

STATE OF HAWAII
PUBLIC EMPLOYMENT RELATIONS BOARD

In the Matter of)	
)	
STATE OF HAWAII ORGANIZATION)	Case No. <u>SF-12-93</u>
OF POLICE OFFICERS (SHOPO),)	
)	Decision No. <u>146</u>
Petitioner.)	
_____)	

FINDINGS OF FACT, CONCLUSIONS
OF LAW, AND ORDERS

On December 31, 1980, the State of Hawaii Organization of Police Officers (hereafter SHOPO) filed a Petition for Certification of Reasonableness of Service Fees. In its petition, SHOPO requested the Board to certify as reasonable a monthly service fee of \$15.50 for employees in Unit 12 (Police officers) for the period from January 1, 1981 through December 31, 1981.

After publication of legal notices in newspapers of general circulation, the Board held a prehearing conference on January 19, 1981 and a hearing on February 2, 1981. Mr. Gordon H. Chun, President of SHOPO, presented SHOPO's case. No one appeared in opposition to the petition.

Upon a complete review of the record, 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.

There are approximately 1,953 Unit 12 members, of which 1,887 are union members and 66 are service fee paying non-union members. There are also 26 associate members who are no longer Unit 12 employees.

The current service fee for employees in Unit 12 is \$13.50 per month. This fee was originally approved in HPERB Decision 88 on May 8, 1978. It has since been approved in three subsequent decisions (98, 105 and 124) covering annual periods through December 31, 1980. Decision 124 directed SHOPO to petition for another service fee review no later than December 31, 1980.

The instant SHOPO petition requests the Board to approve as reasonable, an increased service fee of \$15.50 for the period from January 1, 1981 through December 31, 1981. In support of this request, SHOPO submitted into evidence a projected budget containing estimated income and expenditures for calendar year 1981 (Bd. Ex. 1 and Pet. Ex. 1).

SHOPO developed its budget in mid-November and on December 2, 1980 reported to its membership at the General Membership Meeting that a \$2 per month increase of dues as well as service fees was imminent. On December 3, 1980, the SHOPO State Board of Directors raised the membership dues by \$2 per month effective January 1, 1981. Notice of this increase was published in the January, 1981 issue of the SHOPO newsletter (Tr. at 23-24).

SHOPO's budget was prepared under a two-fund accounting system. One fund contains the service fee revenues used for expenditures dealing with negotiations and/or administration of the collective bargaining agreement. The other fund contains the \$1.50 differential paid by union members for expenditures for benefits and services available only to union and associate members. The figures noted below reflect only those expenditures from the service fee fund.

If the \$15.50 service fee is approved by the Board and continued through December 31, 1981, SHOPO anticipates an income of \$363,258. Additionally, SHOPO anticipates approximately \$2,400 from newsletter advertising and \$1,100 from

interest payments which will increase the total service fee account to \$366,758.

For the 1981 calendar year, SHOPO projects a total expenditure of \$410,646 for its service fee budget. The breakdown of planned 1981 expenditures by categories and the comparable 1980 expenditures are as follows:

