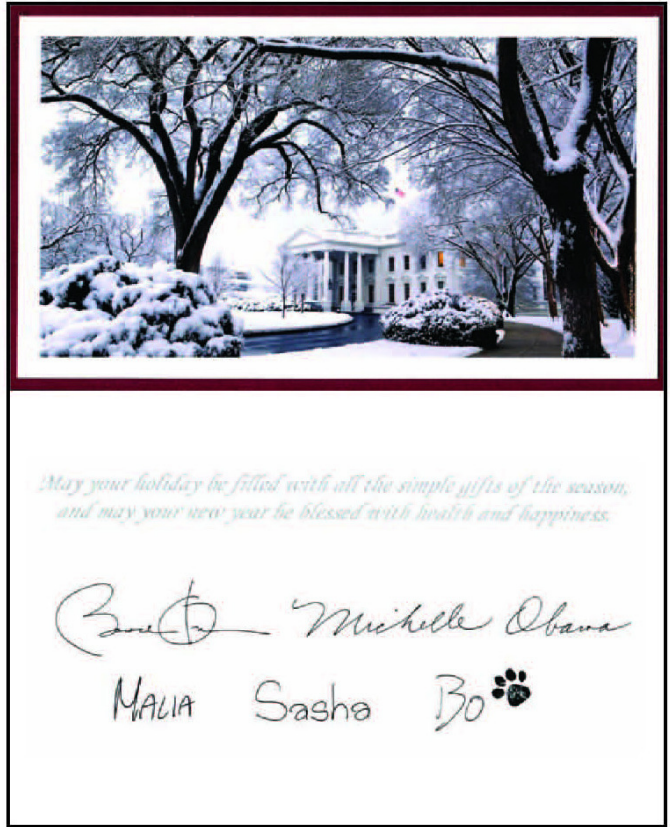


DECEMBER 2010  
VOLUME 20, ISSUE 10



# MSEA NEWS



**MSEA received these official holiday greeting cards.**  
*(l) State Capitol building, Lansing, Michigan*  
*(r) White House, Washington D.C., signed by the First Family*

.....

**HAPPY HOLIDAYS FROM MSEA!**  
**FINANCIAL REPORT, PGS. 5-12**

## NEWS NOTES



Mrs. Frances M. Nichols

### IN MEMORIAM

**The mother of Judith Toombs (Region V, MDOT Chief Steward)...Mrs. Frances M. Nichols**, 83, of Port Huron, passed away on November 24, 2010. The eldest of 13 children, Mrs. Nichols attended Romeo Schools and graduated from Romeo High School as the first African-American woman Valedictorian in 1945. Our deepest sympathy to Judith and to her family.

**CONGRATULATIONS...to Eric Waters (Region VIII, DLEG Spokesperson) and his wife, Erica, who welcomed baby boy Eric, Jr.,** at 10:50 am on November 12, 2010. He was 20 1/4" long and weighed 8 lbs., 9 oz.

### NEED HELP?

#### Employee Service Program Available

The Employee Service Program (ESP) provides confidential services to classified state employees who are experiencing work-related problems or personal concerns that are affecting their work. Counselors provide expert assistance in the identification and resolution of work-related problems. Contact information is as follows:

#### Lansing Office

800-521-1377

517-373-7630

For a free, anonymous depression screening call:

800-887-5676

#### Detroit Office

800-872-5563

313-256-3619

## WIDEST BUCK ON THE POLE

**Kevin Kotzian (Region IX Alternate Director)...**shot a 164-pound, 10-point buck on November 15 on the Lenawee-Jackson County border. The 10-point buck hung on the annual buckpole at Knutson's Sporting Goods in Brooklyn and Kevin says it was the widest buck on the pole on November 15! A photo of Kevin with the buck was also featured in the *Jackson Citizen Patriot*. Kevin also



shot a 208-pound, 8-point buck in Washtenaw County on October 21. According to Kevin, "The 8-point was special because it was the first deer I scouted with my beautiful son, Jackson, when he was only three-months old." (Jackson is now 6-months old.)

Kevin Kotzian with 10-point buck. (photo Jackson Citizen Patriot)

### PUBLICATION OF MSEA NEWS

Please note the publication schedule for the *MSEA News*. Printed/mailed issues are February, May, August, October and December (required financial issue includes mailing to fee payers). All other monthly issues will be posted on the MSEA web site only.

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Michigan State Employees Association  
AFSCME Local 5, AFL-CIO  
2010 - 2012 State Board of Directors

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Labor Relations Specialist:

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#### Contact Us

Lansing Area Phone: (517) 394-5900

Toll Free: 1-800-228-5901

Fax: (517) 394-4060

Website: [www.msea.org](http://www.msea.org)

**BASIC STEWARD TRAINING**  
**FRIDAY, JANUARY 28, 2011**  
**ADVANCED STEWARD TRAINING**  
**SATURDAY, JANUARY 29, 2011**  
**9 AM - 5 PM**  
**REGISTRATION: 8:30 AM - 9 AM**

**BULLETIN BOARDS**

*by James Zoccoli, Region IX Director*

Brothers and Sisters, I write this article because we are in uncertain times. Communications and information are the thread that binds us together. Recently, I attempted to locate an MSEA Bulletin Board in my workplace. I could not find it. It had been there some time ago, but it no longer exists.

