

STATE OF HAWAII
PUBLIC EMPLOYMENT RELATIONS BOARD

In the Matter of)	
)	
STATE OF HAWAII ORGANIZATION)	Case No. <u>SF-12-68</u>
OF POLICE OFFICERS (SHOPO),)	
)	Decision No. <u>105</u>
Petitioner.)	
_____)	

FINDINGS OF FACT, CONCLUSIONS
OF LAW, AND ORDERS

On December 29, 1978, the State of Hawaii Organization of Police Officers (hereafter SHOPO) filed a Petition for the Certification of Reasonableness of Service Fees. The petition requested the Board to certify as reasonable a monthly service fee of \$13.50 for employees in Unit 12 for the period from January 1, 1979 through December 31, 1979.

After publication of legal notices in newspapers of general circulation, the Board held a prehearing conference on February 14, 1979 and a hearing on March 14, 1979 on the SHOPO petition. Mr. Curtis Uno, SHOPO's General Counsel and Interim Business Manager, presented SHOPO's case. No one appeared at the hearing in opposition to the petition. The official transcript of the hearing was received by this Board on March 21, 1979.

Upon a complete review of the record herein, the Board makes the following findings of fact, conclusions of law, and orders.

FINDINGS OF FACT

Petitioner SHOPO is and was, at all times relevant, the certified exclusive representative of Unit 12 (police officers).

There are approximately 1,902 members in Unit 12. Of this total, 1,857 are union members and 45 are non-union members.

The current service fee for employees in Unit 12 is \$13.50 per month. This fee was originally approved by this Board in Decision 88 on May 8, 1978. It was again approved in Decision 98 for the period from October 1, 1978 through December 31, 1978. SHOPO was directed by this Board to petition for a service fee review no later than December 31, 1979.

The present SHOPO petition requests the Board to approve as reasonable, the same service fee of \$13.50 for the period from January 1, 1979 through December 31, 1979. In support of this request, SHOPO submitted into evidence a projected budget containing estimated income and expenditures for calendar year 1979.

To obtain the figures for its projected budget, SHOPO allocated its revenues and expenditures into two separate accounts. One account is for the \$13.50 service fee revenues used to pay for expenses relating to contract negotiation and administration. The other account contains revenues from the \$1.50 differential paid by union members for union membership activities. The figures noted below reflect only those expenditures SHOPO has deemed allocable to the service fee account.

If the \$13.50 service fee is approved by the Board and continued throughout 1979, SHOPO anticipates an income of \$308,124. In addition, SHOPO projects revenues of \$3,997 from advertising and \$2,000 from interest payments which will provide a total of \$314,121 for the service fee account.

For the 1979 calendar year, SHOPO projects a total expenditure of \$353,143 for its service fee account. The breakdown of expenditures by categories is as follows:

ADMINISTRATIVE

Staff Salaries and Wages	141,421
Salary Increase Reserve	19,512
Employer's Payroll Taxes (9%)	12,728
Payroll Tax Reserve	1,756
Fringe Benefits	<u>13,536</u>
	188,953

OPERATIONAL

Service Bureau	4,000
External Professional Services	23,100
Rent	22,820
Leasehold Improvements	8,000
Office Equipment Rented/Leased	4,660
Janitorial, Repair & Maint. Services	4,224
Office Supplies	4,303
Printing (stationery, envelopes)	1,016
Insurance (fire/theft)	4,000
Dues & Publications	2,957
Employee Development	3,000
Telephones, Beepers & Answering Unit	8,936
Postage	2,957
Messenger Service	<u>600</u>
	94,573

OTHER EXPENDITURES

Contract Negotiations (travel/ per diem)	20,000
Grievances & Defense	17,622

Membership Development	4,000
Public Relations	7,095
Board & Executive Board Meetings (State)	7,000
Chapter Meetings	5,900
State General Membership Meeting	3,000
Legislative Committee	<u>5,000</u>
	<u>69,617</u>
TOTAL	<u>353,143</u>

