

MSEA NEWS

December 2011
VOLUME 21, ISSUE 8



LOCAL 5
AFL-CIO



IN THIS ISSUE

- pg. 2...A Tradition of Giving
- pg. 4...State Legislators To Be Held Accountable For Pension Tax
- pg. 5...Solidarity This Christmas and in the New Year
- pg. 6...Engage Michigan--Values, Vision, Victory
- pg. 7-15...Annual Financial Report
- pg. 16...A Commitment to Action

News Notes



In Memorium

Marie Helen Belknap passed away on Nov. 10, 2011, at the age of 89. Marie is survived by Lyle, her husband of over 70 years; children and grandchildren; as well as many nieces, nephews and two sisters-in-law. She retired in 1985 from MSEA as Director of Business Services.

A TRADITION OF GIVING

MSEA President Ken Moore has been appointed to represent labor on the board of directors of the Michigan State Employee Charitable Campaign (MiSECC). The Michigan SECC was created in 1987 to combine all charitable appeals and giving drives into one annual event. This enables Michigan State Employees to give through payroll deduction or one-time gifts to the charities of their choice. In 2011, the number of charities represented in the campaign were 47 United Ways, 11 Federations and 1,204 charities. These organizations help with critical community needs related to children, hunger, health care, the disabled, education, the environment, families, animals, homelessness, arts and culture, seniors and income. Since its inception, the SECC has helped raise over \$45 million for partner charities. **MICHIGAN IS GIVING!**

(l-r): MSEA President Ken Moore; Tim McCormick, Division Director, Customer Service, DTMB; Nicole Literacki, SECC Director; and Bob Cramer, SECC Director of Community Services.



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

Executive Council

President: Ken Moore
Vice President: Donna Spenner
Secretary: Russell G. Waters
Treasurer: Tim Schutt

Region Directors

Joe Roebuck
Edward Drier
Thomas Kelley
Roberto Mosqueda
John Rodgers
Michael Morey
Roberta "Birdie" Spalding
Charles Riker
James Zoccoli
Carl Asher

Region I
Region II
Region III
Region IV
Region V
Region VI
Region VII
Region VIII
Region IX
Region X

Alternate

Region Directors

Scott Dianda
Patricia Kitchen
Cathy Connolly
Jeffery Hemmelsbach
Paul Buchler
Jerry Neal
Daniel Matthies
Joseph Lake
Kevin Kotzian
Vacant

MSEA Staff

Front Desk:
ext. 110

Computer Operator/Accounting Assistant:

Katherine Washburn, ext. 130

Director of Communications:

Karen Murphy, ext. 122

Labor Relations Coordinator:

Clyde K. Manning, ext. 116

Labor Relations Specialist:

Rhonda Westphal, ext. 115

Labor Relations Specialist:

Audrey Johnson, ext. 111

Assistant to the President:

Tammy Roberts Voigt, ext. 113

Contact Us

Lansing Area Phone: (517) 394-5900

Toll Free: 1-800-228-5901

Fax: (517) 394-4060

Website: www.msea.org

“Never Forget Where You Came From”



MSEA member Tina Jinter (VI LARA) has been promoted and is moving into a management position within the Liquor Control Commission.

“Tina will be sorely missed,” said MSEA President Ken Moore.

“She has always stepped up to help with whatever projects needed assistance.”

According to MSEA members Jim Zoccoli (Region IX Director) and Eric Waters (VIII LARA

Spokesperson), MIOSHA has a tradition of giving a special engraved shovel to field staff when they leave or retire.

“It’s a good parting gift,” said Eric, “because you can’t just put it in a drawer!”

Tina had some parting advice: “Never forget where you come from. And take a balanced approach to issues.”

**MSEA 52ND GENERAL ASSEMBLY
JULY 27-29, 2012
VALLEY PLAZA INN & SUITES
MIDLAND, MICHIGAN**

Know Your MSEA Rights!

(If called to a meeting with management, read the following to management or present the card **before** the meeting starts.)



If this discussion could in any way lead to my being disciplined or terminated, or issued a less than satisfactory service rating, I respectfully request that my union representative, officer, or steward be present at this meeting. Without representation present, I request that this meeting be postponed until such time as I have representation present.

