

**REPORT OF THE
FINANCE COMMITTEE
TO THE
68th ANNUAL CONVENTION**

**COMMUNICATIONS WORKERS OF AMERICA
July 10 – 11, 2006
Las Vegas, Nevada**

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**NOTICE!**

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The Committee urges that questions, comments or recommendations be written and forwarded to the Chairperson of the Finance Committee prior to the Committee's meeting in Las Vegas, Nevada.

Address communications to:

**Gregory Wynn, Chair  
c/o CWA/ Barbara Easterling, Secy-Treas.  
501 Third Street, N. W.  
Washington, DC 20001**

The Committee will also be available to meet with you prior to the start of the Convention on Saturday, July 8, from 2:00 p.m. until 6:00 p.m. and Sunday, July 9, from 9:00 a.m. until 1:00 p.m. at the Hilton Hotel, Las Vegas, Nevada.

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June, 2006

Dear Sisters and Brothers;

Throughout the year, the Executive Board has made significant changes in how they report and monitor Union finances. On May 18, 2006 the Executive Board wrote a letter to the 2006 Finance Committee explaining the changes. We have included a copy of this letter in our report.

The major actions taken by the Executive Board as outlined in this letter are:

Implemented spending cuts and reduced debt

The Union was operating within the Convention-authorized budget, yet expenses were exceeding income. Changes were made to the budgetary process in order to put our financial house fully in order.

Implemented new monthly monitoring of income and expenses

The Executive Board developed a new financial status report to permit the Strategic Planning and Budget Committee (SPBC) and the Board to regularly monitor progress. In years past, CWA administrative units focused on staying within a budget (a good thing but not enough). This year, The Executive Board focused on staying within budget and also adjusting budgets so that spending stayed within income.

Adopted policy that each Administrative Unit must live within It's income

The Board adopted an important measure to require each administrative unit to live within its means. No group can spend more than they take in. But the process now allows the administrative unit, to a greater extent, to decide on its spending priorities. All costs now compete with each other in a direct way. These changes are designed to align responsibility for administering programs with authority to allocate funds.

Established Building Fund and reduced General Fund debt

The Executive Board restructured the financing of the headquarters building and established a Building Fund. The headquarters building was bought 10 1/2 years ago, and its value had appreciated considerably. By creating this Building Fund, the value of the building is recognized in the financial statements of CWA and the costs of operating and owning the building are 100% supported by the new, separate fund.

Instituted cost savings

The Executive Board reduced the number of offices and operations costs throughout the Union and began a systematic process to review our vendor contracts and re-bid insurance contracts.

The Secretary-Treasurer continues to lead the review of our spending, identifying additional ways to save money and efficiently use resources. As a result, the Union's financial position is significantly more stable.

The Finance Committee is confident that the Union is in a better financial position than last year and we are proud that the Executive Board has faced, and dealt with, our fiscal problems directly.

Your Finance Committee met in Washington, D. C., on May 24, 25 and 26, 2006, to review and recommend the 2006-2007 budget. The Committee reviewed the Strategic Planning and Budget Committee Report adopted by the Executive Board, along with other supporting documentation.

Every requested book, record, or report of the Union was made available to us. The Committee reviewed the audit report prepared for the fiscal year ending May 31, 2005 by the certified public accounting firm of Calibre CPA Group. The Auditors conducted their examinations in accordance with generally accepted accounting standards. In the Accountants' opinion, the financial statements reviewed fairly represent, in all material respects, the financial position of the Communications Workers of America as of May 31, 2005.

Past convention actions direct Finance Committees to review the expenditures of each administrative unit and require any unit (s) overspent at the end of the previous budget year to give a detailed explanation to the Committee. This year's Committee concurred with the 1998 Committee guideline recommendation not to ask for written explanations from any administrative head that was 1% or less over spent. Therefore, your Committee directed those administrative heads who exceeded their 2004-2005 budgets by more than 1% to provide a detailed written explanation documenting the reasons why they exceeded their budget. When received and reviewed, the Committee, as empowered by convention action, may recommend that these administrative heads make an accounting to the convention.