	<u>1980</u>	<u>1981</u>
ADMINISTRATIVE		
Staff Salaries and Wages	\$139,057	\$182,974
Employer's Payroll Taxes (9%)	11,749	16,468
Fringe Benefits	<u>11,448</u>	<u>14,096</u>
	\$162,254	\$213,538
OPERATIONAL		
Service Bureau	\$ 2,922	\$ 3,000
External Professional Services	4,483	6,100
Rent	32,575	39,048
Leasehold Improvements	195	500
Office Equipment	7,491	3,500
Office Equipment Rental	3,419	3,500
Janitorial, Repairs, Maintenance and Supplies	2,775	1,000
Office Supplies	3,055	3,360
Printing (stationery, envelopes)	1,545	1,700
Elections Printing	676	200
Insurance (Fire/Theft)	3,295	3,625
Dues and Publications	2,216	2,438
Employee Development	2,696	3,000
Telephones	6,457	7,748
Postage	2,288	2,517
Elections Postage	834	200
Messenger Service	289	289
Business Expenses	2,541	1,860
Automobile Expenses	<u>0</u>	<u>1,000</u>
	\$ 79,752	\$ 84,585
OTHER EXPENDITURES		
Contract Negotiations (travel/per diem, contract booklets)	\$ 2,124	\$ 50,017 ¹
Grievance and Defense (including settlements and staff travel)	30,238	33,261 ¹
Membership Development	2,032	2,540
Public Relations	6,863	6,905
Board and Executive Board Meetings (State)	5,302	6,000
Chapter Meetings	5,060	7,500
State General Membership Meeting	3,000	3,000
Legislative Committee	<u>1,317</u>	<u>3,000</u>
	\$ 55,936	\$112,523

¹At the hearing, SHOPO reported that due to staff turnovers in 1980 (vacancy in Assistant General Counsel position since May 1, 1980; resignation of Business Manager on (Continued on next page)

In accordance with guidelines established in Decisions 98, 105 and 124 of this Board, SHOPO excluded from its service fee budget those portions of staff salaries, employer's taxes and fringe benefits attributable to staff time spent on union membership activities. The amount of staff time spent on service fee related activities was determined by subtracting the actual time spent on membership activities as logged by the executive secretary, bookkeeper, receptionist-typist, receptionist and part-timer for the period from January 1, 1980 through November 30, 1980 (Pet. Ex. 3-6). Hence, the following percentages of the salaries, employer's taxes, fringe benefits and salary reserve have been allowed in the "Administrative" division of the service fee budget below:

Executive Secretary	99%
Bookkeeper	84%
Receptionist-Typist	98%
Receptionist	96%
Part-time Clerk	99%

The \$182,974 appropriation from the service fee budget for "Staff Salaries and Wages" includes the full salaries for the Business Manager (\$25,260), two Business Agents (\$18,900 and \$14,425), General Counsel (\$26,460), and two Assistant General Counsels (\$20,250 and \$19,275), as well as the allowable percentage of salaries noted above for the Executive

Footnote continued

October 31, 1980 and one Business Agent in December, 1980), SHOPO realized savings in salaries, payroll taxes, auto allowances and fringe benefits. As a result, the carry-over accumulated surplus from 1980 to 1981 is approximately \$43,000 rather than \$25,000 as reported in its projected budget for 1981. SHOPO indicated that this additional surplus of \$18,000 will be used for two accounts which were purposely underbudgeted to keep service fees at a reasonable level. The "Contract Negotiations" and "Grievance and Defense" categories will realistically require additional amounts of \$13,000 and \$5,000, respectively. These figures reflect said additions to the amounts of \$37,071 and \$28,726 originally projected in Bd. Ex. 1.

Secretary (\$19,543), Bookkeeper (\$14,263), Receptionist-Typist (\$10,231), Receptionist (\$9,734) and Part-time Clerk (\$4,633) (Pet. Ex. 1).

The Business Manager position was vacant as of the date of the hearing before the Board. The Senior Business Agent position which was not budgeted for since it has been vacant throughout 1979 and 1980 will remain open in 1981. The two Business Agent positions were recently vacated (one in December, 1980 and the other in January, 1981) and two new Business Agents were hired at lower salaries in January of 1981.² SHOPO also hired two Assistant General Counsels effective February 1, 1981 and February 16, 1981.

The "Employer's Payroll Taxes" and "Payroll Tax Reserve" amounts were calculated at nine percent of the salaries and wages attributable to service fee activity.

The "Fringe Benefits" account includes \$6,403 for medical insurance and \$2,493 for group life insurance. Also included in this category are \$370 for mileage allotments at 18-1/2 cents per mile for SHOPO staff not receiving car allowances and \$4,830 for car allowances of \$140 per month each for the Business Manager, General Counsel and two Assistant General Counsels.

