

# Service fee payers notice, 2013-2014

## MEMORANDUM

**TO: All Fair Share Fee Payers**  
**FROM: AFT Local 2121**  
**CFT/AFT, AFL-CIO**  
**DATE: January 14, 2014**

In May, 1987, San Francisco Community College District faculty voted for the implementation of an "agency shop" under the collective bargaining agreement between AFT Local 2121 and the District. As the exclusive bargaining agent for academic employees, AFT Local 2121 incurs significant costs representing you, whether or not you are a union member. For this reason, you are required as a condition of employment, either to join AFT Local 2121 and pay union dues, or pay a "fair share fee" or agency fee, as it is also called, as described in this notice. The agency fee process is created in statutes enacted by the California Legislature (see Government Code section 3546), and the collection of agency fees has been found "constitutional" in decisions by the United States and California Supreme Courts. The fair share fee is paid by faculty who are not Union members, to the Union, because the Union is legally responsible for representing you.

The agency fee amount is calculated by the Union and regularly audited by an independent auditor. The agency fee is deducted by the District from the salary or wages of the faculty member in the faculty bargaining unit who does not become a member of and financially support AFT Local 2121. The fair share fee is used to defray the costs incurred by Local 2121 in fulfilling its duty to represent the faculty in their employment relations with the District, and shall not exceed the membership dues and general assessments of Local 2121.

However, as we explain, any non-member of the Union making agency fee payments to the Union under the agency shop provision shall have the right to object to the expenditure of any part of the agency fee which represents the employee's pro rata share of non-chargeable expenditures by the Union. Non-chargeable expenditures are defined below under "Allocation Procedures" on page 2 of this notice, and generally involve expenditures in aid of activities or causes of a political or ideological nature unrelated to terms and conditions of employment, or members-only benefits.

AFT Local 2121 has set the "fair share fee" at 100% of the annual dues paid by members. **The current union dues rate is 1.26% of all District earnings. Therefore, the service fee rate for 2013-2014 is 1.26%, or .0126 of all District earnings.** We do not anticipate an increase in the dues rate during this school year. However, in the event of such an increase, you would be informed of the corresponding increase in your service fee rate through a faculty bulletin. Service fee payers will pay the full amount unless you request that non-chargeable amounts not be included in your fair share fee, as explained below.

You may (1) request that your fair share service fee be reduced by the amount of non-chargeable expenditures and/or (2) challenge the local's determination of

the percentage of its expenditure that is chargeable and non-chargeable, and upon which your reduced service fee is based. **You must inform the local of your request and/or objection within 30 days after the date of this notice.** Your request and/or objection must be in writing, and if you challenge the chargeable amount, you must set forth the basis of your challenge to the union's determination. During the first 30 days after the notice is issued, the local will place into an interest-bearing escrow account any service fees collected from fee payers. After the 30 day challenge period, the local will continue placing into escrow the service fees collected from those payers who have filed challenges to the determination, pending the outcome of the appeals procedure. During the appeal, any challenge may also be settled or resolved by either a settlement between the objector and the union, by withdrawal of the objection, or by the union refunding the objected amount, plus interest, and agreeing to reduce future fees for the applicable year accordingly. After the close of the period for filing challenges to the basis for the local's calculation of service fees, the local will submit all of the objections for a prompt hearing before a neutral arbitrator, unless the objection was previously settled or resolved.

A copy of the union's service fee refund/appeal procedure appears below on pages 2-3 of this notice. If you have any questions, please contact us at: 311 Miramar Ave., San Francisco, California, 94112. Our telephone number is (415) 585-2121.

Of course, we hope that you choose to join and gain a voice in the Union. As a member you would become part of an organization representing faculty and other professionals throughout the country. You would be able to participate in Union meetings, vote on contracts, serve on Union committees, and be instrumental in assisting yourself and your colleagues. Member benefits would accrue to you as well, including Professional Liability Insurance coverage at no cost to you, and access to our credit union and to consumer discounts. You may join by filling out and sending to us an AFT 2121 Membership Application, which appears below. If you do not join, then the fair share amount will be deducted from your bi-weekly paychecks.

Your fair share fees, together with union dues, provide the means by which the Union can protect and advance the professional and economic interests of all of the employees that it represents. One of the most valuable of these Union services is negotiation of the contract that governs your earnings (and other economic benefits) and the conditions under which you work. Your fees and union dues pay the costs of these negotiations, including the staff work and legal, economic and educational research necessary to develop the union's program on your behalf. Collective bargaining and protecting employees' rights under the contract require year-round activity by the union officers and staff and by volunteer union members. Further, since many of your working conditions and benefits, as well as the resources available to fund school operations, are governed by legislation, this local and the state and national federations with which it is affiliated monitor the

legislative process and lobby where necessary to protect your interests.

In recognition of the principle that non-members should pay their fair share of obtaining and maintaining the benefits of union representational activities, the California State Legislature has approved the deduction of fair share fees from the wages of public employees who are not union members. Collection of fair share fees has been approved by the Supreme Court and by the courts of California.

Government Code section 3546 provides that the cost of lobbying activities designed to foster collective bargaining negotiations and contract administration, or to secure for the represented employees advantages in wages, hours, and other conditions of employment in addition to those secured through meeting and negotiating with the employer are chargeable as agency fees. Such activities are considered as chargeable under this procedure.

A small percentage of the budget of this local, and of the state and national organizations with which it is affiliated (the California Federation of Teachers, and the American Federation of Teachers, AFL-CIO) may be used in relation to issues and legislation only incidentally related to the terms and conditions of employment or other chargeable matters, or applied towards the cost of benefits available only to union members. These expenses are not chargeable to service fee payers.

Attached you will find a breakdown of total Union expenses and the portion of Union expenses that is "non-chargeable" to service fee payers based on the law, and based on our expenditures in 2011-2012, along with the report on the local's chargeable and non-chargeable breakdown prepared by our auditor, Kilian and Company, Certified Public Accountants. Enclosed you will also find the chargeable and non-chargeable breakdown of fiscal year expenses for the American Federation of Teachers, AFL-CIO, and the California Federation of Teachers, AFL-CIO, and their independent auditors' verifications prepared respectively by Calibre CPA Group, and Miller, Kaplan, Arase & Co., LLP. **In accordance with this breakdown, we estimate that 27.85% of Union expenses are "non-chargeable."**

For details of the Local's chargeable and non-chargeable allocation procedure, see below:

## ALLOCATION PROCEDURES

**1. Affiliation fees.** The Local's affiliation fees to the California Federation of Teachers (CFT) and the American Federation of Teachers (AFT) are allocated at the percentage rates of chargeable and non-chargeable expenses reported by each organization. Both the CFT and AFT reports are attached. Affiliation fees to the California Labor Federation, AFL-CIO, the San Francisco Labor Council, AFL-CIO, and the San Francisco Organizing Project are deemed non-chargeable expenses of the Local.

**2. Salaries and benefits of paid professional/clerical staff.** All paid professional and clerical staff complete time sheets [known as activity reports] indicating the services they provided. The attached time

## AFT 2121 Continued

sheets indicate how we make allocations between chargeable and non-chargeable expenditures. The hours of each staff member is computed, and the chargeable percentage determined from these reports. Benefits consist of such things as health and welfare, pension plans, vacation, and sick leave. They are calculated at the same percentage as time.

Any other presumptions used in making computations or allocations are indicated in the notes to the statement.

**3. Legal expenses** incurred in representing the union and members of the unit in grievances and arbitrations, unfair labor practices, court or administrative litigation, investigating, researching and attempting to resolve issues which involve the rights of unit members are fully chargeable. Litigation directly related to maintaining the union's existence is chargeable.

**4. Negotiations.** This category records only the expenses of printing contracts, contract proposals and counter-proposals, incidental meeting costs, data compilation, research, compilation and analysis for negotiations, costs of negotiations, caucuses and planning sessions, and is fully chargeable.

**5. Grievance and arbitration.** This category records only the costs of grievances and arbitrations, including arbitration fees, court reporters, transcripts, messengers, and other out-of-pocket costs and is fully chargeable.

