

Teachers and the Qualified Economic Offer (QEO)

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Since Governor Doyle has recommended the elimination of the Qualified Economic Offer (QEO), I have been asked many questions focused on the QEO as it exists today. The collective bargaining laws in the State of Wisconsin have existed for the last 15 years. The creation of the QEO was a part of the 1993 Wisconsin Act 16. Reduced to its basics, it states that a school district can avoid arbitration on economic issues with its teachers if it makes a QEO to its teachers' union. The QEO maintains all existing fringe benefits and the employer's percentage of contribution to be the same and provides total package costs that are not to exceed 3.8%.

Offering a QEO does not relieve either party of the obligation to continue to engage in bargaining. The duty to bargain provisions of the statutes were left untouched by law. However, after a reasonable period of negotiation and the parties remaining deadlocked, the employer, in this case the school district, may unilaterally implement the QEO. Implementation of a QEO does not relieve either the school board or the local teachers' union of their mutual obligation to continue to bargain on all mandatory subjects. The current law blocks access to arbitration for "economic" issues; these economic issues are broadly defined. However the law allows for the arbitration of non economic issues, but only following agreement on the economic issues. The statute requires board – teacher union agreements to be two (2) years in duration, ending unilaterally on June 30 of odd number years.

The QEO provision can only be understood in the context in which it was enacted. It was a general perception that property taxes, then the primary revenue source for public education, were growing at an unacceptably high rate. School tax increases at the time ranged from 8.1% to 10.7% between 1988 and 1992. In 1993 the State increased its share of funding for public schools from 40% to 66%. In exchange for significantly increasing the dollars available for public schools, the legislature capped the ability of local school boards to raise revenue. The legislature created a formula, tied to per pupil expenditure, which has allowed spending to grow at a state-wide average of about 2.5% annually. The QEO was enacted simultaneously to permit school boards to control the largest piece of their budgets, teacher compensation (approximately 80% of a district's budget).

The QEO is not a comprehensive labor law, but, rather, it is a tax reform agenda. When it was originally enacted, the QEO had a four (4) year sunset provision. The tax consequences of controlling school board spending through revenue controls proved popular, and in 1995 the law became permanent. The law, which was never designed as a permanent institution, essentially freezes the status quo of contractual provisions and allows for very limited, narrow, and directed cost of living salary increases.

Since the inception of the QEO, the bargaining strategy of many Wisconsin school boards has been to calculate the value of a QEO and to negotiate from that point to a "full QEO". In essence, boards have attempted to modify contract language in return for additional compensation. In 1999, the legislature amended the QEO law to mandate that teachers be given the full 1.7% benefit cost, which in turn guarantees the full 3.8%. Revenue caps were not modified, and the gap between revenue and

expenditures has grown exponentially, creating a history of annual budget reductions, especially in school districts declining in student enrollment.

Teachers are the only organized employees in Wisconsin regulated by the QEO. In many school districts today, following the calculation of fringe benefit costs and step and lane movement, there is little to no money left for salary increases. Therefore, there has been little incentive to, in the traditional sense, bargain. For the most part, the elements of the QEO formula make up most of the employee compensation package and are guaranteed. School boards are not positioned to offer much more than the QEO and, with little to offer, have no meaningful way to seek concessions.

Today, bargaining is conducted locally, while the meaningful decisions that shape the outcome of the bargain have been made elsewhere away from the bargaining table. Traditional collective bargaining, aligned closely with Governor Doyle's current proposal, is a process in which parties meaningfully discuss all contractual issues without any parameters surrounding compensation. Stay tuned. The 2009 Wisconsin Legislative Session may impact today's Collective Bargaining Law.

(Collective Bargaining in the Public Sector, Joyce M. Nagita, James L. Stern 2001)

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