

**Report of the
Finance Committee
to the 77th Convention**



**Communications Workers of America
Las Vegas, NV
July 29 – 31, 2019**

Dear Sisters and Brothers:

Your Finance Committee met in Washington D.C., on May 21 and 22, to review the 2018-2019 expenses and the 2019-2020 and 2020-2021 CWA Operating Budgets. Every supporting document requested was made available to us. The committee also reviewed the Consolidated Financial Statements for the period ending May 31, 2018, prepared by the Certified Public Accounting firm of Calibre CPA Group, PLLC. The auditors conducted their audit in accordance with generally accepted accounting principles. In the accountant's opinion, the financial statements fairly present, in all material respects, the financial position of the Communications Workers of America, AFL-CIO, CLC as of May 31, 2018.

The Finance Committee carefully reviewed expenses paid out during the 2018-2019 fiscal year and would like to acknowledge the efforts of the districts, sectors and divisions that were able to stay within their administrative budgets. The committee also reviewed the paid expenses within those administrative units which were more than 1% over their annual budget allocations. On Friday, July 26, here in Las Vegas, the committee then met with, and received communications from the vice presidents of District 2-13 and District 3. We understood their explanations based on their unique circumstances.

The majority of the overages were due to unanticipated legal expenses that exceeded retainers, building maintenance and existing fixed-term contracts for office equipment. Our discussions and recommendations focused on continuing to find ways to manage costs in the most productive and efficient ways possible. Considering the new environment our union faces, the Finance Committee and the district/sector presidents shared many creative ideas that will promote the discipline needed to meet the needs of the future.

Also, we would like to recognize those administrative units that were able to keep their expenses within their allocations despite having similar challenges. Recommendations made by the committee last year made a difference. Actions were taken to reduce bargaining expenses, including increased use of video bargaining, converting conference rooms so they can be used for negotiations and sending teams home during breaks in bargaining. The Secretary-Treasurer's Office established a contingency fund for extended bargaining, however if "Funding Our Fight For the Future" fails to pass, the fund will maintain a negligible balance – a projected \$741 versus \$600,000 spent in FY 2018-19, affecting many large contracts.

Two senior directors now split the work of reviewing and revising SIF and Growth Fund applications, which has helped speed up the process. Efforts have been made to coordinate and merge meetings when feasible. The customer service conference was eliminated during this time frame, the Next Gen events were combined with existing meetings, and the union is exploring a national bid with a union hotel chain.

We continued to make progress building the union with CWA Strong, with regular nationwide monitoring and coordination of non-member signups and routine check-in calls as well as expanding member and non-member tracking capacity through the new Aptify database. Meanwhile, we're moving towards Phase 2, "Stewards Strong," a program to strengthen our stewards program, the backbone of our union.

The Janus decision continues to have a major impact on our budget planning. The across-the-board 25 percent cutbacks in non-personnel budgets paid off. While the cuts were painful, districts and sectors have stepped up. So far, the impacts of Janus have not been as severe as anticipated, but the cutbacks have helped us weather the worse-than-anticipated layoffs in telecommunications, especially at AT&T where our Membership Development Report shows about a 6,000 member loss.

The Finance Committee makes the following recommendations to further work with our budgetary challenges:

- Support the resource rebalancing proposal, “Funding Our Fight for the Future,” as approved by the Executive Board. The proposal protects the CWA Member Relief and Strategic Industry Funds while providing financial stability for the union as we build power for our future. The plan will ensure reliable funding for projects that build strength for CWA members, fund long-term projects across industry and geographic boundaries to reduce dependence on outside vendors and reliance on short-term project staffing. It will also assist our members during a strike by allowing them to get maximum strike benefits faster.
- Build union strength with the passage of “Funding Our Fight for the Future” using programs to capitalize on the growth of interest in unions among younger Americans, taking back the White House and Congress in 2020 and increasing our influence and prominence through the National Affiliation Fee Program, which will give all our CWA locals a stronger voice in the AFL-CIO, its state federations and the Canadian Labour Congress.
- Recognize that the proposed budgets for the next two fiscal years are maximum budgets that may need to be reduced by the Executive Board based on unanticipated circumstances such as continued loss of membership and dues caused by outsourcing, layoffs and continued attacks on organized labor.
- In the spirit of CWA Strong, all members need to support the “Stewards Strong” training and renewal program in order to increase funding and expand stewards training.
- Identify and train enough new stewards throughout CWA in order to achieve the goal of a 1:10 ratio.
- Require that any administrative unit whose expenses exceed one percent (1%) of their budget allocation must provide a reasonable explanation for the cause of the overage to the Finance committee. If necessary, they shall be prepared to present that explanation to the Committee or the Convention Delegates. Any administrative unit whose expenses exceed three percent (3%) shall attend a training set up by the Secretary-Treasurer’s office for budgeting effectively.