**6. Publications.** This category records only the costs of printing the Local's union literature. Direct printing and publishing expenses are allocated based on the specific content of articles in publications. Anyone may review the publications file, which indicates the allocation. Articles related to the Union's role as collective bargaining agent, information about faculty retirement issues, education issues, professional information, professional development, job opportunities, teaching methods, professional information and the like are chargeable. Articles dealing with political action, ideological issues and AFT member services are non-chargeable.

**7. Faculty Calendars** is non-chargeable since they were provided only to Local members.

**8. Contributions** involves support of organizations and activities only incidentally related to the terms and conditions of faculty employment and is deemed non-chargeable.

**9. Membership meetings,** conventions, conferences, workshops, training meetings and similar activities is chargeable with the exception of expenses for member-only services. This is true even if the meetings, etc. were not devoted solely to the business of the union. Meeting expenses include transportation, lodging, food, and registration costs incurred by Local delegates while attending conferences and workshops.

**10. Financial audit** includes the fees of the Certified Public Accountant who performs the yearly audit of the Local's financial records and prepares the Local's fiscal year financial report and statement of chargeable and non-chargeable expense. It is fully chargeable.

**11. Escrow services** includes fees of the escrow agent who sets up and controls service fee deposits to and disbursements from the escrow account. It is fully chargeable.

**12. Service fee notifications** includes the cost of reproduction and distributing the notification of service fees each school year to

fee payers. It is fully chargeable.

**13. Executive Board expenses** is chargeable, unless otherwise indicated in the notes. It includes transportation (air fare or auto), food, lodging, and conference registration costs incurred by Executive Board members attending meetings on behalf of the Local. These meeting include: union governance meetings and conventions, workshops sponsored by faculty organizations, the Local's Executive Board meetings or with District Governing Board members.

**14. Indirect expenses.** In Cumero v. King City Joint Union School District PERB Dec. No. 197, 6 PERC 13065 (1982), the PERB held that the "operating costs of the exclusive representative cannot reasonably be separated from its representational services. Rent, utilities, stationery, salaries and other costs of doing business provide the very means by which such services may be carried on. To deny the organization the right to apply service fees in meeting such costs would at once burden members with the exclusive obligation to support services beneficial to nonmembers ..." Nevertheless, it has been decided to allocate the expenses here on the same percentage as total direct expenses of the Local. The Local reserves the right, in the event of any challenge to its allocations, to use the "cushion" provided here to offset any alleged computational/allocation error in any other category.

### **15. Lobbying and legislative activities.**

Lobbying the school board that is directly related to ratifying or implementing a collective bargaining agreement, or to make changes in working conditions or other academic or professional matters involving the district is chargeable. Where the district, the State Chancellor's office, Department of Education or other public agency seeks the AFT Local 2121's help in bringing about a legislative change that would affect the district's powers or resources on matters within the scope of union representation or consultation, such time and expenses are chargeable. Lobbying activities designed to foster collective bargaining negotiations and contract administration, or to secure for the represented employees advantages in wages, hours, and other conditions of employment in addition to those secured through meeting and negotiating with the employer. Other lobbying activities are treated as nonchargeable. Expenditures for lobbying activities designed to secure funds for public education in general are nonchargeable.

**16. Public relations.** Publicizing the Union's position in collective bargaining and contract administration is chargeable. Other communications addressed to the general public are considered as non-chargeable. Expenditures in the public relations area which are directly related to negotiations of contracts, including the influence of public officials and the public generally concerning the issues of a collective bargaining agreement and contract administration, are considered chargeable. Informational picketing, media exposure, posters and buttons related generally to public education and the teaching profession, and not to the Association's position on collective bargaining and contract administration are considered non-chargeable. Expenses for picketing, media exposure, posters, buttons and strike preparation materials are considered chargeable as are any actual costs of work actions.

## NON-MEMBER FAIR SHARE FEE REFUND/APPEAL PROCEDURE

### I. FILING OBJECTIONS TO FAIR SHARE FEE DETERMINATION

Each year, the Local shall send a notice to non-members informing them of its determination of fair share fees. This notice shall include a detailed written explanation showing what permissible expenditures, including collective bargaining and contract administration, are anticipated, based upon expenditures made during the previous year. The explanation shall also set forth a projection of anticipated expenditures which are not within the permissible areas of expenditure. These projected expenditures, expressed as a percentage of the total budget derived from dues, assessments, and fair share fees, shall be identified as the "non-chargeable percentage." The breakdown of expenditures shall be verified by a Certified Public Accountant.

The fair share fee charged to non-members shall be equal to the amount of membership dues. Non-members who wish to (1) reduce their fee by the non-chargeable percentage and/or (2) challenge the Union's calculation of the non-chargeable amount must inform the Union of their challenge within thirty (30) days after the date of the notice. The notification must be in writing, directed to the president of AFT Local 2121, and must set forth the basis for the challenge.

### II. ESCROW ARRANGEMENTS

The Local shall establish an interest-bearing escrow account separate from all other union funds in which to deposit fees as set forth below. The union shall furnish terms of the escrow account upon request.

All fees of all non-members received within 30 days of the notice of fee determination shall be escrowed until 30 days after the date of this notice. Once the 30 day appeal period has passed the following procedures shall be followed:

**1.** At the close of the 30 day period, all fees escrowed on behalf of non-members not filing objections shall be removed from escrow and remitted to the Local.

At this point, the only money remaining in escrow will be the service fees collected from non-members who have filed timely appeals.

**2.** During the pendency of the appeals procedure described in Section III, the Union shall continue to place in escrow all fees collected from non-members who have filed appeals, except for those objections withdrawn, settled or resolved.

### III. APPEALS PROCEDURE

**Step 1.** Within thirty (30) days after the close of the period for filing objections under Section I of this Procedure, the Union shall request a prompt hearing before an impartial arbitrator of all objections filed in timely fashion, unless the objection of any objector is withdrawn, settled, or resolved by refunding the disputed amount, plus interest, and agreeing to no longer charge for the disputed amount.

**Step 2.** The Union shall within 45 days of the last day for filing an objection to the chargeable determination, and upon receipt of any employee objection(s), shall request

a prompt hearing regarding the agency fee before a single impartial arbitrator selected by the American Arbitration Association (AAA) or California State Mediation and Conciliation Service. Selection of the arbitrator and conduct of the arbitration shall be in accordance with the applicable rules of the AAA if AAA is utilized. The fee and any expenses of the arbitrator shall be paid by the Union. Fee payers who file appeals will be responsible for paying the costs of their own representation, and their incidental costs (e.g., including, but not limited to, transcripts, document reproduction, transportation, lodging and meals). Any party may request a consolidated hearing of multiple fee objectors based on case similarities, including but not limited to hearing location. At any time prior to the hearing, any party may make a motion to the impartial decision maker challenging any consolidation of the hearing. Prior to the hearing, the objection may be withdrawn, or resolved by settlement or by the Union refunding the disputed amount, plus interest at the prevailing rate, and agreeing to not charge for the disputed amount for the remainder of the appropriate year at issue.

#### IV. ARBITRATOR'S AWARD

The arbitrator shall issue a written decision, based on the evidence and relevant provisions of the collective bargaining agreement and the law, determining whether the fair share fee was appropriately calculated and, if not, what the appropriate calculations should have been. The arbitrator shall have no power to grant a remedy to persons who have not filed for arbitration. The applicable escrow funds and the interest accrued thereon shall be disbursed pursuant to the award. As of the date of the arbitrator's decision, and thereafter, the fair share fee of all non-members who filed an appeal during the 30 day appeal period shall be adjusted to coincide with the decision, except for those objections withdrawn, settled or resolved.

If the objection of the individual(s) requesting arbitration is withdrawn, is settled by an agreement between the Union and said individual(s), or is resolved by refunding and agreeing to not charge for said objectionable amounts during the remainder of the year at issue, then escrowed funds and interest accrued thereon shall be disbursed pursuant to Union instructions issued in accordance with the settlement or resolution achieved.