It is our responsibility to identify if a Bulletin Board is available and is being maintained. Our Collective Bargaining Agreement 4C, addresses Bulletin Boards. If there is no Bulletin Board in your workplace, please contact a Union Steward, Chief Steward, Spokesperson or MSEA Officer. The information on a well-maintained Bulletin Board will keep membership aware of current information, events, contacts, etc., and minimize rumors. Review of your individual Secondary Contracts may provide additional Bulletin Board language. Additional sources of communication and information would be the MSEA website, for those who have access.

*Editor's note: If you need assistance in registering for the MSEA website, please contact Karen Murphy, Director of Communications, at (517) 394-5900, ext. 122.*

**MSEA HAS A DEAL FOR RETIREES!**

Did you know that even though you've retired, you can still be an active member of MSEA? If you would like to continue to receive the *MSEA News* and have access to the registered users' website, then MSEA has a deal for you! You can become a retiree member for the low bargain price of just \$12 per year.

Keep current with your MSEA friends and get the latest news about important union issues. To continue receiving publications without interruption, please send your check for \$12 to the MSEA Central Office (6035 Executive Dr., Suite 204, Lansing, MI 48911) by February 1, 2011. Please make checks out to MSEA.

**REQUIREMENTS FOR FILING A GRIEVANCE:**

**Article 8, MSEA Primary Agreement**

*Article 8 of MSEA's Primary Agreement details requirements for properly filing a Grievance. This is only a summary which is not meant to replace Article 8 in the current MSEA contract. Please refer to the contract for specifics.*

**Employee**

Grievances must be filed within 15 week days from the date the employee knew OR SHOULD HAVE KNOWN of the infraction.

**Step One**

The employer has 10 days to answer at Step One.  
--The employee has 10 days from answer or absent a Step One answer, 10 days from the time the First Step Answer was DUE to appeal to Step Two.

**Step Two**

The employer has 15 days to Answer at Step Two.  
--IF a Step Two meeting is held, such a meeting must take place within 15 days of the Employer's receipt of the appeal to Step Two. The Step Two Answer is then due within 10 days of that meeting.

**Grievance to MSEA**

The employee must then IMMEDIATELY request, in writing, that the matter be considered by MSEA's Litigation and Arbitration Committee. Only MSEA may appeal a Grievance to arbitration and such MUST be filed within 45 week days from the time the employer's Second Step Answer was received or from the date the employer's Answer WAS DUE.  
**NOTE: This is the most common time issue. MSEA has to submit appeals to the Lit and Arb Committee which only meets once a month.**

**Litigation and Arbitration Committee**

Given MSEA's Request for Arbitration procedure, MSEA's appeal procedure, and Demand filing deadlines, the employee's written request for consideration by the Lit and Arb Committee MUST be forwarded to the office as soon as possible.

**--Arbitration & Litigation requests MUST have a cover letter attached specifying that it's an Arbitration & Litigation request.**

--Failure to timely and appropriately submit a Grievance and its supporting documentation may result in the Grievance being considered untimely/improperly filed.

**Making a List and Checking It Twice...**



Just in time for the holidays, MSEA t-shirts are now available for purchase and there are many sizes from which to choose (baseball caps are also available). Make your gift-giving easier. Call today to place your order with Tammy Roberts at (517) 394-5900, ext. 113.

## 3 PERCENT EMPLOYEE CONTRIBUTION PUT IN ESCROW



*Ingham County Circuit Court  
Judge William Collette  
Photo LSJ.com*

Ingham County Circuit Court Judge William Collette granted a preliminary injunction filed by employee unions to put the proceeds of the new 3 percent employee health care contribution into an interest-bearing escrow account pending

a final decision.

Judge Collette issued the ruling because he said he had "no confidence" the state Legislature would appropriate funds to repay the money if the state eventually lost in the suit filed by four state employee unions.

That salary contribution, which totals about \$75 million annually, is part of a controversial retirement incentive passed by legislators this year.

Attorneys for the Michigan State Employees Association (MSEA), UAW 6000, SEIU Local 517-M and AFSCME Council 25 asked that the money not be put into an irrevocable trust, as the state had recommended, out of concerns the employees would never see the money if they prevailed in court.

"It's a first step," said MSEA Attorney Brandon Zuk. "It's not a final decision so we'll have to keep at it."

Zuk said it's expected that the state and the unions will both file for summary judgment with the hopes of a decision by January on the case filed by the employee unions. The lawsuit contends that the new 3 percent contribution to cover the costs of their retiree health care costs runs afoul of state law. The decision on December 8 by Judge Collette is consistent with a similar decision regarding a new 3 percent contribution public school employees are ordered to make under a new state law in order to shore up their retiree health care costs.

