agreement -- negotiated in 1982 but never before invoked -- allows Chrysler to ask the union for relief if health costs spiral out of control.

John Bistok, an electrician at Chrysler's Twinsburg, Ohio, stamping plant, understands the need to reduce health care costs, but said rank-and-file workers were kept in the dark about the changes and the side agreement that allowed them.

"Walter Reuther and his brothers are rolling in their graves based on what (current president) Ron Gettelfinger and other leaders of the UAW are doing," Bistok said.

While deductibles and co-payments are commonplace for most Americans, they are new to many UAW workers. The union's labor contracts with automakers have long guaranteed close to fully paid health care coverage.

Detroit automakers are grappling with double-digit increases in health care costs and taking aggressive steps to rein in the expense.

The UAW has vigorously resisted efforts by automakers to shift more health care costs to hourly workers, but the union agreement with Chrysler signals it is willing to bend to provide relief.

"The automakers and, increasingly, the United Auto Workers are recognizing that the level of benefit commitments that the companies have are unachievable," said Stephen D'Arcy, partner in charge of automotive practice for PricewaterhouseCoopers in Detroit.

UAW International officials did not respond to phone calls seeking comment.

Chrysler will charge deductibles only for employees and retirees covered by its preferred provider organization, or PPO. Annual deductibles within the PPO network will be $100 for individuals and $200 for families. For workers using doctors and other health care providers outside of the PPO network, deductibles are higher -- $500 for individuals and $1,000 for families.

The deductibles apply to office visits, physical exams and all eligible hospital, and medical benefits. Co-pays remain unchanged at 50 percent of charges.

• Deductible does not apply to prescriptions, foot care, mental health care, substance abuse care, durable medical equipment and some preventive services.

Vision plan

• Co-pay of $5 for vision exams and $7.50 for lenses, frames and contacts. Co-pay will not exceed $12.50 for each person covered.

Source: DaimlerChrysler

CyberSurvey

Health care powwow

Is it a progressive or regressive move for the UAW and Chrysler to work out a health-care benefit adjustment without opening the contract?

- It's forward thinking
- It's a step backward

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surgical and medical benefits, but do not apply to prescription drugs or special services such as mental health coverage.

Co-pays for office visits and physical exams will remain unchanged at 50 percent of charges, and most immunizations and surgical procedures will continue to be covered in full by the PPO plan.

Chrysler this month also notified about 7,500 UAW workers in St. Louis that they will be moved in April from a Blue Cross and Blue Shield PPO plan to a new PPO administered by United HealthCare Corp. The same deductibles will apply.

Chrysler has about 35,000 current and former employees covered by its PPO plans. That number does not include family members. The rest of Chrysler's 70,000 UAW-represented workers are covered by separate plans and are not affected by the changes in deductibles.

All workers, however, will be charged co-pays for vision coverage -- $5 for vision exams and $7.50 for lenses and frames or contact lenses. Total out-of-pocket costs won't exceed $12.50 per person, according to the letter.

Under the current four-year contract with the UAW, Chrysler, General Motors Corp. and Ford Motor Co. are prohibited from changing terms of health care coverage. But Chrysler and the UAW ratified "side letters" to their national contract that allow the automaker to renegotiate health care coverage if costs from private providers climb too high.

A side letter known as "C14" in Chrysler's 1982 contract with the UAW established a threshold for comparing health care costs from a private provider with traditional plans. A 1996 letter called "C13" gave Chrysler power to act when "the parties agree to take appropriate action to obtain a reduction" in fees from privately managed programs when they become "obsessive" or "unreasonable."

After an internal review last year, Chrysler determined it was paying more, in every case, for private plans than those of company-backed or national plans.

The company began holding discussions with the UAW about six months ago to come up with a solution, said Tom Hadrych, Chrysler's vice president of benefits, compensation and corporate services.

"We framed what the issue was and how much the issue was costing the company. Then, we worked with the UAW to figure out the best way to provide quality care at a cost-effective rate," Hadrych said.

Chrysler could have begun charging union workers regular premiums for health care, Hadrych said, but decided that negotiating deductibles and co-pays was a more agreeable way to share costs.

Chrysler's annual health care costs have increased from $1.3 billion in 2000 to about $2 billion last year. That equates to about $1,400 for every vehicle Chrysler sells.

Chrysler's Detroit rivals -- GM and Ford -- spend considerably more on health care and are likely to seek similar relief. GM is expected to spend $5.6 billion on health care this year, up from $5.3 billion in 2004. Ford spent more than $3

billion in 2004.

"It was going to happen whether Chrysler implemented this or not. The floodgates are opening," said D'Arcy of PricewaterhouseCoopers.

Skyrocketing health care costs pose a serious threat to U.S. automakers and parts suppliers, said David Cole, chairman of the Center for Automotive Research in Ann Arbor. "It's just not sustainable."

While some auto workers may bristle at changes to health care coverage, the situation is likely to get worse before it gets better, D'Arcy said.

"There's going to be significant changes in the way health care is provided to auto workers, retirees and their families in the future. This is just the beginning."

Chrysler's Hadrych said there are no immediate plans to make other changes to health care coverage for workers under the PPO plan or workers under other plans. But he didn't rule out future changes.

"Never say never," he said, "especially in the health care business."

You can reach Brett Clanton at (313) 222-2612 or bclanton@detnews.com.

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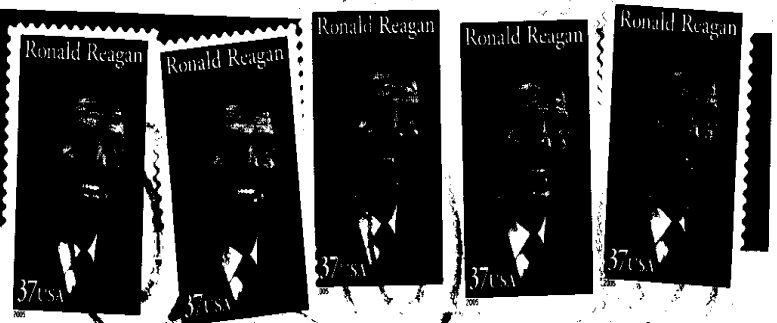
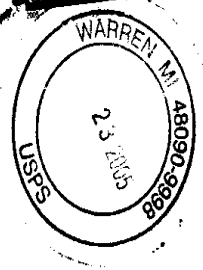
WARREN, MI
48090
MAR 23, '05
AMOUNT

$0.00
00012550-07

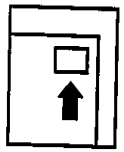




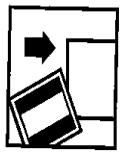
HOW TO USE:

STANLEY T. DOBRY
P.O. BOX 1244
WARREN MICHIGAN 48090-0244

1. COMPL
Type or
address
in custo
or on lal



2. PAYMEI
Affix posi
indicated



3. ATTACH L
Remove lal
over custon
(white area).

STATE EMPLOYMENT RELATIONS BOARD
65 EAST STATE STREET 12TH FLOOR
COLUMBUS OH 43215-4213

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