#### Independent Auditor's Report

##### Report on Financial Statements

We have audited the financial statements of the San Francisco Community College District Federation of Teachers, Local 2121 (a California non-profit labor union), which comprise the statement of financial position as of June 30, 2013 and have issued our report thereon dated December 6, 2013. We have also audited the accompanying statement of allocation between chargeable and nonchargeable expenses for the year ended June 30, 2013.

The expenses reflected in to total column of the accompanying statement are taken from amounts which appear in the audited statement of operations of the San Francisco Community College District Federation of Teachers, Local 2121 for the year ended June 30, 2013 and are allocated between chargeable and nonchargeable expenses as described

#### ATTACHMENT 'A'

##### ACTIVITY REPORT: AFT 2121 EXECUTIVE DIRECTOR

##### REPRESENTATION WORK

- 1. COLLECTIVE BARGAINING:** Selecting and preparing bargaining team, preparing proposals and responses, research, information to faculty, reports to Executive Board, legal consultation, negotiations sessions, faculty ratification meetings, rallies/demonstrations, picketing, work-site visits and meetings with faculty, presentations to Governing Board and lobbying, media work, distribution of Union contract to faculty.
- 2. CONTRACT ENFORCEMENT AND PROBLEM-SOLVING:** grievance-handling, arbitration and investigation of complaints; advocacy for faculty on health, dental, and retirement benefits; legal consultation and research; conferences with faculty members and District administration; work-site visits and meetings with Building Reps; monitoring District Governing Board actions, budget hearings, etc.
- 3. PUBLICATIONS:** preparation of bulletins, negotiation updates, and Local's newsletter: writing, editing, soliciting articles, planning meetings, lay-out, printing, distribution.
- 4. LEGAL CASES:** meetings with attorneys and faculty members; investigating and compiling facts of cases; representing faculty in unemployment benefit hearings and appeals.
- 5. OFFICE MANAGEMENT:** Planning meetings with staff, officers, and volunteers on work schedules and prioritization of tasks; inventory and ordering of supplies; filing system and reports and mailing labels from member and fee payer data base; record-keeping including staff time sheets and activity reports, use of material resources and office machines; dues and fees collection and reports internal office mail: announcements, agendas, and Minutes preparation and distribution for Executive Board, membership, and committee meetings; legal defense grants.
- 6. FINANCES:** per capita payments to affiliates, payroll records and taxes, budget and financial reports, bookkeeping, payment of bills.
- 7. UNION OFFICERS ELECTIONS AND CONSTITUTIONAL BYLAWS REVISIONS:** preparing internal union elections: mail ballots, working with election committee and volunteers, preparation and distribution of election materials to Union members, counting of ballots and mail-out of results.
- 8. UNION MEETINGS:** preparation and distribution of announcements, agendas reports, and Minutes for Executive Board, Union delegates/ reps, membership and committee meetings; presentation of staff reports; follow-up on resolutions.
- 9. SERVICE FEE ADMINISTRATION:** preparation of materials for audit and report on chargeable/nonchargeable expenses for service; preparation and distribution of service fee notification; handling of service fee challenges and conscientious objections.
- 10. MEMBERSHIP RECRUITMENT:** Organizing union membership recruitment campaigns: preparation of literature, faculty lists, planning meetings coordination work of Union reps, etc.
- 11. MEMBERSHIP SERVICES:** providing information to members and prospective members on AFT member services including: credit union, travel agency, insurances, consumer discounts, legal consultations; inventory, ordering, and distribution of AFT calendars and pamphlets for members services.
- 12. CONFERENCES:** providing information to faculty about and attending National, State, and Local AFT conventions, workshops; attending AFL-CIO Labor Council meetings and activities.
- 13. COMMITTEE ON POLITICAL EDUCATION (COPE):** preparation of mailings to COPE members, COPE recruitment, work on local and state elections and legislative campaigns, lobbying of local and state public officials and legislators.

#### ATTACHMENT 'B'

##### ACTIVITY REPORT: AFT 2121 OFFICE CLERK

- 1. OFFICE MANAGEMENT:** planning meetings with Executive Director on work schedules/prioritization of tasks; inventory/ordering office supplies; filing; computer file maintenance; internal mail distribution; preparing staff time sheets and activity reports; phone answering; taking messages, making referrals, problem solving - STRS, fringe benefits, contractual rights; editing, typing, sending and filing correspondence for Union representatives and Executive Board members.
- 2. DUES/FEES PROCESSING:** billing cash members; processing new member applications; member status reports to Executive Board; communications with dues/fee payers; monitoring dues/fees; preparation of national AFT and CFT per cap reports; handling of faculty payroll deduction problems.
- 3. PUBLICATIONS:** Union flyers and publications: writing, editing, production and faculty mailbox distribution; bulk and first class mailings.
- 4. UNION MEETINGS, CONFERENCES AND ELECTIONS:** membership meetings preparation and mailing of announcements, resolutions and minutes; conference organization; Union officers elections and referendums on Constitutional and By-Laws revisions; preparation of mail ballot, election materials and results of mail ballots and elections.

in the footnotes to the accompanying statement.

##### Management's Responsibility for the Financial Statements

Management is responsible for the

preparation and fair presentation of these financial statements in accordance with accounting principles general accepted in the United States of America; this includes the design, implementation, and maintenance of

**Independent Auditor's Report Continued**

internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluation of the appropriateness of accounting policies used and the reasonableness of significant account estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the accompanying statement of allocation between chargeable and nonchargeable expenses presents fairly, in all material respects, the total expenses of the San Francisco Community District Federation of Teachers, Local 2121 for the fiscal year ended June 30, 2013, and the allocation between chargeable and nonchargeable expenses on the basis of the significant factors and assumptions explained in the notes to the accompanying statement.

**Future City College of San Francisco Funding**

The City College of San Francisco has been discredited effective July, 2014, by its accreditation agency. This is a matter of emphasis. Please see Note E in the Notes to the Financial Statements for a discussion of this situation.

December 6, 2013  
Kilian & Company, CPAs

**NOTES to AFT 2121  
Statement of Allocation**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Expenses** - The statement of allocation between chargeable and nonchargeable expenses has been prepared on the accrual basis; consequently, certain expenses have been recognized when the obligation is incurred rather than when paid.

**Income Taxes** - Local 2121 is exempt from Federal and state taxes on income under

<b>American Federation of Teachers Local 2121</b>				
<b>Statement of Allocation Between Chargeable and Nonchargeable Expenses</b>				
<b>Year Ended June 30, 2013</b>				
	Total	Refunds And Reductions	Non- Chargeable Expenses	Chargeable Expenses
	Expenses			
<b>Affiliation Fees</b>				
AFT	\$ 230,957	\$ (5,540)	\$ 86,786	\$ 138,631
CFT	558,754	—	193,832	364,992
CA Labor Federation	13,856	—	13,856	—
SF Labor Council	17,826	—	17,826	—
Other affiliations	425	—	425	—
<b>Total Affiliation Fees</b>	<b>821,818</b>	<b>(5,540)</b>	<b>312,725</b>	<b>503,553</b>
<b>Direct Expenses</b>				
Professional Staff				
Salaries & Benefits	160,710	—	2,893	169,859
Clerical Staff				
Salaries & Benefits	172,040	—	4,576	167,464
Legal Expenses	119,091	—	—	119,091
Representation Expenses	17,908	—	—	17,908
Communication Expenses	24,619	—	1,132	23,487
Contributions	8,845	—	8,845	—
Membership	28,155	—	2,534	25,621
Audit and				
Bookkeeping Fees	12,703	—	—	12,703
<b>Total Direct Expenses</b>	<b>544,071</b>	<b>—</b>	<b>19,980</b>	<b>524,091</b>
<b>Direct Percentage</b>			<b>3.67%</b>	<b>96.33%</b>
<b>Indirect Expenses</b>				
Depreciation	3,515	—	129	3,386
Telephone	5,648	—	225	5,423
Utilities	3,002	—	120	2,882
Alarm System	460	—	18	442
Equipment Leases				
and Repairs	7,101	—	283	6,818
Office supplies & Other	19,378	—	773	18,605
Postage	2,008	—	80	1,928
Rent	26,400	—	1,053	25,347
Insurance	775	—	31	744
<b>Total Indirect Expenses</b>	<b>68,287</b>	<b>—</b>	<b>2,712</b>	<b>65,575</b>
<b>Total Expenses</b>	<b>1,434,176</b>	<b>(5,540)</b>	<b>335,417</b>	<b>1,093,219</b>
<b>Less: CFT Fin. Assistance (224,150)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(224,150)</b>
<b>Adjusted Total Expenses</b>	<b>\$ 1,210,026</b>	<b>\$ (5,540)</b>	<b>\$ 335,417</b>	<b>\$ 869,069</b>
<b>Total Percentages</b>	<b>—</b>	<b>—</b>	<b>27.85%</b>	<b>72.15%</b>

provisions of Section 501 (c)(5) of the Internal Revenue Code and California Revenue and Taxation Code 23701 (a), other than taxes on unrelated business income.