*--edited from MIRS News Service*



*(l-r): MSEA President Ken Moore and School for the Deaf workers Larry Pope and Uriah Lange.*

## Michigan School for the Deaf Sale Passed by Legislature Despite Pleas From Deaf Community

HB 1558, passed by the House in early December, was given "Immediate Effect" by the Michigan Senate on Wednesday, December 15. (Due to a procedural error, a number of bills, including HB 1558, couldn't be enrolled on the last day of the lame-duck legislative session on Thursday, December 2.) The bill makes it possible for the historic, 85-acre Michigan School for the Deaf (MSD) site to be sold to Lurvey White Ventures, headed by Flint developer Ridgway White, for \$1.3 million. The bill now heads to Gov. Granholm's desk for her signature where she has 14 calendar days to sign it. As this issue goes to print, members of the Michigan School for the Deaf--hoping to persuade the governor to veto the bill--were turned down for a meeting with her.

About 25 supporters of the School for the Deaf, located in Flint, rallied in front of the Capitol as the legislature reconvened on a freezing, snowy morning. MSD leaders met with Sen. John Gleason (D-Flushing) to unsuccessfully protest the sale. Earlier in the month, MSEA members Larry Pope, Jr., power plant operator, and Uriah Lange, maintenance worker, traveled to the Capitol where their presence and testimony by Larry impressed the House Appropriations Committee.

The proposed murky deal--similar to the controversial Michigan State Police new building fiasco--will result in expensive construction of new buildings. It will also mean the probable job loss for 15 MSEA power plant and boiler workers, fire and safety officers, and maintenance workers. These employees are required to know American Sign Language (ASL) in order to communicate with students and staff. According to an MSD flyer at the rally:



*Michigan School for the Deaf supporters rally at the Capitol on December 15.*

"Signing employees are rare...It takes years to master the language and fluency of ASL...Job layoffs will be devastating economically, but will have an unfairly disproportionate negative impact on the Deaf Community, thus denying critical access to education and resources."

MSEA will continue to support the deaf community at MSD and fight for the jobs of its members.

## Notice To All Members and Non-member Representation Service Fee Payers

### FISCAL YEAR 2010

In accordance with MSEA's and AFSCME's approved Representation Service Fee Policy and Procedures, please read the following:

1. Representation Service Fee Policy and Procedures.
2. Notice of Representation Service Fee Advance Reduction for Fee Year January 1, 2011, through December 31, 2011.
3. Appendix A: Schedule of MSEA's Nonrebatable and Rebatable Expenses Category Descriptions.
4. Appendix B: Schedule of AFSCME/AFL-CIO, Notes To Consolidated Schedule of Expenses and Allocation Between Chargeable and Nonchargeable Expenses for the Year Ended December 31, 2009 (applicable fair shares fees for the period January-December 2011).

This letter is to inform you of the determination of MSEA's Representation Service Fee and the resulting service fee advance reduction. It is also intended to provide information regarding your rights of appeal. If you are a Representation Service Fee Payer, we would much rather have you as a member of MSEA! The more members we have, the more strength we can bring to the bargaining table to win just wages and better benefits for everyone, including you. It's that simple. By filling out a membership application, you can gain all the advantages of union membership. Please take this opportunity to join MSEA by contacting us at: (517) 394-5900 or 800-228-5901.

*In Solidarity,*  
*Ken Moore, MSEA President*

## REPORT OF INDEPENDENT AUDITORS

### To the Executive Board American Federation of State, County and Municipal Employees, AFL-CIO

We have audited the accompanying consolidated schedule of expenses and allocation between chargeable expenses and nonchargeable expenses of the American Federation of State, County and Municipal Employees, AFL-CIO for the year ended December 31, 2009. This schedule is the responsibility of AFSCME's management. Our responsibility is to express an opinion on this schedule based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated schedule of expenses and allocation between chargeable expenses and nonchargeable expenses is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

Except as discussed in Note 1 and Note 3(k), the expenses reflected in the total expenses column agree with the expenses in the audited consolidated financial statements

of AFSCME for the year ended December 31, 2009. The allocation of expenses between chargeable and nonchargeable is based on the definitions presented in Note 2 and the significant factors and assumptions described in Note 3. The accompanying schedule was prepared for the purpose of determining the fair share cost of services rendered by AFSCME for employees represented by, but not members of, AFSCME. The accompanying schedule is not intended to be a complete presentation of AFSCME consolidated financial statements.

In our opinion, the consolidated schedule of expenses referred to above presents fairly, in all material respects, the expenses of the American Federation of State, County and Municipal Employees, AFL-CIO for the year ended December 31, 2009, and the allocation between chargeable expenses and nonchargeable expenses, on the basis of the definitions presented in Note 2, and the significant factors and assumptions described in Note 3.