Meeting many of the previous recommendations of the Finance Committee, using CWA Strong and stepping up our organizing efforts has helped keep our union strong in the face of declining membership, attacks on unions, and the Janus decision; however, we need to rebalance and redirect our resources so that we can continue the fight. “Funding the Fight for Our Future,” as approved by the Executive Board, is crucial. It will enable us to preserve our Members’ Relief Fund, adding an additional level of protection with a soft floor that redirects half of investment

funds back into the MRF to build the balance once it falls beneath \$400 million. Additionally, the existing floor remains at \$377 million, at which point, no money would flow into the SIF or Growth funds until the MRF balance is restored.

Passing “Funding Our Fight for the Future” will help us to continue our battle even as we face continued challenges from the White House, Congress, the Supreme Court and employers.

The Secretary-Treasurer’s Office instituted a number of changes to increase the efficiency of the Union: 1. launching the Aptify membership database, which will reduce the number of systems currently in use by combining multiple systems into one; 2. moving to protect local and international funds, including preparing for a potential international compliance audit, expanding training for local officers on dues processes, e-mail fraud and DOL compliance requirements; 3. improving the use of technology, expanding the use of data to collect, coordinate and analyze information, and increasing use of the “PledgeUp” dues collection system, including for PAF/COPE contributions.

CWA has made great strides in adapting to the Janus decision as well as the challenges posed by Telecom industry layoffs, especially at AT&T. Organizing gains, particularly at TNG-CWA, has helped, but we still face ongoing obstacles and threats from the Trump administration that are worsening, and we need to step up our efforts to organize more workers.

The 2018-2019 Finance Committee would like to thank President Chris Shelton, Secretary-Treasurer Sara Steffens, Assistant to the Secretary-Treasurer Elizabeth Wilks, and their staff for their time and efforts in aiding the committee in the review, development and preparation of this year’s report.

The committee also wishes to thank representatives in all CWA districts, sectors and headquarters for their ongoing efforts to achieve the financial targets outlined in the 2018-2019 budget.

The committee moves to adopt this report.

In Solidarity,

Dante Harris, President AFA-CWA Local 29012
Michael Cabanatuan, TNG Region IV Vice President, Local 39521
Christine Shaw, Secretary-Treasurer, CWA Local 4100
Frank Tallarine, Secretary-Treasurer, CWA Local 1106

**Report of the
Finance Committee to the 77th CWA Convention
July 29-31, 2019**

Explanation of CWA Funds

There are six Funds, all of which were examined and reported on by Independent Auditors for the period ending May 31, 2018. A copy of the report has been reviewed by the Executive Board and Committee.

The Funds are as follows:

1. General Fund
2. Defense Fund
3. Members' Relief Fund
4. Strategic Industry Fund
5. Building Fund
6. Pension Fund

General Fund

The General Fund is the Fund from which the International operates. All the income money which comes to CWA is handled through the General Fund. The status of this Fund is reported monthly to the Executive Board and monitored by the Secretary-Treasurer's office.

Defense Fund

The Defense Fund was established by the 1952 Convention and began to operate in September of 1952. Income to the Defense Fund is derived from membership dues and equivalent payers in the amount of \$.50 each month. Income is deposited in the Defense Fund account as dues reports are processed.