The account of "External Professional Services" consists of \$4,600 for the audit fee, \$1,000 for outside legal services, and \$500 for other services.

The "Rent" allocation provides for a \$2,704 per month rental fee plus utilities at \$550 per month.

²SHOPO reported that with the resignation of the two former Business Agents, the International Association of Business Agents (IABA) no longer exists at SHOPO. Hence, all budget allocations previously required for negotiations with the IABA have been deleted in the 1981 budget.

In 1980, the "Office Equipment" account was exceptionally high due to the purchase of two vehicles for SHOPO's business agents as required by the IABA contract. For 1981, SHOPO has decreased this account substantially to \$3,500.

The "Janitorial, Repairs, Maintenance and Supplies" account has also been decreased substantially for 1981 since the janitorial and maintenance services are included in the rent.

The "Elections Printing" and "Elections Postage" account allocations of \$200 each is to provide for the printed material, labels and postage for the 1981 election for the Maui and Kauai Chapters only.

The SHOPO "Business Expense" account allocation of \$1,860 is used for expenses incurred by members of the State Board of Directors in the conduct of SHOPO business. In 1980, \$850 was used from this account for expenses incurred by SHOPO in moving to its new offices.

A new account of "Automobile Expenses" with an allocation of \$1,000 has been created in SHOPO's 1981 budget for the upkeep of the two cars SHOPO was required to provide its business agents.

As 1981 is a contract negotiations year for SHOPO and the four counties, an amount of \$50,017 has been allocated for the "Contract Negotiations" account which includes travel and per diem. Also, a 20% increase in the telephone account has been allocated in view of the negotiations.

The "Membership Development" account has been increased substantially for additional training for shop stewards. The \$2,540 allocation in this account is to be used for training, meetings, per diem and space rental.

The SHOPO newsletter production costs have been projected at \$7,161 for 1981. SHOPO deducted 9% of this total cost as disallowable costs attributable to the amount of space used for recreation, social events and ideological issues (the 9% estimate was established in HPERB Decision 98). Accordingly, in the "Public Relations" account \$6,517 has been allocated for the newsletter from the service fee budget.

The "Legislative Committee" account is used for per diem and travel for neighbor island members who lobby on SHOPO's behalf for non-negotiable legislation such as prepaid health and early retirement programs.

The remaining budget accounts not specifically discussed herein reflect a ten percent inflationary increase from 1980 to 1981.

With a projected service fee income of \$363,258 and allowable planned expenditures of \$410,646, SHOPO's service fee budget will reflect a deficit of \$47,388. However, SHOPO has a carry-over surplus of approximately \$43,000 from 1980 and additional revenues from its newsletter advertising (\$2,400) and interest payments (\$1,000) to cover such a deficit.

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, 1981 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 Sub-section 89-4(a), Hawaii Revised Statutes. Accordingly, the Board finds that the proposed service fee of \$15.50 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, 1981 through December 31, 1981, the Board will approve this subject service fee only through December 31, 1981.

ORDERS

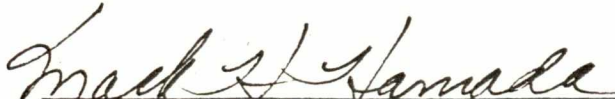
A monthly service fee of \$15.50 shall be deducted by the employer from the payroll of each employee in Unit 12 and transmitted to SHOPO. Such deductions shall be made each payroll period in an amount which, to the extent possible, is equal to the monthly service fee divided by two payroll periods.

The increased service fee shall be retroactive to January 1, 1981 for all employees on the payroll at that time. For all persons hired on or after that date, the service fee shall be effective as of the date of hire.

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, 1981.

HAWAII PUBLIC EMPLOYMENT RELATIONS BOARD


Mack H. Hamada, Chairman


James K. Clark, Board Member


John E. Milligan, Board Member

Dated: February 24, 1981

Honolulu, Hawaii