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.

ALL ISSUES OF MSEA NEWS ARE AVAILABLE ONLINE at www.msea.org

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.

MSEA News (ISSN 0747-2587/USPS 594-900) is published in February, May, August, October and December by the Michigan State Employees Association, 6035 Executive Dr., Lansing, MI 48911. Periodicals postage paid at Lansing, MI. POSTMASTER: Send address changes to: MSEA News, 6035 Executive Dr., Lansing, MI 48911.



Nick Ciaramitaro,
AFSCME Director of
Legislation and
Public Policy

STATE LEGISLATORS TO BE HELD ACCOUNTABLE FOR PENSION TAX

As I suspect most of you have read, the Michigan Supreme Court issued the advisory opinion requested by Gov. Snyder concerning the constitutionality of the tax on pensions included in the major overhaul of Michigan's tax code earlier this year. Here is a brief analysis.

Background

As you will recall, Governor Snyder recommended that the state income tax be applied to all pension income (other than social security) to help defray the cost to the state of providing a \$1.8 billion tax cut to Michigan businesses. The Legislature responded with a modified version which did the following:

- Left untaxed pension for those who were born prior to 1946.
- Taxed the pensions of those born in or after 1946 and before 1952, but gave a \$20,000/\$40,000 (single/joint filer) exemption to pension income until age 67 at which time the exemption would be applicable to all income including Social Security (subject to certain exceptions and options). However, this exemption and the personal deduction would be phased out for people with higher incomes.
- Taxed the pensions of those born in and after 1952 with a \$20,000/\$40,000 (single/joint filer) exemption applied to all income including social security (subject to certain exceptions and options) also phased out at higher income levels.

The Litigation

The State Employees Retirees Association (SERA) brought suit alleging that the provisions of the new law violated several constitutional provisions.

Gov. Snyder intervened by asking the Supreme Court to issue an advisory opinion on the following issues before the new tax provisions go into effect on January 1, 2012:

- The State Constitutional prohibition against impairing a public employee pension for public sector pensions.
- State and Federal Constitutional prohibitions against impairment of contract.
- Different taxing provisions based on date of birth violated state and federal constitutional provisions requiring equal protection.
- Michigan Constitution's prohibition of a graduated state income tax.

The Opinion of the Court

The Court agreed to issue an advisory opinion on the questions certified by the Governor.

On the first two questions--violation of the impairment of contracts and impairment of public employee pensions--the Court split 5 to 4 on party lines. The majority ruled that taxing a public pension did not diminish an accrued financial benefit of a public sector pension and, further, that the pension tax did not impair a contract under either federal or state law.

The Court unanimously agreed that equal protection was not impaired as the age based provisions do not affect a protected class (race, creed, religion, national origin).

The Court also unanimously agreed that the limitation on exemptions based on household income created a prohibited tax graduated as to base and therefore struck those provisions of the law. The Court majority found that those provisions were severable and therefore upheld the act without those limitations on the limitation on the exemptions.

Result

The result of the Supreme Court ruling is that the pension tax will go into effect on January 1, 2012, as provided by the law subject to the conditions included in the act with one exception. Those provisions of the act which would deny or limit tax exemptions based on high household income will not be imposed. The loss to the State budget is expected to be approximately \$80 million in the current fiscal year.

The changes do not affect 2011 tax returns filed in 2012. The first returns affected will be the calendar year 2012 returns filed in 2013.

Repeal

There is legislation in both the state House and Senate for a repeal. HB 4818 in the House would repeal the pension tax. The bill has 26 co-sponsors. Rep. Jim Townsend (D-Royal Oak) is the main sponsor. The bill was referred to the House Tax Policy committee on June 28. Its companion bill, SB 0519, sponsored by Sen. Bert Johnson (D-Highland Park), has 11 co-sponsors. It was referred to the Senate Committee on Reforms, Restructuring and Reinventing on June 23.

"Last I heard, every single one of them is registered to vote."