*A Professional Corporation*  
*Bethesda, MD*  
*October 22, 2010*

## APPENDIX A-1 MSEA Schedule of Expenses and Allocation Between Chargeable and Nonchargeable Expenses For Fiscal Year Ended May 31, 2010

*Footnote Expense Description	Total Expenses	NonChargeable Expenses	Chargeable Expenses
1 General Administration	\$ 858,571	\$ 6,046	\$ 852,525
2,3, & 4 Primary & Secondary Negotiation	3,894		3,894
5 Ratification of Negotiated Agreements	3,651		3,651
8 Arbitration, Representation and Administration of Negotiated Agreements	517,554		517,554
26 Litigation of Contract Issues	181,616		181,616
9 Dues, Subscriptions & Library Materials	13,718		13,718
18 General Assembly	553		553
19 & 20 Board of Directors & Executive Council	104,520	1,033	103,487
21 MSEA Committees	44,110	1,567	42,543
22 MSEA Department Caucuses	33,117	198	32,919
8 Steward	11,384		11,384
27 Membership Training	37,877		37,877
23 MSEA News and Website	21,216		21,216
13 Organizing			0
29 MSEA Regions	44,647	562	44,085
51 AFSCME Per Capita Dues	540,793	215,133	325,660
<b>TOTAL ALL EXPENSES</b>	<b>\$2,417,221</b>	<b>\$224,539</b>	<b>\$2,192,682</b>
	<b>100.00%</b>	<b>9.29%</b>	<b>90.71%</b>

\* Footnote reference is to Appendix A - Rebatable & Nonrebatable Expense Category Descriptions



### CALCULATION OF CHARGEABLE EXPENSE BASED ON EXPENSE DURING THE YEAR ENDED 12/31/09 APPLICABLE TO FAIR SHARE FEES FOR THE PERIOD JANUARY - DECEMBER 2011

	TOTAL 2009 INTERNATIONAL EXPENSE	TOTAL CHARGEABLE EXPENSE	ALLOCATED NONCHARGEABLE EXPENSE
INTERNATIONAL EXPENSE			
ASSISTANCE TO AFFILIATES	\$ 18,854,032	\$ 11,726,133	\$ 7,127,899
AUDITING	2,009,891	2,009,891	-
CONFERENCE & TRAVEL SERVICES	1,043,374	761,663	281,711
EDUCATION	5,503,928	5,802,235	(298,307)
EXECUTIVE BOARD	989,847	989,847	-
FIELD SERVICES	43,001,215	42,586,600	414,615
FINANCIAL SERVICES	12,957,163	9,458,729	3,498,434
GENERAL COUNSEL	2,802,806	2,478,369	324,437
GENERAL OPERATING & BUILDING SRVC.*	7,823,385	7,818,385	5,000
HUMAN RESOURCES	1,141,394	833,218	308,176
INFORMATION SYSTEMS	6,715,011	4,901,958	1,813,053
INTER-UNION AFFILIATIONS	20,246,124	5,044,881	15,201,243
INTERNATIONAL RELATIONS	609,089	-	609,089
JUDICIAL PANEL	1,040,142	1,040,142	-
LEGISLATION	6,509,830	1,227,197	5,282,633
POLITICAL ACTION & PEOPLE	34,099,310	(31,614)	34,130,924
PRESIDENT'S OFFICE	2,459,435	1,794,475	664,960
PUBLIC AFFAIRS	8,265,588	4,478,581	3,787,007
RESEARCH	8,260,676	7,415,612	845,064
RETIREE	1,569,450	1,456,033	113,417
SECRETARY-TREASURER'S OFFICE	1,218,342	889,390	328,952
<b>TOTALS</b>	<b>\$ 187,120,032</b>	<b>\$ 112,681,725</b>	<b>\$ 74,438,307</b>
<b>TOTAL CHARGEABLE EXPENSE (2009)</b>		<b>\$ 112,681,725</b>	
<b>TOTAL INTERNATIONAL EXPENSE (2009)</b>		<b>\$ 187,120,032</b>	<b>60.219%</b>

(TOTAL EXPENSE, CONVENTION EXPENSE, AFFILIATION AND CSOP REBATE GRANTS AS AUDITED BY BOND BEEBE, CERTIFIED PUBLIC ACCOUNTANTS.)

\*GENERAL OPERATING & BUILDING SERVICES EXPENSES HAVE BEEN ALLOCATED AS INDIRECT OVERHEAD AND FIELD DEPARTMENTS ON A PERCENTAGE BASIS.

# MSEA Representation Service Fee Policy (revised 11/00)

1. Any person making representation service fee payments in lieu of dues payments under agency shop provisions in MSEA's collective bargaining agreement, who objects to the expenditure of any portion of such payment for purposes unrelated to MSEA's duties as collective bargaining representative (called "nonchargeable expenditures") shall have the right to object and dissent from such expenditures in the manner set forth in this policy.

**2. Agency Fee Year.** For purposes of administration of the agency fee policy, MSEA adopts an agency fee year which commences on January 1 of each year and ends on December 31 of that year. MSEA's fiscal year is June 1 of each year through May 31 of the following year.

**3. Audited Financial Reports.** On or before November 30 of each year, MSEA shall prepare and provide to all agency fee payers a report of MSEA's expenditures for its preceding fiscal year. The statement shall be supplemental to a general audit of the Union's expenditures performed by independent certified accountants.