**NOTE B - AFFILIATION FEES**

Allocation of this category is based on the most recent public allocation statements from that entity as shown below. Member insurance is a union member-only benefit and therefore, is nonchargeable. As the CFT membership is currently the same as that charged for the agency fee payer, no adjustment to what is paid in CFT per capita is necessary this year to arrive at chargeable expenses.

	<u>AFT</u>	<u>CFT</u>
<b>Total Affiliation Fees</b>	<b>\$ 230,957</b>	<b>\$ 558,754</b>
<b>Member insurance</b>	<b>(5,540)</b>	<b>—</b>
<b>Subtotal</b>	<b>225,417</b>	<b>558,754</b>
<b>Chargeable Percentage</b>	<b>61.50%</b>	<b>65.31%</b>
<b>Chargeable Expenses</b>	<b>\$ 138,163</b>	<b>\$ 364,192</b>

The other affiliation fees, including the California Labor Federation, the San Francisco labor Council, the San Francisco Organizing Project and other affiliations do not produce statements of General Fund Allocation. The Local has elected to consider these fees as nonchargeable.

**NOTE C - DIRECT EXPENSES**

**Professional Personnel Cost and Administration Salaries and Benefits:** These categories include salaries and related costs such as benefits and employer payroll taxes. Every employee is required to keep a daily time sheet which is arranged in various activities. Allocation is made based on the actual chargeable hours as a percentage of total hours for the year. Activities which are chargeable include collective bargaining, contract enforcement, legal cases, office management, finance of the Local, union meetings, service fee administration and National, State and Local AFT conferences. Activities which are not

**AMERICAN FEDERATION OF TEACHERS, AFL-CIO**  
**Combined Statement of General Fund, Militancy/Defense Fund Expenses**  
**and Allocation between Chargeable Expenses and Nonchargeable Expenses**  
**For the year ended April 30, 2013**

	Column A	Column B	Column C	
	Total expenses	Chargeable expenses	Non- chargeable expenses	Notes
<b>Direct expenses:</b>				
Salaries	\$ 37,180,370	\$ 29,392,792	\$ 7,787,578	3a
Fringe benefits	14,655,887	11,688,795	2,967,092	3b
Payroll and other taxes	2,792,808	2,209,168	583,640	3b
Severance and vacation pay	4,645,069	3,306,774	1,338,295	3b
Travel and related expenses	6,444,040	5,227,755	1,216,285	3b
Dues, donations and membership fees	4,934,527	—	4,934,527	3c
<b>Publications:</b>				
<u>American Teacher</u>	1,296,713	390,686	906,027	3d
<u>American Educator</u>	1,131,401	151,404	979,997	3d
<u>Healthwire</u>	115,951	52,896	63,055	3d
<u>Public Employee Advocate</u>	160,059	55,212	104,847	3d
<u>On Campus</u>	383,005	83,810	299,195	3d
<u>PSRP Reporter</u>	307,845	134,427	173,418	3d
<b>AFT-COPE and related activities</b>				
activities	6,346,720	—	6,346,720	3e
Affiliation fees	10,550,685	—	10,550,685	3f
Educational training programs	353,527	115,598	237,929	3g
Regional conferences and training	3,082,816	2,970,295	112,521	3g
AFT Teach Conference	469	469	—	3g
<b>Assistance and collective bargaining</b>				
bargaining	25,084,518	20,544,828	4,539,690	3h
State federation rebates	1,660,653	1,660,653	—	3i
Militancy Fund	38,999	—	38,999	3j
Defense Fund	8,456,738	8,456,738	—	3k
Solidarity Fund - National	9,685,328	1,070,000	8,615,328	3l
Solidarity Fund - State Fed.	7,239,310	7,239,310	—	3l
Legal, audit and consulting expenses	2,447,841	1,667,754	780,087	3m
Legal, audit and consulting expenses - agency shop	114,177	114,177	—	3m
Legislative activities	1,768,231	—	1,768,231	3n
Public affairs activities	65,372	—	65,372	3n
Member benefits activities	1,448,796	—	1,448,796	3n
International affairs activities	215,082	—	215,082	3n
Convention and executive council meetings	2,812,685	2,812,685	—	3o
Departmental meetings	9,787,809	2,196,422	7,591,387	3p
Funding Our Priorities	5,678,357	4,555,790	1,122,567	3q
Regional Offices	279,640	206,159	73,481	3r
<b>Total direct expenses</b>	<b>\$ 166,052,932</b>	<b>\$ 102,130,120</b>	<b>\$ 63,922,812</b>	
<b>General, administrative and operating expenses:</b>				
National office and equipment rental	\$ 2,775,728	\$ 1,707,199	\$ 1,068,529	3s
Depreciation and amortization	1,321,463	812,760	508,703	
Repair and maintenance	472,661	290,708	181,953	
Information technology	79,480	48,884	30,596	
Computer implementation	603,176	370,981	232,195	
General insurance	605,316	372,297	233,019	
General legal, audit and consulting expenses	2,722,102	1,674,217	1,047,885	
Postage, express and delivery, and telephone	391,335	240,689	150,646	
Office supplies, subscriptions, books and other expenses	1,966,558	1,209,523	757,035	
Total general, administrative and operating expenses	10,937,819	6,727,257	4,210,562	
<b>Total Expenses</b>	<b>\$ 176,990,751</b>	<b>\$ 108,857,377</b>	<b>\$ 68,133,374</b>	
<b>Percentages</b>	<b>100.00%</b>	<b>61.50%</b>	<b>38.50%</b>	

See independent auditors' report and accompanying notes to combined statement.

chargeable include membership recruitment, member services and C.O.P.E. activities as well as a portion of time on publication.

**Contributions:** Contributions are considered nonchargeable.

**Publications:** Direct printing and pub-

lishing expenses of AFT 2121's publications are allocated based on the specific content of the articles in the publications. Articles dealing with political action, ideological issues, and AFT member services were deemed non-chargeable. Articles related to the Union's role as the collective bargaining agent (negotiations, contract enforcement, faculty rights, conferences, meeting announcements) are chargeable. The allocation percentage calculation was derived from a column-inch measurement of each topic in the Union's publications.

**Other Direct Expenses:** The balance of the direct expenses except for minor non-chargeable meeting and subscription expenses represents the direct costs of contract enforcement, representation of the bargaining unit, and organization and administration of the Local and as such were deemed to be chargeable expenses.

**NOTE D - INDIRECT EXPENSES**

All expenses in this category were allocated based on the same percentage as total direct expenses of the Local.

