By notice of hearing dated June 24, 1974, the Hawaii Public Employment Relations Board (hereafter Board), in its discretion, initiated a review of service fees for the Hawaii Federation of College Teachers (hereafter HFCT) pursuant to paragraph 2 of its Order in Decision 31 (March 19, 1973). Said paragraph provided:

"In accordance with the policy adopted by the Board, this certification of service fee shall be $8.50 per month for the period commencing from the date of certification (November 30, 1972), and continuing until altered or terminated by the Board. Hereafter, the Board may, upon application of any affected employee, or of the Petitioner, or in the Board's discretion, initiate a review of the service fee. Any such review will be based upon a history of actual costs and expenditures incurred by the Petitioner during said interim period."

1On March 29, 1973, the Board approved HFCT's motion to change the effective date of the service fee from November 30, 1972, to January 1, 1973.
The review was conducted as a formal hearing on July 15 and 16, 1974, before Board Chairman Hamada and Board Member Clark. Member Milligan subsequently read the transcripts of the hearing, and the exhibits and briefs submitted by the parties.

The University of Hawaii Professional Assembly (hereafter UHPA) participated in the hearing as intervenor in opposition to the continuance of HFCT's service fees as currently certified in Decision 31.

Both parties were afforded full rights to call and cross examine witnesses and to submit exhibits and briefs to this Board. The Board heard oral arguments on July 31, 1974.

The entire Board, having reviewed all exhibits, the official transcripts, and the briefs submitted by the parties, hereby makes the following findings of fact, conclusions of law and order.

FINDINGS OF FACT

1. The HFCT is the exclusive representative of employees in unit 7 (faculty of the University of Hawaii and the community college system) and was certified as such by this Board on November 30, 1972, Case R-07-12, Decision 21.

2. Intervenor UHPA is an employee organization as defined in Chapter 89, Hawaii Revised Statutes (hereafter HRS), and is seeking to replace HFCT as the exclusive representative of employees in unit 7.

3. There is no valid collective bargaining agreement in force and effect for unit 7 employees. A proposed contract for unit 7, agreed to between the HFCT and the University of Hawaii, was rejected by a ratification vote taken
among employees of unit 7 on November 25, 1973. Since then, there have been no subsequent negotiations although after the ratification vote counterproposals were prepared by HFCT's negotiating team and transmitted to the University.

4. A representation question was raised on January 4, 1974, when UHPA filed petitions supported by the required 30 per cent showing of interest, Cases R-07-14 and RD-07-3. On January 21, 1974, the Board issued a direction of election for unit 7.

5. On January 29, 1974, the University of Hawaii filed a petition with this Board, Case DR-07-7, for a declaratory ruling as to whether it would be proper to continue bargaining with the HFCT. The Board issued Decision 41 on February 12, 1974, wherein it held a real question of representation existed, in view of its direction of election. The Board ordered the University of Hawaii to remain neutral and not to bargain with any union while the representation question was pending.

6. Approximately nine months have elapsed since the representation question was raised. The events which transpired during that time and immediately prior thereto, which prevented an expeditious resolution of the representation question, are set forth in greater detail in Decision 43 (April 15, 1974) and Decision 50 (August 12, 1974). Briefly, and most significantly, the election held on March 13 and 15, 1974, for unit 7 employees was inconclusive. On April 22, 1974, this Board canceled the run-off election scheduled for April 24 and 26, 1974, pending disposition of HFCT motions filed in connection with prohibited practice charges it had lodged against the University of Hawaii and UHPA (Cases CE-07-9 and CU-07-11, respectively) and objections to conduct affecting the results.
of the election (Case R-07-14) brought by the HFCT and Edward Beechert, individually. On August 12, 1974, the Board dismissed the prohibited practice charges, overruled the objections to conduct affecting the results of the election, certified as valid the inconclusive results of the election, and directed a run-off election (Decision 50).

7. The Board initiated this service fee review for the sole purpose of making a determination as to whether certification of HFCT's service fee in the amount of $8.50 per month for unit 7 employees is still reasonable, in view of the facts that there is no collective bargaining agreement in effect for unit 7 and negotiations did not resume after the proposed contract was rejected due to the above-mentioned circumstances.