The report shall identify major categories of MSEA's expenditures and the amount spent in each category which is germane to MSEA's duties as collective bargaining representative or which is expended for purposes unrelated to its duties as collective bargaining representative, as verified by an independent auditor.

A copy of this Policy, and a statement identifying the amount of the agency fee, and how it was calculated shall accompany each copy of the report distributed by MSEA to agency fee payers.

**4. Method of Making Objections and Requesting Impartial Review of Union Calculations.** Agency fee payers may object to any portion of agency fees which are for non chargeable expenditures and request impartial review of the allocation of MSEA expenditures as described in the financial report provided under Paragraph 5, above. Such objections shall be made in writing, mailed to the following address: Agency Fee Objection, Michigan State Employees Association, P.O. Box 13158, Lansing, Michigan 48901. Such written objections may also be hand delivered to MSEA at 6035 Executive Drive, Suite 204 Lansing, Michigan. Such objections, if any, must be renewed annually. The period for filing objections is November 30 to December 31 of each year.

Objections are considered filed on the date they are received by MSEA at the address specified above. To be timely, objections must be received by MSEA at the above address no later than December 31 of each year.

If one or more timely requests for impartial review have been received by MSEA at the close of the objection period (December 31) MSEA shall consolidate all such objections and seek impartial review of MSEA's calculation by the following method: MSEA shall file a letter of request to the American Arbitration Association, pursuant to the American Arbitration's Rules for Impartial Determination of Union Fees. It is understood that under the American Arbitration Association's Rules, the award shall be rendered by the Arbitrator not later than 30 days from the date of closing the hearings, or, if oral hearings have been waived, from the date of transmitting the final statements and proofs to the Arbitrator.

**5. Escrow of Fees Upon Filing of Request for Impartial Review.** When a timely request for impartial review is received, the amounts of agency fees reasonably in dispute received from the requesting agency fee payer shall be placed immediately in escrow by MSEA in an interest bearing escrow account with an independent, insured financial institution (escrow agent). The disputed portion of agency fees of the agency fee payer who has filed a timely request for impartial review shall continue to be paid into escrow until the decision of the impartial decision maker.

Upon issuance of the impartial determination of fees and transmission of the decision to the escrow agent, the escrow agent shall be requested to transmit the agency fee payer the amount of his escrowed fees which the impartial decision maker determined to be nonchargeable, plus interest attributable to the individual's nonchargeable fees. After such distribution to all agency fee payers who have filed a timely request for impartial determination of fees, the remaining amounts in escrow, plus interest, shall be released by the escrow agent to MSEA.

If any challenges to the decision of the impartial decision maker are filed, all fees collected from the challenging agency fee payer shall remain in the interest bearing escrow account until a final decision has been rendered in the matter.

**Notice of Representation Service Fee Advance  
Reduction of Fee Year  
January 1, 2011 through December 31, 2011**

In accordance with Section 3 of the Michigan State Employees Association Service Fee Policy, this is to notify all Representation Fee Payers that the advance reduction of fees for the agency fee year January 1, 2011, through December 31, 2011, is 90.71 percent of the total representation service fee. The advance reduction of fee is based on the audited financial report for MSEA's fiscal year of June 1, 2009 through May 31, 2010. The calculation of the advance reduction of fee is contained in the attached Appendix A-1.

A schedule of MSEA's expenses for the fiscal year of June 1, 2009 through May 31, 2010 follows:

**Summary of Revenue and Expenses  
Year Ended May 31, 2010**

**REVENUE:**

Membership dues	2,220,088
Interest and dividends	94,281
Net realized and unrealized investment gain(loss)	53,886
Net gain (loss) on post employment benefits	(145,282)
Rental income	101,030
<b>Total Revenues</b>	<b>2,324,003</b>

**EXPENSES:**

Program Services	
General assembly, caucuses and committees	337,065
Region and local operations	44,647
Negotiation, arbitration, litigation and representation	396,044
Organization	540,793
<b>Total Program Expenses</b>	<b>1,318,549</b>
Administrative and general expenses	1,098,672
<b>Total Expenses</b>	<b>2,417,221</b>
<b>Change in Net Assets</b>	<b>(93,218)</b>

**Report of ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants  
December 2010**

**Ken Moore, President**

**Michigan State Employees Association:**

The total expenses of \$2,417,221 represented on the "Notice of Representation Service Fee Advance, Reduction of Fee Year, January 1, 2011 through December 31, 2011" and "Appendix A-1 Schedule of Michigan State Employees Association's (MSEA) Rebatable and Nonrebatable Expenses" agrees with the total expenses per Michigan State Employees Association's audited financial statements for the year ended May 31, 2010.

We have not performed any procedures regarding MSEA's representation of such expenses for proper classification on "Appendix A-1 Schedule of Michigan State Employees Association's (MSEA) Rebatable and Non-rebatable Expenses" and accordingly, we do not express an opinion on any of the amounts shown.

**ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants**

**NOTE:** A Representation Service Fee Payer may also challenge the accuracy of MSEA's calculation of the amount of the advance reduction of fee. Any such challenge must be made in writing, using the methods set forth in Section 4 ("Method of Making Objections and Requesting Impartial Review of Union Calculations") of the Representation Service Fee Policy.