Financial stability requires a continuing effort on CWA's part to organize both internally and externally. Fiscal responsibility must become daily practice. The Committee recognizes the burden that National and Local leadership face exercising cost containment while providing necessary service to our membership.

This Finance Committee is recommending the 2006 - 2007 budget as one showing appropriate fiscal restraint, with a continuing high level of representation and organizing commitment. The Committee applauds the work and efforts of this year's Strategic Planning and Budget Committee and wishes to compliment all administrative units that managed to stay within the confines of last year's budget recommendations.

The 2006-2007 Finance Committee extends our thanks, on behalf of the membership, to President Larry Cohen, Secretary-Treasurer Barbara Easterling, Executive Vice President Jeffrey Rechenbach, Eileen Brackens and associated CWA staff for their time, expertise and effort in aiding us in the development and preparation of this year's report.

This budget report was compiled through examination of line item requests for 2006-2007, through interviews with department personnel and review of the demands and needs of all line items. The budget has been restructured to more accurately reflect administrative unit expense. Budget reductions from previous years are still in place in some line items in most administrative units. These reductions are directly related to layoffs and reductions in force at virtually all of our major employers. The Committee wishes to thank all the leaders and staff in all administrative units of our great union for their continuing efforts in meeting reduced budgets and their efforts in achieving the 2006-2007 Budget. We as a committee therefore respectfully request and urge delegate approval.

In Solidarity,

Gregory Wynn, President, Chair, CWA Local 4100
Judy Dowdy, Secretary-Treasurer, CWA Local 6228
Mike Bennard, President, CWA Local 3806
Corky Cammarata, President, CWA Local 7400

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EXPLANATION OF CWA FUNDS

There are six Funds, all of which were examined and reported on by the Auditors. They are:

1. General Fund
2. Defense Fund
3. Members' Relief Fund
4. Pension Fund
5. Operating Reserve Fund
6. Plant Fund (The Fixed Assets Account)

The first five of the above are cash Funds. The Plant Fund is a recording of the Union's equity in fixed or capital assets. The General and Other Funds are included in the statement of assets, liabilities and fund balances of CWA.

In addition to the above listed funds, by action of the Executive Board a Building Fund was established in January 2006. In the same action, the Executive Board eliminated the Operating Reserve and Plant Fund – moving the fund assets to the General Fund.

GENERAL FUND

The General Fund provides for the ongoing operation of the Union. As of May 31, 2005 the General Fund had total assets of \$57,862,602 and unrestricted net assets of \$(10,360,808).

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 quarterly statements are provided to Local Presidents.

The General Fund contains what the Auditors have identified as "Unallocated Receipts." Dues money received by CWA is labeled in this manner until the Secretary-Treasurer's Office can channel or allocate it. As an example: a dues check from an employer is received in the Secretary-Treasurer's office; it is immediately deposited in the General Fund as unallocated money. Upon processing the report that comes with the employer's check, checks are issued for the amount due the Locals. Also, at this time, we transfer the proper amount to the Defense Fund and Members' Relief Fund. The International's portion remains in the General Fund, available for use by the International. The Local amount is returned to the Locals.

DEFENSE FUND

The Defense Fund was established by the 1952 Convention and began to operate in September of 1952. It has specific rules, adopted by the Convention, which outline the ways it can be used.

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.

The Defense Fund is administered within the Defense Fund Rules established by Convention action.

The unrestricted net assets of the Fund as of May 31, 2005 were \$9,658,182.

MEMBERS' RELIEF FUND

The Members' Relief Fund was established by 1990 Convention action. The purpose of the fund is relief of strikers, locked out members, victims of collective bargaining strategies and other approved mobilization actions. The unrestricted net assets of the fund as of May 31, 2005 were \$336,931,046.