In accordance with Decision 98 of this Board, SHOPO excluded from the service fee account, those portions of the staff salaries, employer's taxes and fringe benefits attributable to staff time spent on union membership activities. Such activities include the membership insurance program and the SHOPO Relief Association program, which is a charitable trust for the payment of sick and death benefits to union members. SHOPO reviewed all staff position functions and interviewed each staff member to ascertain the portion of time spent on said activities. Consequently, the following percentages of the salaries, employer's taxes, fringe benefits and salary increase reserve have been excluded from the "ADMINISTRATIVE" division of the budget:

Executive Secretary	2%
Accounts Clerk	10%
Clerk/Typist	25%
Receptionist/Typist	4%

The \$141,421 appropriation in the "Staff Salaries and Wages" category includes the full salaries for the Business Manager (\$21,600), Senior Business Agent (\$19,620), two Business Agents (\$32,040), and General Counsel (\$24,600), wages

for a part-time Clerk (\$4,680), and partial salaries for the Executive Secretary (\$15,288), Accounts Clerk (\$9,720), Clerk/Typist (\$6,210) and Receptionist/Typist (\$7,603).

SHOPO noted that although the Business Manager and Senior Business Agent positions are vacant, the amounts budgeted for their salaries are being used temporarily to offset unexpected and necessary expenses. The General Counsel is being paid an additional \$1,000 per month for assuming the Business Manager's administrative duties. In addition, an Assistant Legal Counsel was hired at \$1,350 per month. Moreover, approximately \$5,000 to \$7,000 in severance pay was paid to the former Senior Business Agent upon his voluntary termination in 1979.

The \$19,512 in the "Salary Increase Reserve" category has been allocated in anticipation of salary increases for the clerical staff and business agents being negotiated with the SHOPO Staff Union and the International Association of Business Agents, respectively.

The "Employer's Payroll Tax" allocation is based on nine per cent of the salaries and wages. SHOPO indicated that although its contribution was based on seven per cent in 1978, an adjustment in 1979 was necessary as actual expenditures revealed it was paying in the area of nine per cent. The \$1,756 in the "Payroll Tax Reserve" category is to cover taxes on the negotiated salary increases.

The "Fringe Benefit" category includes \$5,776 for medical insurance and \$1,460 for group life insurance. It also includes \$6,300 for car allowances for the Business Manager, Senior Business Agent, General Counsel and two Business Agents.

The Service Bureau is an agency that provides computer printouts and a newspaper clipping service. SHOPO has allocated \$4,000 for this purpose.

The \$23,100 appropriation for "External Professional Services" includes \$3,600 for accounting write-up fees, \$4,500 for the financial audit and \$15,000 for legal services. The large amount for legal fees is due to a suit for an alleged breach of the duty of fair representation against SHOPO.

The "Leasehold Improvements" category includes \$8,000 for general renovations and the purchase of office equipment and furnishings for the additional office space SHOPO recently was required to obtain.

SHOPO sends its staff members to training seminars and conferences relating to collective bargaining purposes. The \$3,000 appropriation in the "Employee Development" category is used for this purpose.

Funds from the "Membership Development" category are used to educate union members as to their rights and benefits. None of the \$4,000 allocated to this category is used for recruitment of new union members.

Included in the "Public Relations" category are \$4,095 for the SHOPO newsletter production costs and \$3,000 for an allowable portion of the editor's contract fee and other miscellaneous public relations expenses. SHOPO excluded nine per cent of the newsletter cost attributable to the amount of space used for recreation, social events and ideological issues.* A similar disallowance was made on the editor's fee.

*This estimate of nine per cent was made in Decision 98 of this Board after reviewing the January-September, 1978 issues of the newsletter. SHOPO anticipates similar newsletter coverage for 1979.