--Eric Schneidewind, president of AARP Michigan, about the four retiree groups represented at a press conference on Dec. 2, urging the Michigan legislature to repeal the "pension tax" scheduled to take effect in January. *from MIRS Capitol Capsule, 12-1-11*

SOLIDARITY THIS CHRISTMAS AND IN THE NEW YEAR



MSEA President
Ken Moore

As was posted on the MSEA website the beginning of December, I would like to again personally thank each and every member that participated in the contract ratification process. Thirty-two percent of the membership returned their ballots and voted to ratify the Tentative Agreement as follows: YES--1078 to NO--155.

You overwhelmingly voiced your opinion of the Tentative Agreement with 87% support. The final step will be approval by the Civil Service

Commission (CSC) on December 14, 2011. (The date was re-scheduled by the CSC from Dec. 7.) This will conclude the bargaining process for MSEA and the Coalition.

As this issue goes to print, all members of the Coalition of Unions have ratified the Fiscal Year 2013 Tentative Agreement. On Dec. 2, the Michigan Corrections Organization (MCO) ratified the contract with 68% voting YES. AFSCME Council 25 also ratified the contract with very strong support. Earlier in the week, the membership of UAW 6000 and SEIU Local 517 also voted to approve the contract.

For the first time in history, the Coalition of Unions bargained as one entity and we were stronger as a result. And, as the saying goes, we must all hang together or we will surely hang separately. As *The Detroit News* reported, Gov. Rick Snyder's administration has signed 231 new public acts since taking office last January. The high output for the Michigan legislature is primarily due to Republican majorities in the House and Senate. The new laws negatively impact working families, but favor business. This could be why a new survey by Michigan State University shows that Michigan residents aren't very optimistic about their short-term future, and don't have a great deal of confidence that things will be getting better soon.

But there will be a price to pay for legislators who ignore or disregard their constituents. Elections are coming up in November 2012. We will need to be ready and your involvement will be key. **As you make your New Year's resolutions, be sure to include participation in MSEA.**

I would like to wish MSEA members and their families a very Merry Christmas and Happy Holidays. The times are challenging, but it is good to know that our union brothers and sisters can be counted on to band together in solidarity. Wishing all of you only good things in the New Year!

HO, HO, HO OR BAH HUMBUG?

At a press conference on December 1, House Democrats asked Gov. Rick Snyder to return the illegal 3 percent healthcare tax to state workers in time for the holidays. A resolution introduced by Rep. Maureen Stapleton (D-Detroit) was applauded by the audience which included state workers and union representatives.

Legislation enacted in 2012 mandated that anyone working under the Michigan Public School Employee's Retirement System, plus all state employees, pay a 3 percent gross salary tax into an irrevocable trust. Since the state began withdrawing the funds on Nov. 1, 2010, three separate courts have ruled that the law is unconstitutional and that the money be refunded immediately. Legislation passed the state House on Nov. 3 on a party line vote that would bring this money back from a Wall Street bank; however, the money won't be refunded until the spring of 2012.

"Releasing this money from a Wall Street bank and putting it into the hands of thousands of families will benefit main streets throughout Michigan," said Rep. Stapleton. "Teachers, public employees and the middle class have been under assault by Republican economic policies all year long. I join my colleagues in calling on Gov. Snyder to immediately return this money to families in all 83 counties."

Rep. Brandon Dillon (D-Grand Rapids) said that "This money should be transferred from Wall Street back to Main Street this holiday season. We are asking the governor to do the right thing."

Gov. Rick Snyder has the chance to play Santa Claus or to be a Scrooge. State workers hope he chooses the guy in the red suit.



(l-r): Rep. Brandon Dillon (D-Grand Rapids); Rep. Maureen Stapleton (D-Detroit); Rep. Stacy Erwin Oakes (D-Saginaw); and Rep. Phillip Cavanagh (D-Redford Twp.).