If you have any questions, please contact:

**Katherine Washburn  
MSEA Central Office  
(517) 394-5900 ext. 130**

## Appendix A--Michigan State Employees Association Nonrebatable and Rebatable Expense Category Descriptions

(The following categories of expenditures are categories for which no rebate is required under MSEA's Revised Representation Service Fee Policy and Procedures.)

For each of these categories, staff time, travel expenses, supplies and equipment expended in the activity are included.

1. General administrative, including rent, mortgage, physical plant maintenance and repair costs, utilities, insurance, accounting taxes, budgeting, record keeping, promotional inventory, etc.
2. Gathering information in preparation for negotiation of primary and secondary collective bargaining agreements.
3. Gathering information from the employees concerning primary and secondary collective bargaining agreements.
4. Negotiating primary and secondary collective bargaining agreements.
5. Administration of ballot procedures on the ratification of any negotiated agreements.
6. Public advertising of MSEA's positions on the negotiation of, or provisions in, primary and secondary collective bargaining agreements.
7. Impasse procedures regarding negotiation of collective bargaining agreements.
8. Administration of negotiated agreements, including representation of employees in grievances and arbitrations, enforcement of security positions and enforcement of other provisions of the contract.
9. Books, reports and advance sheets which are used for negotiating and administering collective bargaining agreements or processing grievances.
10. Retention of experts in labor law, economics, and other subjects for services used in negotiating and administering collective bargaining agreements and in processing grievances.
11. Enforcement of employee and union rights under the Michigan Civil Service Department Employee Relations Policy.
12. Seeking membership within the bargaining units for which MSEA is the exclusive bargaining representative.
13. Activities relating to the organizing of other bargaining units of State of Michigan employees in which MSEA is not the exclusive bargaining representative.
14. Defending MSEA against efforts by other unions or organizing committees to become the exclusive representative in units presently represented by MSEA.
15. Proceedings regarding jurisdiction controversies under the AFL-CIO constitution.

16. Activities relating to affiliation with AFSCME.

17. Social Activities conducted in conjunction with MSEA business meetings.

18. Expenses of the General Assembly except for the portion, if any, at which official discussion, presentation, or action is taken relating to political or ideological issues not relating to the duties of an exclusive bargaining representative.

19. Expenses of the Board of Directors except for that portion of any meeting, if any, at which official discussion, presentation, or action is taken relating to political or ideological issues not related to the duties of an exclusive bargaining representative.

20. Expenses of the Executive Council except for that portion of any meeting, if any, at which official discussion, presentation, or action is taken relating to political or ideological issues not related to the duties of an exclusive bargaining representative.

21. Expenses of the meeting and activities of MSEA's committees, except for that portion of any meeting or activity, if any, at which official discussion, presentation, or action is taken relating to political or ideological issues not related to the duties of an exclusive bargaining representative.

22. Expenses of the meetings and activities of MSEA's Department Caucuses except for that portion of any meeting or activity, if any, at which official discussion, presentation or action is taken relating to political or ideological issues not related to the duties of an exclusive bargaining representative.

23. Expenses of publishing the MSEA *News* and the MSEA website, except for those expenses, if any, attributable to the publication of material dealing with political or ideological issues not related to the duties of an exclusive bargaining representative.

24. Expenses of all other MSEA publications except for those expenses, if any, attributable to the publication of material dealing with political or ideological issues not related to the duties of an exclusive bargaining representative.

25. Expenses for media relations, including news releases, radio, television, and newspaper coverage, except for those expenses, if any, attributable to media coverage of material dealing with political or ideological issues not related to the duties of an exclusive bargaining representative.

26. Expenses incurred in the prosecution or defense of litigation, except for those expenses, if any, attributable to litigation of issues dealing with political or ideological issues not related to the duties of an exclusive bargaining representative.