Income to the Members' Relief Fund is derived from membership dues and equivalent payers in an amount equal to (1/4 hour) .15% per month of minimum dues of those eligible to strike. Income is deposited in the Members' Relief Fund account as dues reports are processed. Income & Expenditures from the Fund are reviewed by the Defense Fund Oversight Committee according to the rules established by Convention action.

OPERATING RESERVE FUND

The Operating Reserve Fund was established as a reserve to operate the Union should income be reduced or expenses unexpectedly increase.

This was a restricted Fund, requiring a two-thirds' vote of the Executive Board before expenditures are made. This Fund was used to cover operating expenses when our income was interrupted as a result of strikes in our major bargaining units or for other Union support activity for which there was no budget. The unrestricted net assets of the fund as of May 31, 2005 were \$4,922,532.

The Operating Reserve Fund was eliminated by Executive Board action in January 2006. The fund assets were transferred to the General Fund.

PLANT FUND - FIXED ASSETS

The Plant Fund included all capital and related liabilities, 501 Third Street rental Income, Operating Expenses and Capital Improvements Expenses.

The Plant Fund was eliminated by Executive Board action in January 2006 with the establishment of the Building Fund. All fixed assets with the exception of the 501 Third Street property are now recorded as General Fund assets.

CWA PLAN FOR EMPLOYEES PENSIONS AND DEATH BENEFITS FUND PENSION FUND

This Fund provides for CWA employees' retirement benefits. A periodic actuarial review is made of the CWA Pension and Death Benefit Trust Fund, and our contribution is adjusted to meet our obligations. No contributions are necessary in this budget year.

CWA has established, in a separate trust, the assets and benefit obligations of the CWA Plan for Employees Pensions and Death Benefits. On April 1, 2005, the latest period for which actuarial data is available, the fair value of the Plan assets were \$228,490,368, the actuarial present value of accumulated benefit obligation was \$185,727,183, having net assets over Plan benefits on April 1, 2005 of \$42,763,185.

In addition, as a result of the merger with IUE, CWA has a second defined pension plan which covers participants in the IUE Pension Plan. At May 31, 2005, the latest period for which actuarial data is available, the fair value of the Plan assets were \$62,488,310, the actuarial present value of accumulated benefit obligation was \$88,496,130 having an deficit of net assets over Plan benefits on June 30, 2005 of (\$26,007,820).

Effective January 1, 2006, the IUE Pension Plan was merged with the CWA Plan for Employees Pensions and Death Benefits.

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 March 31, 2006, the unrestricted net assets of the Building Fund were \$49,038,132.

FINANCIAL STATE OF THE UNION

This Committee realizes that with ever increasing financial burdens and causes needing the Union's attention, and an uncertain economy, we must continue to be ever vigilant of cost overruns. This year, we urge each administrative unit to operate within their authorized budget.

SALARIES - ELECTED OFFICIALS

Each year, it is the Committee's responsibility to recommend salary changes for our elected officials. The Committee recommends that salaries be increased up to but not greater than the percentage increase granted to the Administrative Staff, effective July 1, 2006.

COMPLEMENT

The Committee has funded only those Staff positions that are now filled or have received approval to be filled at the time of this report. Requests to fill all positions must be made to the Strategic Planning and Budget Committee (SPBC) and authorized by the Executive Board.

THE 2006 – 2007 BUDGET

The Committee reviewed and considered the Report of the Strategic Planning and Budget Committee as adopted by the Executive Board of the Union. After thorough and detailed deliberations, this Committee recommends the following budget for the 2006-2007 budget year.

In calculating the projected income, the Committee built this budget based on an estimate of what our revenue will be in June 2006. After adjusting gross income for agency fee rebates and other reductions including anticipated membership losses related to employer downsizing/layoff, **\$99,718,061** was available for budgeting.

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

Our proposed budget follows as Exhibit A (Administrative Units Budget) and Exhibit B (General Funds).

To better reflect each administrative units true cost some expenses that previously were reported in the General Fund section of the budget have been moved to the Administrative Unit section of the budget. These expenses are employee benefits, employee taxes, staff car expenses, and a portion of legal expenses.