During the 2013 CWA Convention, delegates approved for existing monies currently in the Defense Fund to be distributed into the seven existing Strategic Industry Fund silos (Telecom, Media, Manufacturing, Passenger Service, Public/Health Care, Public workers without the right to strike and AFA). Funds are apportioned to the seven silos based on membership.

Locals whose membership pays into the MRF/SIF no longer contribute \$0.50 per member.

Locals whose membership does not pay into the MRF/SIF continue to contribute \$0.50 per member. These monies are directed into their respective silo each month.

Robert Lilja Members' Relief Fund

The Robert Lilja Members' Relief Fund (RLMRF) was established by 1990 Convention action. The purpose of the fund is to provide relief for strikers, locked-out members, victims of collective bargaining strategies and to support other approved mobilization actions. Total investment earnings during the 2018 calendar year were \$1,520,444. According to delegate approval at the 2013 CWA Convention, one-half of these earnings - \$760,222 was moved into the Growth Fund. The MRF balance as of May 31, 2019 is \$442,880,415.

Income to the Robert Lilja Members' Relief Fund is derived from membership dues and equivalent payers in an amount equal to .15% per month of minimum dues (1/4 hour) of those eligible to strike. Income is deposited into the Members' Relief Fund account as dues reports

are processed. Income and Expenditures from the Fund are reviewed by the Defense Fund Oversight Committee according to the rules established by Convention action.

Effective September 1, 2006, all RLMRF contributions are credited to the Strategic Industry Fund unless the RLMRF fund balance falls below the established floor created by 2006 Convention action. The RLMRF floor is \$377,484,108. If the RLMRF fund falls below the established floor, all contributions will revert back to the RLMRF until it reaches the established floor. When the RLMRF reserves reach \$500,000,000, the floor will be raised to \$400,000,000.

Strategic Industry Fund

The Strategic Industry Fund (SIF) was established by 2006 Convention action to finance major large scale campaigns to increase CWA bargaining power.

The SIF is a restricted Fund, requiring a majority vote of the Executive Board and approval of the Defense Fund Oversight Committee before expenditures are made. The Market Value of the fund as of May 31, 2019 was \$82,148,316.

Growth Fund

At the 74th CWA Convention held in April 2013, the delegates approved the Defense Fund Oversight Committee's recommendation to establish the Growth Fund. This fund allows CWA to search for better ways to change the course of our movement and nation. Beginning with the annual investment earnings from the 2012 calendar year and going forward, one half of the earnings from the RLMRF have been invested in building CWA's ability to fight for economic justice for members through the Growth Fund. The Market Value of the fund as of May 31, 2019 was \$12,496,271.

The Defense Fund Oversight Committee responsibilities were expanded to include participation with the Executive Board in the approval and evaluation of requests submitted for the Growth Fund.

Building Fund

By Executive Board action in January 2006, the Building Fund was established for the purpose of recording the assets, liabilities, expenses, and income associated with the headquarters building property. As of May 31, 2019, the unrestricted net assets were \$88,409,098.

CWA Plan for Employees Pensions and Death Benefits Fund

This Fund provides for CWA employees' retirement benefits. A periodic actuarial review is made of the CWA Pension and Death Benefit Trust Fund where our contribution is adjusted to meet CWA obligations. Like several other pension plans, the Plan's investments suffered many losses as a result of the overall decline in the economy and the markets in 2008 and 2015. Annual contributions to the plan are necessary and are growing in dollar value.

The CWA Pension Fund was established in 1951 as a separate trust. It is a defined benefit pension plan substantially covering all employees other than PPMWS employees. On January 1, 2006 the IUE Pension Plan was merged with the CWA Plan for Employees Pensions and Death Benefits.

On May 31, 2019, the Market Value of the Plan was \$140,955,933.

Financial State of the Union

This Committee realizes that with ever increasing financial burdens and with causes needing the Union's attention, along with a continued uncertain economy, we must be continuously vigilant of cost overruns. This year each administrative unit must operate not only within their authorized budget, but also within the dues income they generate as well as contributing to the ongoing programs and expenses of the overall Union.

Salaries – Elected Officials

Each year it is the Committee's responsibility to review salary changes for our elected officials. The Committee's previous recommendation of a salary increase that is commensurate with the negotiated agreements held with the CWA employee unions was used.