*Appendix, continued on page 10*

27. Expenses for educational seminars to be attended by MSEA staff, officers, board members, and general members except for those expenses, if any, attributable to seminarytime officially dealing with political or ideological issues not related to the duties of an exclusive bargaining representative.
28. Expenses incurred in lobbying with respect to legislation or regulations affecting the terms or conditions of employment or retirement for State of Michigan employees.
29. Expenses of the Regions except for those expenses incurred in connection with presentations or activities relating to political or ideological issues not related to the duties of an exclusive bargaining representative.
30. Expenses of the Locals except for those expenses incurred in connection with presentations or activities relating to political or ideological issues not related to the duties of an exclusive bargaining representative.
31. Non-rebatable portion of affiliation fee paid to AFSCME. Under the AFSCME Affiliation Agreement, all affiliation fees are rebated to MSEA through March 1989.  
(The following are categories of expenditures for which rebate is required under MSEA's Revised Representation Service Fee Policy and Procedures.)
32. Expenses for social activities not associated with a business meeting.
33. Expenses for supporting or contributing to charitable organizations.
34. Allocated portion of expenses, including the cost of the facilities, any speaker fee or expenses, and staff wages and benefits for any portion of the General Assembly at which official discussion, presentation, or action relates to political or ideological issues not related to the duties of an exclusive bargaining representative.
35. Allocated portion of expenses, including the cost of the facilities, any speaker fee or expenses, and staff wages and benefits for any portion of the Board of Directors meetings at which official discussion, presentation or action relates to political or ideological issues not related to the duties of an exclusive bargaining representative.
36. Allocated portion of expenses, including the cost of the facilities, any speaker fee or expenses, and staff wages and benefits for any portion of the Executive Council meetings at which official discussion, presentation or action relates to political or ideological issues not related to the duties of an exclusive bargaining representative.
37. Allocated portion of expenses, including the cost of the facilities, any speaker fee or expenses, and staff wages and benefits for any portion of meetings and activities of MSEA committees at which official discussion, presentation or action relates to political or ideological issues not related to the duties of an exclusive bargaining representative.
38. Allocated portion of expenses, including the cost of the facilities, any speaker fee or expenses, and staff wages and benefits for any portion of MSEA's Departmental Caucuses at which official discussion, presentation or action relates to political or ideological issues not related to the duties of an exclusive bargaining representative.
39. Allocated portion of the MSEA News, including the cost of supplies, equipment and staff wages and benefits, for the publication of any materials dealing with political or ideological issues not related to the duties of an exclusive bargaining representative.
40. Allocated portion of all other MSEA publications including the cost of supplies, equipment and staff wages and benefits, for the publication of any materials dealing with political or ideological issues not related to the duties of an exclusive bargaining representative.
41. Expenses for media coverage dealing with political or ideological issues not related to the duties of an exclusive bargaining representative.
42. Expenses incurred in the prosecution or defense of litigation dealing with political or ideological issues not related to the duties of an exclusive bargaining representative.
43. Allocated portion of travel, subsistence, and registration fee expenses for educational seminars attended by MSEA staff, officers, Board members or general members to the extent that a portion of the official discussion or presentation at the seminar relates to political or ideological issues not related to the duties of an exclusive bargaining representative.
44. Expenses incurred in lobbying for legislation or regulations not affecting the terms or conditions of employment or retirement for State of Michigan Employees.
45. Expenses for training in voter registration, get out the vote, and political campaign techniques.
46. Expenses for supporting or contribution to political organizations or candidates for public office.
47. Expenses for supporting or contributing to ideological causes not related to the duties of an exclusive bargaining representative.
48. Expenses for support or contributing to matters dealing with international affairs.
49. Expenses of Regions incurred in connection with presentations or activities relating to political or ideological issues not related to the duties of an exclusive bargaining representative.
50. Expenses of the locals incurred in connection with presentations or activities relating to political or ideological issues not related to the duties of an exclusive bargaining representative.
51. Rebatable portion of affiliation fee paid to AFSCME.
52. Association expenses not related to collective bargaining.

**APPENDIX B--AMERICAN FEDERATION OF STATE, COUNTY AND MUNICIPAL EMPLOYEES, AFL-CIO  
NOTES TO CONSOLIDATED SCHEDULE OF EXPENSES AND  
ALLOCATION BETWEEN CHARGEABLE EXPENSES AND  
NONCHARGEABLE EXPENSES FOR THE YEAR ENDED  
DECEMBER 31, 2009**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Principle of Consolidation**

The consolidated schedule includes the expense accounts of the American Federation of State, County and Municipal Employees, AFL-CIO and AFSCME Building Corporation (AFSCME). All intercompany transactions have been eliminated in consolidation. The direct expenses related to the PEOPLE Committee (PEOPLE) and the Fallen Heroes Fund, which are included in the audited consolidated financial statements of AFSCME, are not included in this consolidated schedule.

**Depreciation**

Property assets are depreciated by the straight-line method at rates calculated to amortize the cost of the assets over their respective estimated useful lives.

**NOTE 2: DEFINITIONS**

**Chargeable Expenses**

Chargeable expenses include the share of the costs of operations of AFSCME which are considered necessarily and reasonably incurred for the purposes of assisting affiliated councils and local unions in the performance of their duties as representatives of the employees in dealing with the employers on labor management issues, including the costs of: Negotiating and administering, and securing the ratification and implementation of collective bargaining agreements; settling grievances and disputes by mutual agreement, or in arbitration, court or otherwise; activities and undertakings normally and reasonably employed to implement the duties of AFSCME as the representative of the employees; pursuing ratification or implementation of agreements affecting employees represented by AFSCME before legislative or administrative bodies; communicating with employees on matters of concern to them; maintenance of the associational existence of AFSCME and its affiliates, affiliation fees and expenses associated with organizing workers.

The following are examples of expenses classified as chargeable: preparation for the negotiation and the negotiation of collective bargaining agreements; contract administration, including investigating and processing grievances; meetings, conferences, administrative and arbitral proceedings, and pertinent investigation and research in connection with work-related subjects and issues; handling work-related problems of employees; communications with employers, elected officials, governmental agencies, and media with respect to AFSCME's position on collective bargaining related matters; lobbying and legislative activities with respect to matters concerning the negotiation, ratification or implementation of collective bargaining agreements; and providing legal, economic and technical expertise on behalf of employees in all work-related matters.