ENGAGE MICHIGAN



Values
Vision
Victory

In November, the Michigan Democratic Party hosted its first-ever "Fall Issues Convention" at the Lansing Center. Chaired by Jocelyn Benson, who ran for Secretary of State in 2010, the conference focused on strategies for recruiting and supporting progressive candidates across Michigan, as well as forums targeting solutions to help working families in Michigan. Speakers included U.S. Sen. Debbie Stabenow (D-Lansing), who is up for re-election next year, Attorney Mark Bernstein, Flint Mayor Dayne Walling, Rep. Rashida Tlaib (D-Detroit), Rep. Maureen Stapleton (D-Detroit), Rep. Harvey Santana (D-Detroit), Democratic Party activist Debbie Dingell and national political consultant Eric Sapp.

MSEA President Ken Moore was a speaker at a Forum roundtable and discussed the *New Solutions for Michigan* report which is endorsed by the Coalition of Unions and is under review by the Snyder administration. *New Solutions for Michigan* identifies ideas for increasing efficiency, cutting costs and improving the quality of state services. Union researchers analyzed transparency data as well as information provided by state agencies, frontline workers, leaders and staff in preparing the report.



Engage Michigan Chair Jocelyn Benson and Attorney Mark Bernstein.

*The gaping gulf between the rich one percent and the rest of us grows. It's time to decide what we stand for. Blue collar and no-collar folks do this country's work. Every year those faces fade. Who will be our champion? We are the people who do this nation's work and stand in the unemployment lines. I think we can be the agents of change--we **must** be that change. We need to take our power back and quit giving it away. Every time we don't vote, we give our power away.*

--from speech by Chair Jocelyn Benson

"Our lives boil down to the choices we make. We are all in this together. We have a choice. Do you measure the success of this country by the people who have the most or by those who have the least?"

--from speech by Attorney Mark Bernstein



Color Guard at the Democratic "Engage Michigan" conference.



"We have a different vision of what's fair. Democrats believe that people at the bottom should have the same opportunity to be successful as those at the top. But are the people at the top rolling up the ladder behind them or helping others to climb the ladder? Working people are under attack. Democrats believe in Fairness for everyone, Justice and Equal Opportunity for everyone. Democrats display those values every day. We know we've got a fight ahead of us on a lot of fronts. It's a fight we can win if we engage. It's time to Engage Michigan...let's get to work!

--from speech by U.S. Sen. Debbie Stabenow

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

FISCAL YEAR 2011

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, 2012 through December 31, 2012.
3. Appendix A: Schedule of MSEA's Nonrebataable and Rebataable Expenses.
4. Appendix B: Schedule of AFSCME/AFL-CIO, International, Expenses and Allocation Between Chargeable and Non-Chargeable Expenses for the Year Ending December 31, 2010 (applicable fair shares fees for the period January-December 2012).

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 completing the application form available at www.msea.org and faxing it to us at (517) 394-4060 or by contacting us at (517) 394-5900 to have a form sent to you.

In Solidarity,

Ken Moore, MSEA President

DO YOU WANT A SAY IN YOUR UNION?

THE MSEA ADVANTAGE

Fee payers may not realize all the advantages that come with being a full-fledged member of the Michigan State Employees Association (MSEA). Here's what you receive as a dues-paying member of MSEA:

--**Access to the MSEA website (awarded First Place, Best Web Site, at the annual 2011 Spring Conference of the Michigan Labor Press).** Upon registration, you get access to updates on union issues, legislation, action alerts and breaking news.

--**The MSEA News (awarded Second Place, General Excellence Newsletter, at the annual 2011 Spring Conference of the Michigan Labor Press).** This monthly newsletter is available online and is also mailed to your home address at designated times throughout the year.

--**Invitations to all MSEA meetings as long as you're a member in good standing:** Board meetings, Region meetings and the biennial (occurring every two years) General Assembly (GA).

--**Voting rights.** You will be eligible to vote on decisions affecting your union at Region meetings and, if elected as a delegate, at GA. For example, MSEA members recently voted to ratify a new contract for Fiscal Year 2013.

If you're paying agency fees, for just a few dollars more, you get all of the above. Plus a voice in determining the future direction of MSEA--the union representing almost 4,000 State of Michigan employees in two bargaining units--Labor & Trades and Safety & Regulatory. In addition, MSEA represents the Osceola County Road Commission and the power plant employees at Western Michigan University.

MSEA...WORKING FOR YOU...WORKING FOR MICHIGAN!