**NOTE E- FUTURE CITY COLLEGE OF SAN FRANCISCO FUNDING**

Since July, 2012, when the accrediting agency for California community colleges (the ACCJC) placed the City College of San Francisco (CCSF) on "Show Cause, 11 Local 2121 has been experiencing financial stress owing to increased legal costs and a reduction in revenues from dues and fees because of the contraction of the College's programs and the number of faculty. Fortunately, Local 2121 is receiving considerable financial assistance from its affiliates, the California Federation of Teachers and the American Federation of Teachers. Local 2121 is currently applying for a Legal Defense Grant approved by CFT/AFT to cover 2/3 of its legal costs in the ACHE legal case and the upcoming labor arbitration over the 5% ongoing unilateral pay cut of all CCSF faculty. Additionally, CFT/AFT will be helping offset some of the Local's costs for hiring local staff to deal with the crisis, including the cost of their wages and benefits

The most critical issue, of course, is the survival of the College itself, without which there would be no Local. ACCJC has now disaccredited CCSF effective July, 2014, and has ordered the College to develop a closure plan. CCSF is appealing the ACCJC decision. Additionally, the Local and the CFT have appealed the ACCJC sanctions to the Department of Education in Washington, D. C. in the form of a "third party complaint. 11 Moreover, the local and the CFT, as well as the City Attorney of the City and County of San Francisco, have filed separate lawsuits asking the Court to revoke the ACCJC's decision to discredit CCSF. The Local's lawsuit filed recently seeks an injunction to stop the discreditation.

**AMERICAN FEDERATION OF  
TEACHERS, AFL-CIO  
Combined Statement of General  
Fund, Militancy/Defense Fund  
Expenses and Allocation Between  
Chargeable Expenses and  
Nonchargeable Expenses.**

**Notes, AFT National**

**Notes to Combined Statement of General Fund, Militancy Fund/Defense Fund Expenses and Allocation Between Chargeable and Nonchargeable Expenses. For the year ended April 30, 2012.**

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

**a. Basis of Presentation** - The accompanying combined statement was prepared for the purpose of determining the fair share cost of services rendered by the American Federation of Teachers, AFL-CIO (the Federation) for employees represented by, but not members of, the Federation and its affiliated local unions. The accompanying combined statement is not intended to be a complete presentation of the Federation's financial position, changes in its net assets, or its cash flows in accordance with generally accepted accounting principles.

**b. Accounts and Funds Excluded from the Combined Statement** - The expense of providing accident and liability insurance to members and agency fee payers is recovered through premium charges to locals and has been excluded from the combined expense statement. Rent and various other operating expenses associated with the subletting operations of the Federation, which are accounted for in the Federation's Building Fund, have been excluded from the combined expense statement.

**c. Income Taxes** - The Federation is exempt from federal income taxes under Section 501(c)(5) of the Internal Revenue Code, except on net income from unrelated business activities.

**d. Retirement Plans** - The Federation contributes a percentage of eligible employees' salaries to retirement plans. The Federation follows the practice of recording as expense its required contributions under such plans in each fiscal year. During the year ended April 30, 2008, the Federation adopted FASB Accounting Standards Codification (ASC or Codification) 715, Compensation - Retirement Benefits, which requires an employer to recognize the underfunded status of a defined benefit postretirement plan as a liability in its statement of financial position and in changes in unrestricted net assets. The expense as a result of the change in liability is not reflected in these statements.

**e. Severance and Accumulated Vacation** - The Federation accrues accumulated severance and vacation expense as it is earned by its employees under various contracts and agreements.

**f. Depreciation and Amortization** - Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets.

**g. Leases** - The Federation occupies office space in a building which is owned by a limited partnership of which the Federation, through its wholly owned subsidiary, 555 New Jersey Avenue, N.W., Inc., is the

controlling partner. Annual rental payments were approximately \$2,852,000 of which 96 percent or approximately \$2,786,000, is charged to the General Fund based on the space occupied by the Federation.

**h. Estimates** - The preparation of financial statements requires management to make estimates and assumptions that affect the reported expenses during the reporting period and the allocation of expenses between chargeable and non-chargeable. Actual results could differ from those estimates.

**i. Subsequent Events Review** - Subsequent events have been evaluated through July 29, 2013, which is the date the financial statements were available to be issued. This review and evaluation revealed no new material event or transaction which would require an additional adjustment to or disclosure in the accompanying financial statement.

**NOTE 2. DEFINITIONS**

The following definitions of chargeable and non-chargeable expenses are based on existing law and the Federation's interpretation of court cases.

**Chargeable Expenses** - Chargeable expenses are those incurred by the Federation that reflect the share of the costs of operations of the Federation which are considered necessarily and reasonably incurred for the purpose of assisting state federations and local unions and councils in the performance of their duties as a representative of the employees in dealing with the employer on labor management issues, including the costs of: negotiating and administering the collective bargaining contract; 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 the local union or council as representative of the employees in the bargaining unit; and the maintenance of the Federation's, state federations', local unions' and councils' associational existence.

The following are examples of expenditures classified as chargeable: preparation for and negotiations of collective bargaining agreements; contract administration including investigating and processing grievances; meetings, conferences, administrative, arbitral and court proceedings, and pertinent investigation and research in connection with work-related subjects and issues; handling work-related problems of employees; communications with community organizations, civic groups, government agencies, and the media regarding the Federation's position on work-related matters; maintaining membership; employee group programs; and providing legal, economic, and technical expertise on behalf of employees in all work-related matters.

**Non-chargeable Expenses** - Non-chargeable expenses are those of an ideological or political nature and those that are not germane to work-related interests of employees.

The term "political" is defined as support for or against candidates for political office of any level of government and any office in the union structure. The term "ideological" is defined as support for or against certain positions that the union may take which are not work-related.

The following expenses are classified as non-chargeable: lobbying, electoral or political activities outside the limited context

of contract ratification or implementation; litigation expenses that do not concern the objecting employees' bargaining unit; public relations efforts designed to enhance the reputation of the teaching profession; and the costs of activities primarily aimed at recruiting new members.

**NOTE 3. SIGNIFICANT FACTORS AND ASSUMPTIONS USED IN THE ALLOCATION OF COMBINED EXPENSES BETWEEN CHARGEABLE AND NON-CHARGEABLE**

**a. Salaries** - Salary expenses of executives, editorial department editors and administrative staff, as well as salary expenses for personnel responsible for office management, finance, travel and meetings have been allocated between chargeable and non-chargeable activities based on time spent by personnel on such activities.

**b. Fringe Benefits, Payroll and Other Taxes, Severance and Vacation Pay, and Travel and Related Expenses** - These expenses are allocated on the basis of salary expense allocations described in Note 3a above.

**c. Dues, Donations, and Membership Fees** - Dues, donations, and membership fees to all organizations are considered to be 100 percent non-chargeable.

**d. Publications** - Direct printing and publishing expenses of the publications are allocated based on the specific content of articles in the publications as determined by the Federation's editorial department. Expenses allocable to articles considered political or ideological in nature are deemed not to benefit nonmembers and are nonchargeable. Expenses allocable to reporting on legislative and lobbying activities, litigation activities, public relations activities, illegal strike activities, and articles relating to enhancement of the reputation of the teaching profession as a whole are non-chargeable, except for those related to collective bargaining. The content of articles deemed chargeable was reviewed by editorial staff and are directly related to issues in collective bargaining, contract administration, and grievance matters. Chargeable articles include topics such as collective bargaining contracts negotiated by locals throughout the country and arbitrations won by the Federation's locals. Chargeable articles also include topics such as salary and fringe benefit improvements, health and welfare areas such as asbestos removal, etc. Other chargeable articles deal with specific topics like class size and educational reform issues on new and advanced methods of classroom instruction. Expenses allocable to advertising, net of advertising revenue, are considered non-chargeable.

**e. AFT-COPE and Related Activities** - Contributions to the Federation's Committee on Political Education (COPE) Fund and related expenses are considered to be 100 percent non-chargeable.