8. Intervenor UHPA has raised additional issues. It argues that the service fee should be terminated retroactively to February 12, 1974 (the date the Board, in effect, ordered the University of Hawaii not to bargain while the representation question was pending), and that the HFCT should be ordered to repay all service fees it received after said date to all employees in unit 7. Alternatively, UHPA argues that, if the Board determines the HFCT is entitled to a service fee for handling employee complaints, such fee should not exceed $1.00 per month per employee. The service fee should be reduced immediately and all service fees received by the HFCT after February 12, 1974, in excess of $1.00 per month per employee, should be returned to the employees who paid them.

9. In Decision 31, the Board found all items of expenditure in HFCT's proposed budget for 1973 attributable to collective bargaining or contract administration activities, or both, and reasonable in accordance with Chapter 89, HRS.
Therefore, it approved HFCT's 1973 budget and certified as reasonable a service fee of $8.50 per month per employee to meet the costs of collective bargaining and contract administration for unit 7 employees.

10. The HFCT's Exhibit 1, audited by its certified public accountants, Choo & Ramos, showed that at the year's end, December 31, 1973, the fund maintained for revenues collected only from unit 7 service fees and expenditures only for unit 7 employees had a deficit balance of $4,992. The exhibit also compared actual to budgeted revenues and expenditures for 1973. Actual unit 7 expenses ($252,869) amounted to $2,881 less than budgeted expenses ($255,750) which the Board had approved in Decision 31. Actual revenues from service fees ($247,877), however, amounted to $7,873 less than projected revenues ($255,750) and, resultantly, left a deficit balance in the unit 7 fund account.

Said exhibit also contained a breakdown of variances between actual and budgeted expenditures during 1973 by expense categories. Categories in which the HFCT spent less than budgeted amounts approved by this Board and the respective variances are: staff expenses ($3,294), grievance and arbitration ($5,636), publication ($184) and exigency ($276). Those categories in which HFCT spent more than the amounts budgeted and the respective variances are: staff salaries ($3,294), office expenses ($947), bargaining expense ($4,482) and organization ($2,054).

12. HFCT's Exhibits 6, 7, 8, 9 and 10 are monthly financial statements for the first five months of 1974. The monthly financial statements are unaudited, but verified by HFCT's certified public accountants, Choo & Ramos, to the extent that expenses were incurred and paid by the HFCT and that
checks made payable to certain payees were endorsed by the persons to whom the checks were drawn. For the first five months of 1974, the amount of $102,513 was received by the HFCT from unit 7 service fees. Unit 7 expenses paid during that period totaled $103,516, leaving a deficit of $1,003 in the unit 7 fund account as of May 31, 1974.

13. HFCT's Exhibit 14 shows two 1974 unit 7 budgets. The first is the budget approved by HFCT's annual convention in December, 1973. The second is a revised budget put together by the staff and the executive board containing adjustments based on more recent experience and costs for bargaining expenses and exigency, which were zero amounts in the annual convention budget since these items were not predicableable then. The revised 1974 budget is based on projected revenues and expenditures of $244,800, which is approximately $17,000 above the annual convention budget.

14. Projected expenditures during 1974 are about $8,000 less than actual expenses in 1973. The projection was based on appropriate adjustments among the various expense categories in view of 1973 experience and was limited by the amount of anticipated revenues in 1974, which was estimated to be $3,000 less than actual 1973 revenues because of faculty layoffs.

15. The HFCT submitted evidence to show what services it has provided to unit 7 employees with service fee monies. It has represented employees in their complaints against the employer which included grievances, prohibited practice charges and lawsuits. It has been preparing bargaining proposals in anticipation of a resumption in negotiations after the representation question is resolved. It has carried out its duty of
consultation with the employer under Subsection 89-9(c), HRS.
To enable it to provide these services, the IIFCT submits that
it has been necessary to retain its staff and maintain its
offices and facilities.

Aside from the $8,000 difference between projected
1974 expenses and actual 1973 expenses, the IIFCT will incur
essentially the same costs in 1974, as it did in 1973, while
rendering services required of it as the exclusive representa-
tive of unit 7.

CONCLUSIONS OF LAW

The Board shall first consider the arguments of
intervenor UHPA.