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, 2010. 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(l), 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, 2010. 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, 2010, 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.

This report is intended solely for the information and use of American Federation of State, County and Municipal Employees, AFL-CIO and is not intended to be and should not be used by anyone other than this specified party.



A Professional Corporation
Bethesda, MD
September 30, 2011

APPENDIX A-1 MSEA Schedule of Expenses and Allocation Between Chargeable and Nonchargeable Expenses For Fiscal Year Ended May 31, 2011

*Footnote Expense Description	Total Expenses	NonChargeable Expenses	Chargeable Expenses
1 General Administration	\$ 823,043	\$ 6,031	\$ 817,012
2,3, & 4 Primary & Secondary Negotiation	2,365		2,365
5 Ratification of Negotiated Agreements	1,023		1,023
8 Arbitration, Representation and Administration of Negotiated Agreements	495,608		495,608
26 Litigation of Contract Issues	221,023		221,023
9 Dues, Subscriptions & Library Materials	10,773		10,773
18 General Assembly	34,254	2,884	31,370
19 & 20 Board of Directors & Executive Council	87,775	884	86,891
21 MSEA Committees	32,987		32,987
22 MSEA Department Caucuses	25,825	170	25,655
8 Steward	11,294		11,294
27 Membership Training	27,347	85	27,262
23 MSEA News and Website	17,000		17,000
13 Organizing	0		0
29 MSEA Regions	50,843	986	49,857
51 AFSCME Per Capita Dues	569,819	272,174	297,645
TOTAL ALL EXPENSES	\$2,410,980	\$283,215	\$2,127,764
	100.00%	11.75%	88.25%

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



Calculation of Chargeable Expense Based on Expense During the Year Ended 12-31-10 Applicable to Fair Share Fees for the Period January - December 2012

	TOTAL 2010 INTERNATIONAL EXPENSE	TOTAL CHARGEABLE EXPENSE	ALLOCATED NONCHARGEABLE EXPENSE
INTERNATIONAL EXPENSE			
ASSISTANCE TO AFFILIATES	\$ 11,156,487	\$ 5,382,982	\$ 5,773,505
AUDITING	2,068,847	1,957,561	111,286
CONFERENCE & TRAVEL SERVICES	1,188,871	716,889	471,982
CONVENTION	7,515,929	7,502,179	13,750
EDUCATION	4,778,518	4,452,833	325,685
EXECUTIVE BOARD	972,383	972,383	-
FIELD SERVICES	39,817,223	39,081,016	736,207
FINANCIAL SERVICES	13,876,284	8,367,399	5,508,885
GENERAL COUNSEL	3,236,849	2,980,973	255,876
GENERAL OPERATING & BUILDING SRVC.*	7,969,169	7,969,169	-
HUMAN RESOURCES	1,114,954	672,317	442,637
INFORMATION SYSTEMS	6,272,867	3,782,539	2,490,328
INTER-UNION AFFILIATIONS	22,298,551	6,576,651	15,721,900
INTERNATIONAL RELATIONS	327,637	-	327,637
JUDICIAL PANEL	1,114,273	1,114,273	-
LEGISLATION	4,974,740	(417,443)	5,392,183
POLITICAL ACTION & PEOPLE	54,684,967	97,332	54,587,635
PRESIDENT'S OFFICE	2,306,549	1,390,849	915,700
PUBLIC AFFAIRS	8,432,859	5,089,015	3,343,844
RESEARCH	7,369,457	6,863,802	505,655
RETIREE	1,532,117	1,373,911	158,206
SECRETARY-TREASURER'S OFFICE	1,425,450	859,546	565,904
TOTALS	\$ 204,434,981	\$ 106,786,176	\$ 97,648,805
TOTAL CHARGEABLE EXPENSE (2010)		\$ 106,786,176	52.235%
TOTAL INTERNATIONAL EXPENSE (2010)		\$ 204,434,981	

*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, 6035 Executive Drive, Suite 204, Lansing, Michigan 48911. Such written objections may also be hand-delivered to MSEA at the same address. 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. 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, 2012 through December 31, 2012**

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, 2012, through December 31, 2012, is 88.25 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, 2010 through May 31, 2011. The calculation of the advance reduction of fee is contained in the attached Appendix A.