**f. Affiliation Fees** - Affiliation fees are considered to be 100 percent non-chargeable.

**g. Educational Training Programs and Conferences** - Educational training programs and conferences are for local, state, and national staff and are to enhance staff skills in collective bargaining, grievance handling, and contract administration. These educational training programs and conferences are considered to be 100 percent chargeable, except that items related to organizing activities in

**CALIFORNIA FEDERATION OF TEACHERS**  
**Statement Allocated Chargeable and Nonchargeable Expenses**  
**December 31, 2012**

	Total Expenses	Chargeable Expenses	Non- chargeable Expenses	Notes
<b>Direct expenses:</b>				
<i>Personnel Expenses:</i>				
Management	\$ 796,355	\$ 682,637	\$ 113,718	3a
F.R.U.	2,901,493	2,122,162	779,331	
O.P.E.I.U.	1,386,333	1,148,838	237,495	
Other Personnel-Related Expenses	(933,222)	(746,310)	(186,912)	3b
Travel and Lodging	251,526	197,427	54,099	3c
Mileage Reimbursement	112,957	91,806	21,151	3d
OPEIU Travel Reimbursement	4,912	4,318	594	3e
Financial Assistance to Locals	7,848,116	7,808,081	40,035	3f
<i>Departments:</i>				
Communications and Publications	51,829	4,026	47,803	3g
Governmental Relations	51,754	4,165	47,589	3h
Information Technology	45,624	45,227	397	3i
Leadership Development and Training	171,503	114,519	56,984	3j
Research	8,500	8,500	—	3k
Organizing	75,348	—	75,348	3l
<i>Councils:</i>				
Community College Council	168,754	142,259	26,495	3m
Council of Classified Employees	148,235	118,620	29,615	3n
EC/K-12	134,479	102,609	31,870	3o
Governance	394,320	308,481	85,839	3p
Committees and Task Force	12,471	9,402	3,069	3q
Professional Services	254,771	235,917	18,854	3r
Miscellaneous	231,335	32,090	199,245	3s
Raoul Teilet Scholarship Fund Expenses	108,232	—	108,232	3t
Legal Defense Fund Expenses	126,422	126,422	—	3u
Dues Collection Fund Expenses	285	285	—	3v
COPE Committee Expenses	4,239,908	—	4,239,908	3w
COPE Candidate Committee Expenses	594,507	—	594,507	3x
Militancy Fund Expenses	5,080	—	5,080	3y
	<u>349,723</u>	<u>—</u>	<u>349,723</u>	
<b>Total Direct Expenses</b>	<b>\$ 19,427,082</b>	<b>\$ 12,688,100</b>	<b>\$ 6,738,982</b>	
<b>Indirect Expenses:</b>				
Building Occupancy	\$ 599,671	\$ 391,654	\$ 208,017	
Building Repairs and Maintenance	4,676	3,054	1,622	
Furniture and Equipment - Aquisition	117,843	76,965	40,878	
Furniture and Equipment - Repairs and Maintenance	22,176	14,483	7,693	
Office Supplies	48,050	31,382	16,668	
Postage and Shipping	38,698	25,274	13,424	
Printing	23,058	15,060	7,998	
Subscriptions	5,898	3,852	2,046	
Telecommunications	88,427	57,753	30,674	
Depreciation	31,859	20,808	11,051	
Bank Charges	3,957	2,584	1,373	
Payroll Processing Fees	5,533	3,614	1,919	
Property Insurance	16,465	10,754	5,711	
Property Taxes	2,011	1,313	698	
Storage of Benefits Supplies	2,745	1,793	952	
Benefits Supplies and Shipping	1,992	1,301	691	
CFT Archives/Storage	1,883	1,230	653	
Retiree Benefits	62,252	40,658	21,594	
<b>Total Indirect Expenses</b>	<b>\$ 1,077,194</b>	<b>\$ 703,532</b>	<b>\$ 373,662</b>	
<b>Total expenses</b>	<b>\$ 20,504,276</b>	<b>\$ 13,391,632</b>	<b>\$ 7,112,644</b>	
<b>Percentage</b>	<b>100.00%</b>	<b>65.31%</b>	<b>34.69%</b>	

new areas, or of a political or public relations nature contained within the programs are nonchargeable.

The AFT conference is a biennial conference that concentrates on educational reform and new instructional methods. As this conference focuses on education related issues, the related expenses are considered to be 100 percent chargeable.

**h. Assistance and Collective Bargaining** - Expenses of organizing, collective bargaining, assistance to local unions, grievance handling, contract administration, etc. are 100 percent chargeable; however, expenses

relating to organizing activities in new areas, including campaigns for collective bargaining where AFT is not the agent, preparation of literature and workers meetings, are 100 percent nonchargeable.

**i. State Federation Rebates** - State federation rebates are required by the Federation's constitution and are therefore 100 percent chargeable. These funds are to be used to hire staff at the state and local level, to negotiate collective bargaining agreements, and to enforce contract administration. Also, funds are used to service members directly.

**j. Militancy Fund** - The Militancy Fund

supports members and locals involved in strikes. These expenses are considered to be 100 percent non-chargeable.

**k. Defense Fund** - The Defense Fund is a legal defense fund available to members and nonmembers which grants assistance to local and state bodies to help protect the rights of teachers, career service personnel, and other educational workers, as well as health care and federal, state, and local employees. Matters involving contract administration, grievance handling, and litigation involving the defense of the Federation are considered to be chargeable. Expenses of litigation unrelated to an objecting employee's unit and not germane to the Federation's duties as exclusive bargaining representative are not considered to be chargeable as defined in *Lehnert v. Ferris Faculty Association* (1991) but now nonmembers could be charged by the local or national union for national litigation expenses as long as the subject matter of the extra-local litigation was of a kind that would be chargeable if the litigation were local and the charge was reciprocal in nature. *Locke v. Karass*, U.S. Supreme Court, January 21, 2009. This fund is administered through a committee comprised of Vice Presidents, the Secretary-Treasurer and the General Counsel, all of the Federation.

**l. Solidarity Funds** - Solidarity Fund - National expenses consist of payments made related to political and legislative activities. These payments are considered to be 100 percent non-chargeable unless the expense is directly related to improving the wages, hours, or working conditions of the members of the bargaining unit(s).

Solidarity Fund - State - State expenses consist of payments made to AFT State Federation Solidarity Fund as required by the Federation's Constitution and are considered 100 percent chargeable.

**m. Legal, Audit, and Consulting Expenses - Agency Shop** - Legal, audit, and consulting expenses related to specific projects are allocated based on the chargeable percentages of the related departments, except that legal, audit and consulting expenses primarily for non-chargeable activities are considered to be 100 percent non-chargeable.

Legal, audit, and consulting expenses - agency shop are fees paid to outside lawyers, auditors, and consultants for services directly relating to agency shop matters. These expenses are considered to be 100 percent chargeable.

General legal, audit and consulting expenses are allocated as described in Note 3t below.

**n. Legislative Activities, Public Affairs Activities, Member Benefits Activities and International Affairs Activities** - Activities related to legislative, public affairs, member benefits, and International affairs expenses are considered to be 100 percent non-chargeable.

**o. Convention and Executive Council Meetings** - Expenses related to the Federation's biennial convention and periodic Executive Council meetings are considered to be 100 percent chargeable.

**p. Departmental Meetings** - Departmental meeting expenses are allocated based on the chargeable percentages of the related departments, except that meeting expenses primarily for non-chargeable activities, or activities in California related to classified employees, are considered to be 100 percent non-chargeable.

## AFT National Continued

**g. Funding Our Priorities (formerly Special Projects)** - Funding Our Priorities expenses are allocated based on the chargeability or non-chargeability of each project.

**r. Regional Offices** - Regional offices expenses are allocated based on the chargeable percentages of the regional office directors.

**s. General, Administrative, and Operating Expenses** - General, administrative, and operating expenses have been allocated to chargeable and non-chargeable expenses based on the same ratio as total direct expenses.

**CALIFORNIA FEDERATION OF  
TEACHERS, AFL-CIO  
Notes to Combined Statement  
of General Fund, and Legal  
Defense Fund Expenses, and  
Allocation Between Chargeable and  
Nonchargeable Expenses.**

### Notes, CFT

#### Statement of Allocated Chargeable and Nonchargeable Expenses, December 31, 2012

#### (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**(a) Expenses** - The statement of allocated chargeable and nonchargeable expenses has been prepared on the accrual basis; consequently, certain expenses have been recognized when the obligation is incurred rather than when paid.

**(b) Accounting Estimates** - The preparation of financial statements requires management to make estimates and assumptions that affect the reported expenses during the reporting period and the allocation of expenses between chargeable and nonchargeable. Accordingly, actual results may differ from those estimates.