Initially, UHPA argued that the service fee must be
terminated retroactively to the date the Board declared, in
effect, that the University of Hawaii could not bargain while
the representation question was pending. In support of this
argument, UHPA advanced a strict interpretation of the statu-
tory language respecting service fees contained in Subsection
89-4(a), HRS, which provides, in part:

"The employer shall upon receiving from
an exclusive representative a written state-
ment which specifies an amount of reasonable
service fees necessary to defray the costs
for its services rendered in negotiating and
administering an agreement and computed on a
pro rata basis among all employees within its
appropriate bargaining unit, deduct from the
payroll of every employee in the appropriate
bargaining unit the amount of service fees
and remit the amount to the exclusive repre-
sentative."

In calling for a strict interpretation of the afore-
said statutory provision, UHPA cited various cases on statutory
construction and contended that Subsections 89-4(a) and 89-2 (16), 2 HRS, are clear and unambiguous and, thereunder, only costs for negotiating and administering an agreement can be the basis for service fees. Inasmuch as the HFCT has no such collective bargaining agreement in effect for unit 7 and it cannot bargain, UHPA submits HFCT's service fee should be terminated and all service fee monies received after February 12, 1974, should be returned to the employees who paid them.

With respect to the above argument, respondent HFCT cited portions of the Special Hearings Officer's report in Case SF-05-1, which was adopted by the Board and affirmed by the Circuit Court in Civil No. 35588 (January 25, 1972). Therein, it was determined that the statutory intent and purpose of promoting and assuring effective and responsible collective bargaining efforts by the chosen representative on behalf of affected public employees could not be achieved by a narrow interpretation of the service fee provision in Chapter 89, HRS. Thus, the Board deemed it obligatory to adopt a statutory construction which would effectuate the principle of the agency shop, not only to eliminate the "free rider," but to render the exclusive representative financially stable and secure in order that it might properly carry out its representation responsibilities. The words "negotiating and administering an agreement" were viewed as a term of art which

2Subsection 89-2(16), HRS, defines the term service fee as follows:

"'Service fee' means an assessment of all employees in an appropriate bargaining unit to defray the cost for services rendered by the exclusive representative in negotiations and contract administration."
encompassed the entire collective bargaining and representation activities of the exclusive representative, i.e., a residuum of the union's total activities after the "union membership benefits" have been isolated and removed.

Since the issuance of this initial service fee decision and in each subsequent service fee case, the Board has determined the reasonableness of proposed service fees based on the above rationale. Intervenor UHPA now urges the Board to adopt a narrow and literal interpretation of the service fee provisions in the law, contending that the statutory language is clear and unambiguous.

The Board is not convinced that a literal construction of "negotiating and administering an agreement" should be the basis of its determination of the reasonableness of service fees. The Supreme Court of Hawaii has held that statutes must be interpreted according to their intent and meaning, and not always according to the letter. Every part thereof must be viewed in connection with the whole so as to make all parts harmonize, if practicable, and give a sensible and intelligent effect to each. Thomas v. Norton, 8 Haw. 67 (1890).

With this rule of statutory construction in mind, we look again at the service fee provision, Subsection 89-4(a), HRS, which provides, in its entirety:

"The employer shall upon receiving from an exclusive representative a written statement which specifies an amount of reasonable service fees necessary to defray the costs for its services rendered in negotiating and administering an agreement and computed on a pro rata basis among all employees within its appropriate bargaining unit, deduct from the payroll of every employee in the appropriate bargaining unit the amount of service fees and remit the amount to the exclusive representative. A deduction permitted by this section,
as determined by the Board to be reasonable, shall extend to any employee organization chosen as the exclusive representative of an appropriate bargaining unit. If an employee organization is no longer the exclusive representative of the appropriate bargaining unit, the deduction shall terminate." (Emphasis added)

In order to give effect to every part of Subsection 89-4(a), HRS, the Board cannot adopt the strict construction of the subsection urged by intervenor UHPA. To do so would render the above-underscored language meaningless. The right to a service fee deduction is not discretionary, but is statutorily mandated and extends to any exclusive representative, not only to those who have negotiated an agreement and have an agreement to administer.