The "Legislative Committee" allocation of \$4,000 will be used to defray expenses incurred by the committee for its lobbying activities. The committee consists of volunteer SHOPO members who lobby at the Legislature for such things as appropriations for contract cost items, more comprehensive pre-paid health and medical insurance programs, early retirement benefits and legislation to allow police officers to participate in political activities. The committee does not engage in lobbying for ideological issues such as capital punishment. Included in this appropriation is \$1,000 for a professional advisor. Since the committee is relatively inexperienced, the advisor was retained to teach the committee how to effectively work at the Legislature.

Most of the budget categories reflect a ten per cent inflationary increase from 1978 to 1979. Major increases in the 1979 service fee budget include: (1) \$21,268 for negotiated staff salary increases and payroll taxes; (2) \$8,600 for external professional services primarily due to the need for an outside legal counsel for the duty of fair representation suit; (3) \$5,516 for rent and \$6,309 for leasehold improvements necessary for the additional office space acquired; (4) \$1,623 for additional fire and theft insurance coverage; and (5) \$19,913 for contract negotiations.

The large increase for contract negotiations is due to the fact that in 1979 there will be negotiations for a new Unit 12 contract with the public employers of Unit 12. In 1978, there were no negotiations for new contracts with the counties covering Unit 12. There also will be negotiations with the unions which represent SHOPO's own staff.

In order to offset the large increases, SHOPO has been revamping its accounting system and has eliminated or

decreased some expenditures. For example, one Business Agent position and the business expense category from the 1978 budget were eliminated. Costs for messenger service, employee development, printing, public relations and membership development were reduced for the 1979 budget.

With a projected income of \$314,121 and allowable planned expenditures of \$353,143, SHOPO will still have a deficit of \$39,022 if this service fee petition is approved by this Board.

CONCLUSIONS OF LAW

After a complete review of the evidence presented at the hearing, the Board finds that SHOPO's planned expenditures for the period from January through December, 1979 are reasonable charges against service fees. SHOPO's disallowance of costs for newspaper space used for recreation, social events and ideological issues and portions of employee expenditures attributable to work time spent on non-collective bargaining activities is consistent with this Board's rulings in prior service fee decisions and the requirements of Subsection 89-4(a), Hawaii Revised Statutes. Accordingly, the Board finds that the proposed service fee of \$13.50 per month is a reasonable charge for the employees of Unit 12.

In Decision 88 of this Board, the following order was made:

SHOPO is directed to petition for a service fee review no later than September 30, 1978, the ending date of its projected budget. In establishing this precedent, the Board is cognizant that SHOPO's service fee will be reviewed by the Board only five months from now. The Board, however, upon deeper consideration of its duty to

certify the reasonableness of service fees, believes that it cannot approve a service fee for periods for which there is no accounting or showing as to how the service fee monies will be spent. Accordingly, henceforth, the Board will certify service fee amounts only for periods for which a projected budget has been provided.

Since SHOPO submitted a budget covering the period from January 1, 1979 through December 31, 1979, the Board will approve the subject service fee only through December 31, 1979.

ORDERS

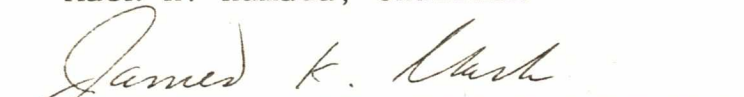
A monthly service fee of \$13.50 shall continue to be deducted by the employer from the payroll of each employee in Unit 12. Such deductions shall be made each payroll period in an amount which, to the extent possible, is equal to the monthly service fee divided by two payroll periods.


The service fee shall continue to be deducted until otherwise ordered by this Board.

SHOPO is directed to petition this Board for a service fee review no later than December 31, 1979.

HAWAII PUBLIC EMPLOYMENT RELATIONS BOARD


Mack H. Hamada, Chairman


James K. Clark, Board Member


John E. Milligan, Board Member

Dated: April 19, 1979

Honolulu, Hawaii