Staff Complement

The Committee had recommended that only Staff positions that are now filled or have received approval are to be filled at the time of this report. Requests to fill all Staff positions must be made to the Budget Committee and authorized by the Executive Board.

The 2019 – 2020 Budget

The Committee reviewed and considered the Report of the Budget Committee as adopted by the Executive Board of the Union. The 2019-2020 Fiscal year budget used the following projections in calculating the income: a .20% decrease in membership, and an increase of 2% in per capita dues. Although we continue to organize more members the expected delay in first contracts affects the projection of income.

The calculated estimate of overall income of the Union used for the 2019-2020 CWA Operating Budget is \$81,157,804.

As in the past, we recommend the Executive Board use this budget as a positive guide and make every effort to operate within the actual income of the Union during the period represented by this budget.

The approved budget follows as:

Exhibit A (Communications Workers of America – Operating Budget) and
Exhibit B (Administrative Units Budget)

A more detailed explanation of each item in the budget may be found on pages 9-12.

Communications Workers of America - Operating Budget							
2019 - 2021							
				<u>2019-2020</u>		<u>2020-2021</u>	
<u>Income</u>							
	Dues - Members and Agency Fee Payers			\$	81,157,804	\$	81,157,804
	HQ Building				4,500,000		4,500,000
	Other Income				900,000		900,000
	Total Income			\$	86,557,804	\$	86,557,804
<u>Expenses</u>							
<u>National Programs</u>							
029	Organizing Fund				3,693,750		3,693,750
030	Community Action				112,500		112,500
031	Legal Admin Unit Litigation & Misc.				468,750		468,750
032	Convention				650,000		300,000
034	Committees, Conf, Human Rights & Board Mtgs				330,000		400,000
038	Taxes				400,000		400,000
039	Affiliation Dues - AFL-CIO & Other				2,581,116		2,581,116
040	Contingency				995,586		741
043	Information Systems				525,000		525,000
045	Communications (CWA News & PR)				1,226,250		1,226,250
046	Professional Services				570,000		570,000
047	International				22,500		22,500
048	Education				127,500		127,500
061A	Retiree Benefits (Health Care, Insurance)				6,000,000		6,000,000
061B	Insurance - Other (Workers Comp., etc)				880,000		880,000
064	Staff Moves				150,000		150,000
066	CWANET Training				75,000		75,000
225	Internal Loan Repayment				1,807,156		1,807,156
	Total General Budget			\$	20,615,108	\$	19,340,263
<u>Administrative Units</u>							
A1	Salaries - Officer & Staff				23,787,984		24,382,684
A2	Salaries - Full Time/Other				9,361,705		9,595,748
A3	Employee Benefits (Non-Pension)				8,270,806		8,494,608
A4	Employee Taxes				3,005,758		3,092,037
A5	Employee Pension				5,640,310		5,776,333
B1	Office Occupancy				5,720,303		5,720,303
B2	Staff Expenses				2,961,317		2,961,317
B3	Administrative Operations				3,665,456		3,665,456
B4	Legal				3,529,056		3,529,056
	Total Administrative Units			\$	65,942,696	\$	67,217,541
	Total Budgeted Expenses			\$	86,557,804	\$	86,557,804
	Total Income			\$	86,557,804	\$	86,557,804
	Surplus/(Deficit)				0.00		0.00