A line-by-line explanation of each item in the budget may be found on pages 7 - 11.

See Attachment for Exhibit A – Administrative Unit Budget

See Attachment for Exhibit B General Funds

EXPLANATION OF EXHIBIT A

A. Administrative Unit Personnel Expenses

A1) SALARIES - OFFICERS & STAFF

This line item reflects the salary cost for administrative unit officers, staff and professional employees.

A2) SALARIES - FULL-TIME - OTHER

This line item reflects the salary cost for administrative unit full-time clerical employees and supervisors.

A3) EMPLOYEE BENEFITS

Each administrative unit was allocated 18.43% of administrative unit salaries for employee benefit expense. PPMW and TNG pension contribution expense was added to their allocation.

A4) EMPLOYEE TAXES

Each administrative unit was allocated 9.85% of administrative unit salaries for employee tax expense.

B. Administrative Unit Expenses

B1) EXPENSES - FULL-TIME TRAVEL

This line item reflects budget allocation for travel and related expenses incurred by officers, Staff and full-time employees.

B2) PART-TIME - SALARIES & EXPENSES

This line item reflects the budget allocation for salary, travel and related expenses for local officers, members or others employed by the national union on a part-time or temporary basis.

B3) OFFICE OPERATIONS

This line item reflects the budget allocation for office supplies, printing, postage, freight, telecommunications, equipment maintenance and rental and contract services.

B4) RENT & OFFICE OCCUPANCY

This line item reflects the cost of renting or leasing office space.

B5) Legal

This line item reflects a portion of the international union's legal expense that is directly attributable to the administrative unit.

B5) ALL OTHER

This line item reflects the allocation for other miscellaneous expenses.

TOTAL ADMINISTRATIVE UNIT EXPENSE

This line reflects the total amount of the budget (Items A1 – A4 and B1 –B6 allocated to each administrative unit and headquarters.

EXPLANATION OF EXHIBIT B

029) ORGANIZING

This budget account allocation covers the cost of organizing programs for the Union.

030) CITIZENSHIP & OTHER AFFILIATIONS

Budget Account 049 was eliminated and combined with this account. This budget allocation provides funds for the Union to participate in and make contributions to programs and activities which relate to community, good citizenship, and civic affairs. In addition, CWA maintains membership in and serves on boards of a number of organizations. Fees associated with these activities are include in this budget allocation.

031) LEGAL

This budget account allocation covers headquarters legal costs, litigation costs, legal counsel travel expenses, court reporters for arbitration cases, and court costs.

032) CONVENTION

This budget account allocation is for the general cost of our annual Convention including auditorium and meeting room rental and setup, printing of verbatim reports and other Convention materials, postage, wages and expenses of Convention committees. .

034) COMMITTEES, CONFERENCES & EXECUTIVE BOARD MEETINGS

The Executive Board combined the two meeting budget accounts into one. This combined budget allocation includes all expenses associated with meetings of the Union's Executive Board including travel expenses of Executive Board members and others required to be in attendance at such meetings. The cost, if any, of the meeting room is also included. The budget allocation also includes an allocation for committee meeting and conference expenses. The allocation does not cover expenses of attendees unless authorized by the President of the Union.

035) CWA NEWS

This budget account allocation covers the total cost of publishing, printing and mailing of the CWA News.

038) TAXES

This budget account allocation covers the cost of District building taxes and personal property taxes,

039) AFFILIATION DUES

This budget allocation is for affiliation dues paid to the AFL-CIO and departments, Union Network International, IAPPTA, International Metal Workers and International Federation of Journalists.

040) CONTINGENCY

This budget account allocation is used to supplement the budget when expenses are incurred that were unforeseen at the time the budget was prepared. This includes cost of additional staff, clerical, progression increases, CWA 401 (k) employer match contributions and rent increases.

041) EQUIPMENT ADDITIONS

This budget account allocation provides for replacement and additional office machines, equipment (except computers) and furniture.