Furthermore, the service fee deduction terminates when the employee organization is no longer the exclusive representative, rather than when it is unable to bargain or lacks a collective bargaining agreement to administer as in the instant case. There is no provision for terminating the service fee at any time prior to the time when an employee organization ceases to be the exclusive representative. Under Subsection 89-2(4), HRS, an employee organization remains the exclusive representative until it is replaced by another employee organization, decertified, or dissolved. It is undisputed that the HFCT remains certified as the exclusive representative of unit 7.

Had the Legislature intended to restrict service fees to "negotiating and administering an agreement," it would not have granted the right to a service fee deduction to all exclusive representatives for the duration of their certification as exclusive representatives, but only after negotiations commenced and until agreements expired. In view of the language of Subsection 89-4(a), HRS, in its entirety and other provisions
of Chapter 89, HRS, discussed later, the Board does not find that the statute clearly and unambiguously limits service fees only to actual negotiations and contract administration.

Therefore, we look to the purpose for which the Legislature enacted the service fee provision. The intent and thrust of the service fee provision, which creates a modified agency shop, was to eliminate "free riders" by requiring all employees to pay their fair share of the costs for services from which they would accrue benefits. (See Senate Standing Committee Report 745-70 and House Standing Committee Report 752-70, commenting on Senate Bill 1696-70 which became the collective bargaining law.) It is apparent that the Legislature intended to equate service fees to costs of services rendered by the exclusive representative from which all employees in the unit would benefit.

Negotiations and contract administration are not the only services provided by an exclusive representative. Under Subsection 89-8(a), HRS, the exclusive representative not only has the right to negotiate an agreement covering all employees in its unit; it also is vested with the right to "act for" said employees. Moreover, it has a concomitant duty to represent the interests of all such employees without discrimination and without regard to employee organization membership. Said duty exists, as does the right to a service fee deduction, so long as the employee organization remains certified as the exclusive representative. It is unlikely that the Legislature would require employees to pay for some, i.e., negotiation and contract administration, but not all, of the services from which they accrued benefits.
In view of this, the Board is of the opinion that the right to a service fee deduction for the duration of certification as an exclusive representative is not merely coincidental, but consequential. The right to a service fee is linked to the right and duty to represent the unit in its collective bargaining relationship with the employer. While the major services typically provided by an exclusive representative include contract negotiation and administration, these are not the only services rendered to unit members. In the case at hand, there was evidence of expenses incurred in connection with preparations for negotiations. Additionally, expenses were incurred in representing unit members in grievances against the employer, prohibited practice charges, and cases in the state and federal courts.

The Board views the words "negotiating and administering an agreement" used in Subsection 89-4(a), HRS, as descriptive, not restrictive, terms employed by the Legislature. The words refer to major services provided by an exclusive representative which are subject to the service fee deduction. Reference to negotiations and contract administration does not indicate exclusivity in any way, but is frequently used, simply because these are the generally recognized major services which a collective bargaining agent provides. Those words are similarly employed in Roberts' Dictionary of Industrial Relations. An agency shop is defined therein as:

"A union security provision to eliminate 'free riders.' All employees in the bargaining unit are required to pay dues or service charges to the collective bargaining agency. Non-union employees, however, are not required to join the union as a condition of employment. Payment of dues is to defray the expenses of the bargaining agent in negotiations and contract administration, etc." (Emphasis added)
Although negotiations and contract administration were specified as services warranting a service fee deduction, the statutory language was not meant to exclude all other services provided by the exclusive representative from consideration in arriving at a service fee deduction. We do not agree with intervenor UHPA that the principle of expressio unius exclusio alterius, the mention of one excludes all others, is controlling. The Supreme Court of Hawaii has held that where a literal construction of a statute would lead to manifest injustice, it will search for a more reasonable meaning which will accord with the spirit of the enactment. Waiakea Mill Co. v. Vierra, 35 Haw. 550 (1940). It would indeed be unjust to impose upon the exclusive representative a duty to represent the interests of all unit employees, yet, at the same time, prevent expenses incurred in performing this duty to be charged against service fees.