Administrative Units Budget												
2019 - 2020												
	Updated				Updated				Updated			
	A-1	A-2	A-3	A-4	A-5		B-1	B-2	B-3	B-4		
District & National Units	Salaries: O&S	Salaries: FT & Other	Emp Benefits: 25%	Emp Taxes: 9.1%	Emp. Pension: 17%	Total Personnel Expenses	Office Occupancy	Staff Expenses	Admin Operations	Legal	Total Office Admin. Expenses	Total Admin Unit Expenses
District 1	3,722,966	648,247	1,092,803	397,780	743,106	6,604,902	1,252,159	300,330	606,363.05	1,549,816	3,708,668	10,313,570.67
District 2-13	1,680,678	376,311	514,247	187,186	349,688	3,108,110	335,575	152,978	157,085.57	379,483	1,025,121	4,133,231.09
District 3	2,047,092	545,657	648,187	235,940	440,767	3,917,643	247,351	162,743	275,524.54	236,080	921,698	4,839,341.09
District 4	1,577,914	312,730	485,889	172,049	321,409	2,869,991	309,300	152,978	198,421.52	7,727	668,426	3,538,416.74
District 6	1,761,294	427,633	519,023	188,924	352,936	3,249,809	590,925	168,064	204,876.26	584,681	1,548,546	4,798,355.51
District 7	1,794,832	485,084	569,979	207,472	387,586	3,444,954	120,923	147,656	150,366.88	190,807	609,753	4,054,706.65
District 9	1,552,815	370,182	480,749	174,993	326,909	2,905,648	507,184	133,448	220,309.37	177,048	1,037,989	3,943,636.50
PPMWS-CWA	252,083	70,555	80,660	29,360	54,848	487,506	21,374	38,464	10,832.57	59,058	129,728	617,234.02
IUE-CWA	2,813,356	344,596	789,488	287,374	536,852	4,771,664	49,819	314,674	181,634.34	76,500	622,627	5,394,291.60
TNG-CWA	1,007,417	204,706	303,031	110,303	206,061	1,831,519	162,533	115,476	127,158.23	203,070	608,237	2,439,755.90
MABET-CWA	651,722	114,903	191,656	69,763	130,326	1,158,369	60,613	66,308	104,535.53	63,840	295,296	1,453,665.22
T&T	631,651	128,006	189,914	69,129	154,299	1,172,998	132,015	59,771	81,349.61	946	274,082	1,447,080.80
Public Wkrs	313,215	70,555	95,942	34,923	65,241	579,876	62,855	29,205	18,713.99	-	110,774	690,650.23
Total	19,807,034	4,099,164	5,961,569	2,165,196	4,070,029	36,102,991	3,852,625	1,842,092	2,337,171.48	3,529,056	11,560,945	47,663,936.02
Headquarters	3,980,951	5,262,541	2,309,237	840,562	1,570,281	13,963,573	1,867,678	378,896	1,328,284	-	3,574,857	17,538,430
Grand Total	23,787,984	9,361,705	8,270,806	3,005,758	5,640,310	50,066,564	5,720,303	2,220,988	3,665,455.80	3,529,056	15,135,802	65,202,366.32

Explanation Of National Programs ***Exhibit A***

Organizing (029)

We must continue our internal and external organizing efforts in order for CWA to remain an effective organization. The salaries of permanent Organizing Coordinators are included in Line item A1 of their Administrative unit. All organizer expenses are charged to the Organizing account.

Community Action (030)

This allocation allows CWA to respond to a small percentage of the meaningful requests we receive from community and civic organizations, programs and activities dedicated to the welfare of all citizens.

CWA upholds membership and serves on executive boards of a number of organizations. Fees associated with these activities are included in this budget allocation.

Legal Administration Unit Litigation and Miscellaneous (031)

Our legal costs continue to be a significant part of our budget. A portion of these expenses are budgeted to the Administrative unit section. This allocation is for the remainder of our legal expenses.

Convention (032)

This allocation includes funding for the biennial convention, including auditorium and meeting room rental and setup, printing of verbatim reports and other convention materials, postage, wages and expenses of convention committees.

Committees, Conferences & Executive Board Meetings (034)

Permissible expenses are associated with meetings of the Union's Executive Board including travel expenses of Executive Board members and others required to be in attendance. If required, the cost of the meeting room is also included. The budget allocation further includes a provision for committee meetings and conference expenses. Expenses for the Minority Leadership Institute in the amount of \$40,000 have been moved out of the Education Budget line into this line. The allocation does not cover expenses of these attendees for committee meetings and conference expenses unless authorized by the President of the Union.

Taxes (038)

This allocation covers non-related payroll taxes, such as the costs of District building and personal property taxes.

Affiliation Dues (039)

This allocation is for affiliation dues paid to organizations such as the AFL-CIO Departments, Union Network International, IAPTA, International Metal Workers, International Federation of Journalists, and others.