**(c) Tax-Exempt Status** - The CFT has adopted guidance on accounting for uncertainty in income taxes issued by the Financial Accounting Standards Board. Management believes that the CFT has taken no uncertain tax positions that require adjustment to the financial statements in order to comply with the provisions of this guidance. Certain information returns are subject to examination by authorities.

No provision for Federal or state income tax is made. The CFT and the Legal Defense Fund have received tax-exempt status from the Federal government under Internal Revenue Code Section 501(c)(5) and the State of California under Revenue and Taxation Code Section 23701a.

The Western States Insurance Trust is a taxable complex trust.

The COPE Candidate Committee is subject to taxation under Internal Revenue Code Section 527 and the State of California Revenue and Taxation Code Section 23701r on investment income in excess of \$100.

**(d) Pensions** - The CFT incurs expenses related to four pension plans. Benefits under the CFT's 401 (k) Plan are based on the required contributions made to the Plan. Pension costs for the CFT's defined benefit

plan are determined by actuarial valuation. The CFT makes contributions to two Offices and Professional Employees International Union (OPEIU) pension plans for the office and clerical staff, one for its Northern California employees and one for its Southern California employees. These Plans may have liabilities for unfunded vested benefits at December 31, 2010 requiring assessment of withdrawal liability from contributing employers who withdraw from the Plans. The management of the CFT has expressed no intent to withdraw from these Plans and the withdrawal liability, if any, to the CFT has not been computed. The pension costs for the defined benefit pension plan, which covers the CFT's field employees, are determined by actuarial valuation.

**(e) Postretirement Medical Benefits - Management/F.R.U.** - Effective May 1, 2002, the CFT established the transition obligation related to its post-retirement health benefits. The obligation is amortized on a straight-line basis over 20 years. Annual benefit expense for the plan includes service costs, interest and amortization of the transition obligation.

**(f) O.P.E.I.U. Postretirement Medical Benefits** - Effective January 1, 2009, the CFT established the transition obligation related to its O.P.E.I.U. postretirement health benefits. The obligation is amortized on a straight-line basis over 20 years. Annual benefit expense for the Plan includes service costs, interest and amortization of the transition obligation.

**(g) Office Furniture and Equipment** - Office furniture and equipment are stated at cost. Depreciation is determined for related groups of assets under the straight-line method, based upon their estimated useful lives, which range from 3 to 5 years. Minor renewals or replacements, and maintenance and repairs are expensed. Major replacements and improvements are capitalized.

**(h) Compensated Absences** - The CFT accrues accumulated vacation expense as it is earned by its employees under the various contracts and agreements. Accumulated sick leave of over 20 days is payable to clerical employees at 50% of their regular pay rate.

#### (2) FAIR SHARE/AGENCY FEES

**(a) Background** - In 1986, the United States Supreme Court issued a decision in Chicago Teachers Union vs. Hudson regarding certain procedures that must be followed by labor organizations that collect fair share fees from nonmembers under a collective bargaining agreement with a public employer. In its decision, the United States Supreme Court reaffirmed the constitutionality of such fair share fee agreements, originally upheld in Abood vs. Detroit Board of Education. In other cases, Ellis vs. Railway Clerks and Lehnert vs. Ferris Faculty Association, the United States Supreme Court held that certain union expenditures could be charged to fair share fee payers, but that certain others could not be charged.

#### **(b) Definitions**

Expenses as to the following activities are totally chargeable:

1. Operation and governing of the CFT, including CFT elections.
2. Preparation for, negotiation and administration of collective bargaining agreements.
3. Ratification of collective bargaining

agreements.

4. Grievances and arbitrations.
5. Purchasing books, periodicals and reports relating to chargeable activities.
6. Using technicians and professionals in labor law, economics and other subjects for services used in connection with chargeable activities.

7. Publishing those portions of newspapers and newsletters which concern matters for which a union can charge a fair share fee payer, and/or concerning teaching and education generally, professional development, unemployment, job opportunities, award programs and other miscellaneous matters analogous to chargeable de minimis social activity.

8. Mediation, strikes, slow-down and work stoppages as to representation and collective bargaining.

9. The prosecution or defense of litigation as to interpretation or enforcement of collective bargaining agreements or collective bargaining or representational rights.

10. Social and recreational activities open to both members and fair share fee payers.

11. Payments for insurance, medical care, retirement, disability and death-related benefits for persons paid for services in carrying out the representational interest of collective bargaining and contract administration.

12. Operating and administrative costs of the CFT on such as rent, utilities, automobiles, salaries, etc.

Expenses as to the following activities are not chargeable:

1. Voter registration, get-out-the-vote and political campaigns.
2. Supporting and contributing to charitable or ideological organizations.
3. Supporting and contributing to political organizations and candidates for public office.
4. Supporting and contributing to ideological causes and committees, including ballot measures.
5. Supporting and contributing to activities as to foreign affairs.
6. Members-only benefits.
7. Litigation not related to bargaining unit matters, collective bargaining or representation.
8. Organizing; recruitment of members.
9. Lobbying - federal, state and local.

#### (3) SIGNIFICANT FACTORS AND ASSUMPTIONS USED IN THE ALLOCATION OF COMBINED EXPENSES BETWEEN CHARGEABLE AND NONCHARGEABLE

All expenses were segregated into two classes: direct expenses and indirect expenses. Direct expenses consisted of those expenses for which a clear, measurable relationship to representational activities could be identified. All other expenses were classified as indirect expenses. Management believed that the representational character of indirect expenses was related to direct expenses and, accordingly, that it was appropriate to allocate indirect expenses in proportion to the aggregate allocation percentage derived for the direct expenses. Significant factors and assumptions used in the allocation of the direct expenses are discussed below.

**a. Personnel Expenses** - Management, representation and support staff who performed the CFT's activities prepared weekly activity reports, which documented the time spent on various representational and nonrepresentational activities. These activity reports were the basis for allocating their salaries and benefits commensurate to the proportion of time spent performing representational work.

The salaries and benefits of support employees were allocated on the basis of a weighted average of the proportion of time spent working with the individuals described above. Certain other employees' salaries were allocated on the basis of the character of the job performed.

**b. Other Personnel-Related Expenses** - These expenses were allocated in proportion to the ratio of aggregate chargeable direct salaries and benefits derived pursuant to the methodology described in Note 3(A) above to total direct salaries and benefits.

**c. Travel and Lodging** - These expenses were analyzed in order to identify the nature of the activities for which the CFT incurred them and allocated accordingly.

**d. Mileage Reimbursement** - These expenses were allocated in proportion to the time spent by management and representation staff on various representational and nonrepresentational activities as documented in their weekly activity reports.

**e. OPEIU Travel Reimbursement** - These expenses were analyzed in order to identify the nature of the activities for which the CFT incurred them and allocated accordingly.

**f. Financial Assistance to Locals** - Local staff funding programs are required by the CFT's constitution. This financial assistance is provided to local unions for the purpose of employing professional staff at the local level to assist with representational activities and allocated as chargeable.

Organizing grant was allocated as nonchargeable.

**g. Communications and Publications** - These expenses were analyzed in order to identify the nature of the activities for which the CFT incurred them and allocated accordingly.

One of the four publications that the CFT produces, which is distributed to both members and fair share fee payers, is included under this category. As a result, the issues of this publication were analyzed and the costs allocated in proportion to the relative space devoted to representational and nonrepresentational matters.

Also, promotional items and public and community relations were allocated as nonchargeable.

**h. Governmental Relations** - These expenses were analyzed in order to identify the nature of the activities for which the CFT incurred them and allocated accordingly.

Legislative subscriptions and other legislative-related expenses were allocated as nonchargeable.

**i. Informational Technology** - Professional staff that performed the CFT's informational technology activities prepared weekly activity reports, which documented the time spent on various representational and nonrepresentational activities. These activity reports were the basis for allocating their salaries and salary-related expenses commensurate to the proportion of time spent performing representational work. The

salaries of support employees were allocated on the basis of a weighted average of the proportion of time spent working with the individuals previously described.

Other related expenses were analyzed to identify the work that was performed in conjunction with chargeable and nonchargeable activities

**j. Leadership Development and Training** - These expenses were analyzed in order to identify the nature of the activities for which the CFT incurred them and allocated accordingly.