A schedule of MSEA's expenses for the fiscal year of June 1, 2010 through May 31, 2011 follows:

**Summary of Revenue and Expenses
Year Ended May 31, 2011**

Revenue:	
Membership dues	2,134,048
Interest and dividends	105,352
Net realized and unrealized investment gain(loss)	(7,086)
Net gain (loss) on post employment benefits	(117,244)
Rental income	124,485
Total Revenues	2,239,555
Expenses:	
Program Services	
General assembly, caucuses and committees	354,977
Region and local operations	50,843
Negotiation, arbitration, litigation and representation	391,645
Organization	569,820
Total Program Expenses	1,367,285
Administrative and general expenses	1,043,695
Total Expenses	2,410,980
Change in Net Assets	(171,425)

**Report of ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants
December 2011**

Ken Moore, President
Michigan State Employees Association:

The total expenses of \$2,410,980 represented on the "Notice of Representation Service Fee Rebate for the fiscal year ending May 31, 2011" and "Appendix A - Schedule of Michigan State Employees Associations (MSEA) Rebatable and Non-rebatable Expenses" agrees with the total expenses per Michigan State Employees Association's audited financial statements for the year ended May 31, 2011.

We have not performed any procedures regarding MSEA's representation of such expenses for proper classification on "Appendix A - 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.

continued on page 13

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 seminar time 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. Nonrebatable 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 contributing 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, 2010

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.

Accounting Estimates

The preparation of statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of expenses during the reported period. Actual results could differ from those estimates.

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.

Subsequent Events

In preparing these schedules, management of the AFSCME has evaluated events and transactions that occurred after December 31, 2010, for potential recognition or disclosure in the schedules. These events and transactions were evaluated through September 30, 2011, the date that the schedules were available to be issued.

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;
- 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 non-chargeable:

- 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;
- Members-only discounted benefits.

continued on page 15

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 and Conference and Travel. The expenses for the administrative departments are allocated as chargeable and nonchargeable in the same proportion as the total chargeable 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.

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. The expenses of the Judicial Panel are determined to be fully chargeable.

l. Per capita rebates and CSOP rebates of \$4,174,358 classified as assistance to affiliates for purposes of this allocation are offset against per capita income in the audited consolidated financial statements of AFSCME.



Karla Swift has been elected as the new president of the Michigan AFL-CIO. She is a lifelong trade unionist and organizer, a leader in the International Union, UAW and in the community. Mark Gaffney, who led the union as president for 12 years, stepped down.



Daryl Newman was elected Secretary-Treasurer, replacing Tina Abbott. He has worked as Member Mobilizer for the American Federation of Teachers, and was Political Director of the Michigan Democratic Party from 2001-2005.

They were sworn in at the union's convention at the Detroit Renaissance Center in October by AFL-CIO President Richard L. Trumka.

MSEA News
6035 Executive Dr., Suite 204
Lansing, MI 48911

Periodical Postage
Paid at
Lansing, Michigan

A COMMITMENT TO ACTION



AFSCME Council 25 and MSEA recently hosted a Political Action Conference and a People's Reception in Dearborn. Speakers included: AFSCME Int. Vice Pres. Larry Roehrig; AFSCME Political Director Ronnie Peterson; and State Reps. Rick Hammel (D-Flushing), Mark Meadows (D-East Lansing), and Woodrow Stanley (D-Flint).

(l-r): Chuck Riker (VIII Director); MSEA Vice Pres. Donna Spenner; Benny Poole (VII DOC Retired); Rod Snyder (VI DTMB); Sharon Jones (IX DHS); Dan Matthies (VII DMVA); Eric Waters (VIII LARA); Carl Asher (X Director); Vanessa Chubb (IX DHS); Don Gardner (V DNR); Mark Brewer, Chair, Mich. Democratic Party; Mike Migrin, MSEA Legislative Liaison; MSEA President Ken Moore; and Nick Ciaramitaro, AFSCME Director of Legislation and Public Policy.