Contingency (040)

The purpose of this account is to provide for unexpected and unknown costs or those expenses that cannot be budgeted to appropriate accounts at the time the budget is prepared.

Information Systems (043)

This budget item reflects the costs of office automation, internal communication networks, training, and updating of equipment in the Headquarters and District offices.

Communications (045)

This account includes the funding of the *CWA News*, which is mandated by Article XXVI of the CWA Constitution. The allocation is also used for the Union's publicity and public relations programs which brings CWA's story to the public through digital and print earned media and advertising, social networking. It also pays for ongoing recurring expenses related to our internal member communications program such as website, advocacy, email, text messaging platform hosting fees.

Professional Services (046)

This budget item allocation reflects expenses for audit fees and miscellaneous professional services such as accountants, actuaries and consultants, including those hired to support bargaining and contract negotiations.

International (047)

CWA is involved in the free world trade union movement. This budget allocation funds activities with our labor colleagues from a number of countries.

Education (048)

This budget account allocation is for the expense of week-long leadership conferences and the development and delivery of training programs.

Retiree Benefits (061A)

The allocation to this account is for the general insurance policies of the Union, which include group healthcare, pharmaceutical, vision, dental, and life insurance for retirees. Employee healthcare expense is reflected in the Administrative Unit budgets – Line A3.

Insurance – Other (061B)

The allocation to this account is for insurance coverage other than employee healthcare and automobile.

Staff Moves (064)

This allocation is for the costs associated with relocating Staff.

Apprenticeship & Training (066)

This budget allocation is for existing apprenticeship, training activities and new programs which may be implemented in this budget year.

Internal Loan Repayment (225)

Interest expense related to any loans taken by the general fund.

Total National Programs - Total of Budget accounts 029 through 066.

Total Administrative Units - Total of A1 through B4.

Total Budgeted Expenses - Total of National Programs and Administrative Units.

Explanation of Administrative Unit Budget
Exhibit B

Budget Line A1-A5 & B1-B4 Formula Applications

To determine certain allocations, the Budget is based on March 2018 per capita counts.

A1 Salaries – Officers and Staff

Reflects annual salary cost for administrative unit officers, staff and professional employees. The following chart indicates the officer's salaries:

POSITION	SALARY
PRESIDENT	\$216,548
SECRETARY-TREASURER	\$193,904
DISTRICT VICE PRESIDENTS, TNG-CWA VICE PRESIDENT, NABET-CWA VICE PRESIDENT, IUE-CWA VICE PRESIDENT, T&T VICE PRESIDENT AND PUBLIC WORKERS VICE PRESIDENT	\$169,098
AFA-CWA VICE PRESIDENT	\$153,336
PPMWS EXECUTIVE OFFICER	\$139,248

A2 Salaries Full Time and Other

Reflects annual salary cost for administrative unit full-time clerical employees and supervisors.

A3/A5 Employee Benefits

This allocation reflects 30% of administrative unit salaries for employee medical, dental, vision, life insurance, and 401(k) match, plus sufficient funds to meet the pension plan fund commitment.

A4 Employee Taxes

Each administrative unit is allocated 9.1% of administrative unit salaries for employee tax expense.

B1 Office Occupancy

Each administrative unit allocation includes known increases that could be determined. Figures include projected common area maintenance and rent increases projected at 2% for the 2019-2020 budget year.

B2 Staff Expenses

Reflects funds allocated for Staff travel, auto, and communication expenses.

B3 Administrative Operations

This line includes expenses for the following items: part-time salaries and expenses, supplies and printing, postage and freight, rental and maintenance of equipment, contract services, electronic communications, and any other operating expenses.

B4 Legal

This includes each administrative unit's allocation for expenses such as retained counsel, arbitration, charges and litigation.

Concluding Remarks

With the ongoing impact of Janus, anti-union legislation and an unfriendly NLRB, trying times lie ahead. But with the leadership of our executive officers, local executive boards and our members working collaboratively, we can – and will – prevail. “Funding Our Fight for the Future” and CWA Strong will not only help us survive but make us a better – and stronger – union.