Intervenor UHPA further argues that the service fee is akin to a taxing statute and that when doubt exists as to the construction of a taxing statute, it must be resolved in favor of the taxpayer. We note, however, that the rule of strict construction of tax statutes is not a substitute for other rules of construction and is subordinate to the principle that the intention of the Legislature governs. In re Taxes, Hawaiian Pineapple Co., 363 P.2d 990, 45 Haw. 167 (1961).

In view of the foregoing, the Board remains convinced that the Legislature intended to create by passage of the service fee provision, a modified agency shop situation which requires all employees to share in expenditures for services and benefits they are entitled to receive and exacts from each employee no more than his proportionate share of the costs of
securing such services and benefits. Therefore, all costs for representing the interests and securing benefits for all employees in the unit warrant the service fee deduction, not only costs for negotiating and administering an agreement.

Alternatively, intervenor UHFA argues that if the Board determines HFCT is entitled to a service fee for handling employee complaints, that fee should not exceed $1.00 per month per employee. The $1.00 per month was based solely on staff costs and legal expenses relating to grievance handling.

We find little merit in UHFA's argument that the service fee should be reduced to $1.00. While the primary thrust of the service fee provision, a modified agency shop, is to require employees to pay their fair share of costs of services rendered by the exclusive representative in securing benefits for them, the service fee provision is basically a form of union security. As such, it is a means to protect the exclusive representative against competing unions by making it financially stable and secure. Accordingly, the exclusive representative would be free to carry out its responsibilities in representing unit members without the problem of raising revenues before it can fulfill such responsibilities.

UHFA, HFCT's rival, apparently wants this Board to ignore this aspect of the service fee provision for obvious reasons. A $1.00 service fee is only sufficient to provide six weeks staff time by two field representatives and legal fees. UHFA would, in effect, have the HFCT close its doors and dissolve even while it remains the elected exclusive representative of unit 7.
Surely, UHPA could not have been serious when it proposed to this Board a reduction in HFCT's service fees to $1.00 per month per employee. This Board will not, in any way, undermine the decision made by the majority of the employees in unit 7 to have HFCT as their exclusive representative. Said employees have an opportunity to decide whether they want HFCT to continue as their exclusive representative next month. Until then, so long as the HFCT remains the exclusive representative, it is entitled to a service fee deduction to defray whatever costs it incurs in rendering services as the exclusive representative for all employees in unit 7.

We turn now to the primary issue in this instant proceeding, whether the prior certification of the HFCT's service fees in the amount of $8.50 per month per unit 7 employee is still reasonable.

UHPA contends that the HFCT had failed to meet its burden of showing cause why it should be allowed a service fee of any specific amount. The HFCT did not apportion its budget between grievance handling and other items and its budget proposed for this year is substantially the same as last year's budget, even though the HFCT is legally incapable of performing the overwhelming portion of the activity it engaged in last year, i.e., negotiations.

When this Board issued its certification of HFCT's service fee in Decision 31, it stated therein that any review of service fees would be "based upon a history of actual costs and expenditures incurred by the Petitioner during said interim period." Thus, the Board's review herein is based upon a history of actual costs and expenditures incurred by the HFCT during the period January, 1973, through May, 1974.
The HFCT maintains a separate unit 7 fund account, which includes only revenues received from unit 7 service fees and only expenditures incurred for services available to all employees in unit 7, HFCT members and non-members alike. There was no evidence that the unit 7 fund account had been used for the benefit of HFCT members only or for purposes other than those which the Board approved in Decision 31.

The unit 7 fund account for the year 1973 was audited by Choo & Ramos, certified public accountants. Actual expenditures incurred by the HFCT during the year amounted to $252,869, which is approximately $3,000 less than budgeted expenditures for 1973 ($255,750). Although the HFCT spent less than it had budgeted, it still incurred a deficit because actual revenues from unit 7 service fees fell below anticipated revenues by approximately $8,000. As of December 31, 1973, HFCT had a deficit balance of $4,992 in its unit 7 fund account. It is significant that this deficit was incurred during the period negotiations were in full progress.