**Nonchargeable Expenses**

Nonchargeable expenses include those of an ideological or political nature and expenses incurred for activities unrelated to collective bargaining and the work-related interests of employees. Also included as a category of nonchargeable expenses is the cost of providing benefits that are only available to union members.

The term "political" is defined as support of, or opposition to, political parties or candidates for political office and expenses associated with fundraising for such activities. Also included in the definition of "political" are voter registration and political get out the vote efforts. The term "ideological" is defined as support for certain positions that AFSCME may take which are not work-related or do not have an impact on the wages, hours or working conditions of employees represented by AFSCME.

The following are examples of expenses classified as nonchargeable: contributions to political candidates and political parties; fundraising for political candidates, political parties, or political action committees; voter registration and political get out the vote activities; international affairs; activities concerning judicial nominations; endorsements of political candidates; contributions to or participation in activities sponsored by organizations that are unrelated to collective bargaining or other work-related interests; scholarships and other monetary aid provided to the families of members; and members only discounted benefits.

**Subsequent Events**

In preparing these schedules, management of the AFSCME has evaluated events and transactions that occurred after December 31, 2009, for potential recognition or disclosure in the schedules. These events and transactions were evaluated through October 22, 2010, the date that the schedules were available to be issued.

**NOTE 3: SIGNIFICANT FACTORS AND ASSUMPTIONS RELATING TO THE ALLOCATION OF EXPENSES BETWEEN CHARGEABLE EXPENSES AND NONCHARGEABLE EXPENSES**

Significant factors and assumptions underlying the allocation of expenses between chargeable and nonchargeable amounts are summarized as follows:

**a.** For purposes of the calculation, except as noted below, departments are classified as either programmatic or administrative departments. Programmatic departments implement the programs of AFSCME, and provide services to AFSCME affiliates. Allocations of chargeable expenses and nonchargeable expenses of the programmatic departments are made on the basis of a review of the activities and expenses of the individual departments. Administrative departments oversee and coordinate the functions of AFSCME and provide support functions to the programmatic departments. Included among the administrative departments are the International Union Officers and their staffs, Financial Services, Human Resources, Conferences and Travel, and the other Union governing bodies. The expenses for the administrative departments are allocated as chargeable and nonchargeable in the same proportion as the total chargeable

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*Schedule of Expenses, continued from page 11*

expenses and nonchargeable expenses of the programmatic departments. The overhead attributable to the programmatic departments is included as an administrative department expense in determining the chargeable and nonchargeable proportion of their expenses. The expenses of the Judicial Panel are determined to be fully chargeable.

**b.** Costs associated with AFSCME publications, including editorial, production, and distribution expenses, are allocated on the basis of a column inch analysis of the chargeable content of the publication.

**c.** For the purpose of allocating personnel costs, it is assumed that employees work 7 hours per day and 231 days per year. The employee benefits percentage rate is based on a comparison of total department employee benefits to total department salary costs. Employee benefits are allocated on a departmental basis, based upon total chargeable and nonchargeable salary, multiplied by the benefits percentage rate.

**d.** Activities of the programmatic department staff are individually analyzed and are allocated on the basis of chargeable activities. The personnel costs of the public affairs staff involved in the editing or production of AFSCME's publications are allocated on the basis of the chargeable content of the publications.

**e.** Reimbursed and charged travel expenses of the programmatic department staff are individually analyzed and allocated as chargeable or nonchargeable depending on the nature of the activity. Reimbursed expenses of the Public Affairs staff involved in the editing and production of AFSCME publications are allocated on the basis of the chargeable content of the publication.

**f.** Headquarters overhead expenses are allocated on the basis of the activities of headquarters personnel. All headquarters overhead

expenses are allocated to headquarters departments on the basis of the individual department's percentage of total headquarters

salary costs. Included in the calculation of headquarters overhead costs are general operating and building service costs. Overhead expenses allocated to each department are allocated between chargeable and nonchargeable on the basis of chargeable salaries as a percentage of total salaries within that department.

**g.** Field overhead expenses are pooled and allocated on the basis of the activities and salaries of field staff. Included in the calculation of field overhead costs are office rental, equipment, and general operating costs of the field offices. Field overhead expenses are allocated between chargeable and nonchargeable on the basis of chargeable field staff salaries as a percentage of total field staff salaries.

**h.** Assistance to AFSCME affiliates are individually analyzed and allocated on the basis of their chargeable content.

**i.** Contributions and participations are individually analyzed and allocated on the basis of their chargeable content.

**j.** Affiliation payments to other labor organizations are either treated as entirely nonchargeable or allocated on the basis of the percentage of chargeable expenses of the recipient organization.

**k.** Per capita rebates and CSOP rebates of \$4,188,364 classified as assistance to affiliates for purposes of this allocation are offset against per capita income in the audited consolidated financial statements of AFSCME.