043) INFORMATION SYSTEMS - SECRETARY-TREASURER'S OFFICE

This budget account allocation is used to acquiring computer equipment, software, consulting contract services to implement information systems in the Secretary-Treasurer's Office.

143) INFORMATION SYSTEMS – All Other

This budget account allocation is used for the acquisition of office automation equipment, computer equipment and software in the Headquarters, District, and area offices. Also included is the allowance for the cost of consultants and contract services that are necessary to implement information systems.

044) DISTRICT BUILDING MAINTENANCE & OPERATIONS

This budget account allocation is used for the maintenance of District-owned buildings, as well as minor repairs to leased offices.

045) PUBLIC RELATIONS

This budget account allocation is for the Union's publicity and public relations program which brings the story of the Communications Workers of America to the public through the mass media of radio, TV and newspaper.

046) PROFESSIONAL – Secretary-Treasurers office

This budget account allocation is used to pay fees and professional service costs, i.e., auditors, actuaries, consultants.

146) PROFESSIONAL – President's office

This budget account allocation is used to pay fees and professional service costs, to actuaries and other professionals in support of bargaining and contract negotiations.

047) INTERNATIONAL PROGRAM

CWA is affiliated globally with Union Network International (UNI), International Metal Workers, International Federation of Journalists and IAPPTA. This budget allocation funds activities with our labor colleagues from a number of countries.

048) EDUCATION

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

060) PENSION FUND

This budget account includes the cost of contributions made to the CWA Pension & Death Benefit Trust Fund and partial cost associated with administration of the Fund. A contribution to the pension fund is not required in the current budget year. Contribution expense for employees covered under the CWA-ITU Negotiated Pension Plan for PPMWS staff & to the FGR plan for TNG-CWA clerical were moved to the administrative unit budget – Line A-3.

061) INSURANCE AND HOSPITALIZATION

This budget account allocation covers the cost of insurance (workers' compensation, liability, burglary, fire, etc.), and hospitalization, vision and dental plans for CWA retirees. The Budget allocation for employee health care costs have been moved to the Administrative unit budget – Line A-3.

063) AUTOMOBILE FUND

This budget account allocation is for automobile fleet program purchases and extra ordinary maintenance. Car allowance and regular maintenance expense has been move to the Administrative unit budget – Line B-1.

064) STAFF MOVES

This budget account includes the cost of moving staff that have been reassigned to a new work location.

066) APPRENTICESHIP AND TRAINING

This budget allocation is for authorized apprenticeship and training program activities.

TOTAL GENERAL BUDGET

Total of Budget accounts 029 through 066.

TOTAL BUDGET

Sum of: Total General Budget and Administrative Unit budget (Exhibit A)

CONCLUDING REMARKS

The Committee recognizes the need to review the priorities of our Union, including resource allocation at both the National and Local levels. We need to maintain a basic focus on CWA as a change agent for our members and unorganized workers desiring to have a more powerful voice at work and in their communities. Building our power at our existing employers, through growth as we support workers who are organizing, and in the community through coalition building and political action, must continue to drive our allocation of resources.

This budget reflects changes in our budget allocations and reductions in the amount requested. We recognize that our Union is the sum total of our collective leadership and membership. Change is difficult for each one of us, so it is even more difficult collectively. This budget allows us to live within our means. That is our first obligation. But this budget cannot guarantee the kinds of changes that continue to be necessary. At the National level, that change depends on our officers and staff, and how we interact with Local leaders and members. We will continue to be more proactive and less reactive, both in dealing with employers and in our communities. We will continue to focus on growth.

Strong unions, including fiscal strength, remain the best hope for our members and all working men and women. Our employers almost universally are determined to contain and shrink the collective voice of their employees. Our strength lies in our committed members. This budget reflects our priority in supporting them as they support each other and our Union.

2006 CWA FINANCE COMMITTEE

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See Attachment for Exhibit C – 2004-2005 Fiscal Year Dues Payers, Income and Allocated Expense Report

NOTES