During the first five months of 1974, January through May, expenses paid out of the unit 7 fund account totaled $103,516. HFCT's monthly financial statements for January through May were verified by Choo & Ramos, to the extent that expenses were paid out of the unit 7 fund account on checks drawn to certain payees and that the payees named thereon endorsed the checks. There was no evidence to refute HFCT's claim that said amount was spent for services which benefited all employees in unit 7. Revenues received during that period from unit 7 service fees totaled $102,513, leaving a deficit of $1,003 in the unit 7 fund account as of May 31, 1974.
The above shows that the HFCT had no surplus revenues from unit 7 service fees, which may have warranted a reduction in service fees. Even though negotiations did not resume between the HFCT and the University of Hawaii and there is no contract to administer, the record showed that HFCT continued to incur costs while rendering services for all employees in unit 7. Based upon HFCT's history of actual costs incurred from January, 1973, to May, 1974, the Board finds that a service fee of $8.50 per month per unit 7 employee was reasonable.

HFCT's budget for 1974 is substantially the same as last year's budget. The HFCT anticipates that it will receive $244,800 in service fees during 1974. Expenditures have been projected on said amount, which is approximately $8,000 less than actual expenses during 1973. Adjustments were made among the several expense categories based on past expenditures. For example, HFCT spent more than it had budgeted in 1973 for staff salaries, office expenses and organization expenses. Upward adjustments were made for these items in the 1974 budget. On the other hand, HFCT spent less than budgeted amounts in 1973 for staff expenses, grievance arbitration, publication and exigency. Thus, downward adjustments were made in these categories in the 1974 budget. With respect to bargaining expenses, HFCT spent more ($11,682) than it budgeted ($7,200) in 1973, and understandably so. In its 1974 budget, it anticipates spending $6,200, an estimate based, in part, on its inability to bargain further until the representation question is settled.

HFCT's budget for 1974 does not appear unreasonable in view of its past experience and its continued intent to represent all employees in unit 7 while it remains their exclusive representative. Certain costs of the HFCT, like those of other
organizations, remain relatively stable even though negotiation and contract administration services are not being provided. Unless decisions are made by the management of an organization, such as, to lay off employees temporarily or rent smaller quarters, salary costs and rental of premises continue at the same level. The HFCT has chosen to retain its staff and maintain its office and facilities so that it can fulfill its continuing duty, as required under Subsection 89-9(a), HRS, to represent the interests of all unit 7 employees.

The HFCT has been processing grievances. Under Subsection 89-10(d), HRS, in the absence of any conflicting contractual provision and, hence, in the absence of a contract, as in the case before us, rules and regulations of the employer remain applicable. Efforts by the HFCT in seeing to the proper and just administration of such rules and regulations cannot be considered any less significant than contract administration services, in the absence of a contract. Additionally, the HFCT has been representing employees in prohibited practice charges before this Board and in the courts. It has been preparing proposals for a return to bargaining and this process is an expensive one including traveling expenses for Neighbor Island members of the bargaining team. It has been carrying out its duty of consultation with the employer under Subsection 89-9(c), HRS. All such efforts by the HFCT to represent the interests of all employees in its unit warrant a service fee deduction, regardless of whether negotiations are in progress or whether there is an agreement.

Subsection 89-4(a), HRS, grants the HFCT a right to a service fee deduction so long as it remains the exclusive representative. There is no provision for terminating the
service fee of an exclusive representative prior to the time it loses certification. Neither is there a provision authorizing the Board to limit the amount of expenditures an exclusive representative may incur in rendering services for all employees in its unit. The Board's latitude with respect to the reasonableness of service fees, as experience has demonstrated, is limited to determining whether costs incurred, or to be incurred, by an exclusive representative are, in fact, for services which benefit all employees in the unit who pay service fees.

On the basis of the record, the Board finds that the costs incurred by the HFCT were for the benefit of all employees in unit 7 and that costs to be incurred will be for services which benefit all unit 7 employees. A continuance of a service fee of $8.50 per month per employee for the HFCT is, therefore, reasonable.

ORDER

NFCT's certification of service fees in Decision 31 in the amount of $8.50 per month per unit 7 employee shall continue, until altered or terminated by the Board. All other provisions of the Board's order in Decision 31, which are appropriate, shall remain applicable.

The public employer is hereby ordered to continue such deductions until such time as this Board directs otherwise.

Mack H. Hamada, Chairman

John E. Milligan, Board Member

James K. Clark, Board Member

Dated: September 25, 1974
Honolulu, Hawaii