**k. Organizing** - Organizing expenses are by definition nonchargeable.

**l. Research** - These expenses were analyzed in order to identify the nature of the activities for which the CFT incurred them and allocated accordingly.

**m. Community College Council** - These expenses were analyzed in order to identify the nature of the activities for which the CFT incurred them and allocated accordingly.

Two of the three publications that the CFT produces, which are distributed to both members and fair share fee payers, are included under this category. As a result, the issues of these publications were analyzed and the costs allocated in proportion to the relative space devoted to representational and nonrepresentational matters.

**n. Council of Classified Employees** - These expenses were analyzed in order to identify the nature of the activities for which the CFT incurred them and allocated accordingly.

One of the four publications that the CFT produces, which is distributed to both members and fair share fee payers, is included under this category. As a result, an issue of this publication was analyzed and the costs allocated in proportion to the relative space devoted to representational and nonrepresentational matters.

**o. EC/K-12 Council** - These expenses were analyzed in order to identify the nature of the activities for which the CFT incurred them and allocated accordingly.

**p. Governance** - These expenses were analyzed to identify the work that was performed in conjunction with chargeable and nonchargeable activities.

**q. Committees and Task Forces** - These expenses were analyzed in order to identify the nature of the activities for which the CFT incurred them and allocated accordingly.

**r. Professional Services** - These expenses were analyzed to identify the work that was performed in conjunction with chargeable and nonchargeable activities.

**s. Miscellaneous** - These expenses were analyzed in order to identify the nature of the activities for which the CFT incurred them and allocated accordingly.

**t. Raoul Teihet Scholarship Fund Expenses** - These expenses were for scholarships and related expenses to assist some well deserving high school students with funds that will benefit them in pursuing their college education and were allocated as nonchargeable.

**u. Legal Defense Fund Expenses** - The CFT's Legal Defense Fund is available to members and fair share fee payers and grants assistance to locals to help protect the rights of teachers, career service personnel and other educational workers, as well as state and local employees. This Fund is

administered through a Board of Directors comprised of seven members of the CFT's Executive Council. Direct Legal Defense Fund expenses were allocated as chargeable.

**v. Dues Collection Fund Expenses** - The CFT collects dues on behalf of various small affiliated local unions who do not have a mechanism in place to collect union dues. This cost is necessary to enable the CFT to collect per capita taxes from these affiliated local unions and is therefore chargeable.

**w. Proposition and Ballot Initiatives COPE Committee Expenses** - These expenses are to support state and local ballot initiatives, which the CFT believes further the goals of education and students and are generally nonchargeable.

**x. COPE Candidate Committee Expenses** - These expenses are to support state and local candidates running for public office who further the goals of the CFT and its membership. These expenses are nonchargeable.

**y. Militancy Fund Expenses** - These expenses are to help and defend members and fair share fee payers who have been targeted for retaliation by employers as a result of their CFT Union activities and other similar purposes as determined by the executive council and are chargeable.

#### NOTE 4 - ADJUSTMENT TO EXPENSES

The following adjustment has been made to the total expenses originally reported on the CFT's financial statements as of December 31, 2010:

<b>Total Expenses Per</b>	
<b>Financial Statements</b>	<b>\$ 21,944, 139</b>
<b>Less: Agency Fee Rebates (A)</b>	<b>(112,837)</b>
<b>Administrative Expense Reimbursements and Sale of CFT Pocket Calendars (B)</b>	<b>(627,063)</b>
<b>Voluntary Contributions: (C)</b>	
<b>Proposition and Ballot Initiatives</b>	
<b>COPE Committee</b>	<b>(444,708)</b>
<b>COPE Candidate Committee</b>	<b>(255,225)</b>
<b>Royalty Income (D)</b>	<b>(30)</b>
<b>Total Adjusted Expenses</b>	<b>\$ 20,504,276</b>

(A) For purposes of this statement, total expenses were reduced by the amount of agency fee rebates the CFT paid to its affiliated Local Unions to reimburse them for paying full per capita on nonmembers. This offsets the difference for nonmembers not paying full dues to them.

(B) For purposes of this statement, total expenses were reduced by the total reimbursed costs for administrative and other services provided by the CFT to various related entities. In addition, cash disbursements for the purchase of CFT pocket calendars were offset by the proceeds from sales. Pocket calendars are considered nonchargeable.

(C) For purposes of this statement, total Proposition and Ballot Initiatives COPE Committee and COPE Candidate Committee expenses were offset by the voluntary contributions received during the year.

(D) For purposes of this statement, total Western States Insurance Trust expenses were offset by the royalties income collected.

END

**JOIN THE UNION!**

Please **PRINT CLEARLY** on all sections. **PRESS HARD** to print on four copies. Make sure fields with a blue asterisks (\*\*) are completed.



California Federation of Teachers, AFT, AFL-CIO

AFT LOCAL UNION NAME		LOCAL NUMBER	
LAST NAME	FIRST NAME	EMAIL	
JOB TITLE	WORK LOCATION ( )	DATE OF BIRTH** ( )	
SOCIAL SECURITY NUMBER**	HOME PHONE	WORK PHONE	
HOME ADDRESS	CITY	STATE	ZIP

I understand that my dues will include the many services and benefits of local, state, and national AFT bodies. Union dues may not be deductible for federal income tax purposes; however, under limited circumstances dues may qualify as a business expense.

**AUTHORIZATION FOR MEMBERSHIP DUES WITHHOLDING**

I hereby authorize payroll deduction from my salary for the payment of dues as set by the local union. This authorization will remain in effect until I revoke it in writing, unless specified otherwise in the local contract.

SIGNATURE	DATE
-----------	------

**SUPPORT THE UNION'S COMMITTEE ON POLITICAL EDUCATION**

I hereby authorize the \_\_\_\_\_ (your employer)  
to deduct from my salary the sum of  \$10  \$15  \$25  \$ \_\_\_\_\_ (other amount) per pay period and forward that amount to the  
\_\_\_\_\_ (your local union)

Committee On Political Action (COPE). This authorization is signed freely and voluntarily and not out of any fear of reprisal and I will not be favored or disadvantaged because I exercise this right. I understand this money will be used by AFT/COPE to make political contributions. This voluntary authorization may be revoked at any time by notifying the \_\_\_\_\_ (your local union) COPE in writing of the desire to do so. Contributions or gifts to AFT/COPE are not deductible as charitable contributions for federal income tax purpose.

SIGNATURE	DATE
-----------	------

**ACTIVATE \$10,000 OF GROUP LIFE INSURANCE AT NO COST TO YOU**

**Yes!**, I elect \$10,000 of Group Term Life Insurance which is available to me at no cost for one full year as a new AFT member. I want to be covered under the group plan for the benefits which I am or may become eligible for, as requested below. The AFT provides this insurance for one year as a benefit of AFT membership. After one year, I will be invited to continue the insurance.

My beneficiary is to be (PLEASE PRINT) \_\_\_\_\_ Relationship \_\_\_\_\_

My gender is  male  female.  I am actively at work. (Retirees are not eligible.)

I hereby certify that all statements and answers in this form are full, complete, and true to the best of my knowledge and belief. I understand that to be eligible for coverage I must be a new AFT member, actively working, and not currently insured under the Group Term Life Insurance plan for AFT members. I understand that my coverage will become effective on the first day of the month following the date this application is signed. The premiums for this insurance are being paid by AFT only for one year from the effective date. Any person who knowingly and with intent to defraud any insurance company or other person files an AFT application for insurance or a statement of claim containing any materially false information or conceals, for the purpose of misleading, information concerning any fact material thereto commits a fraudulent insurance act, which may be a crime and may subject such person to criminal and civil penalties. For questions, phone toll-free (888) 423-8700 or visit [www.aftbenefits.org](http://www.aftbenefits.org).

SIGNATURE	DATE
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#596 April 2010

LOCAL UNION COPY

Insurance Activator Form

Please return through interoffice mail to:  
**AFT 2121, Ocean Campus, 50 Phelan**