

COMMITTEE ON WAYS AND MEANS
Senator Rosalyn H. Baker, Chair
Senator Shan S. Tsutsui, Vice Chair

Testimony Index

Date: Friday, January 11, 2008

Time: 1:30 PM

Place: Conference Room 211

Department of Human Resources Development

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STATE OF HAWAII
DEPARTMENT OF HUMAN RESOURCES DEVELOPMENT
235 S. BERETANIA STREET
HONOLULU, HAWAII 96813-2437

SENATE COMMITTEE ON WAYS AND MEANS
BUDGET REQUEST FOR SUPPLEMENTAL BUDGET 2008-2009
JANUARY 11, 2008

TESTIMONY BY MARIE C. LADERTA, DIRECTOR
DEPARTMENT OF HUMAN RESOURCES DEVELOPMENT

Honorable Chair Baker and Members of the Senate Committee on Ways and Means:

INTRODUCTION

I am Marie Laderta, Director of the Department of Human Resources Development. I am here today to present the Department of Human Resources Development's (DHRD) Supplemental Budget for the Fiscal Year 2008 – 2009.

Our Department's operations are primarily guided by legislative mandates, Executive orders, State and Federal laws, as well as administrative agency and court orders.

In addition to performing in accordance with legal, legislative and executive mandates, our Department's role is focused on supporting the Governor's Office and our sister agencies. As such, we are charged with the recruitment of State employees, employee labor relations, the development of the workforce of the State, and the handling of workers' compensation claims. Emphasis is given to the State as a public employer because of its public leadership to be fair in its recruitment to all people seeking a career with the State and the development of its workforce for career employees to meet the challenges of evolving public policy, technology, and public expectations.

The information that will be covered is as follows:

- Department-Wide Budget Summary (pages 2 – 6)
- Budget Structure (pages 7 – 8)
- Departmental Overview (pages 9 – 12)
- HRD 102 (pages 13 – 16)
- HRD 191 (pages 17 – 19)

DEPARTMENT-WIDE BUDGET SUMMARY INFORMATION

1. Totals for Department FY08 budget with restrictions and emergency requests and FY09 proposed operating budget adjustments by means of financing

Attachment 1
 Department-Wide Summary Information
 Totals for Proposed Department Budget Adjustments (by Method of Funding)

FY08				
MOF	Act 213/07	Restriction	Emergency	Total FY08
	Appropriation		Request	
	(a)	(b)	(c)	(a)+(b)+(c)
A	16,847,468			16,847,468
B	700,000			700,000
U	4,886,281			4,886,281
Dept. Totals	22,433,749			22,433,749

FY09				
MOF	Act 213/07	Reduction	Addition	Total FY09
	Appropriation		(f)	
	(d)	(e)	(f)	(d)+(e)+(f)
A	16,844,870			16,844,870
B	700,000			700,000
U	4,886,281			4,886,281
Dept. Totals	22,431,151			22,431,151

2. Identify any emergency requests for FY08

Attachment 2
 Department-Wide Summary Information
 Fiscal Year 08 Proposed Emergency Requests

Program ID	MOF	Title of Emergency Requests	FTE	\$ Amount
		None		
Dept. Totals by MOF				

3. Summary of FY09 proposed operating budget adjustments by Program ID

Attachment 3
Department-Wide Summary Information
Fiscal Year 09 Proposed Budget Adjustments

Program ID	MOF	Program ID Title	FTE	\$ Amount
		None		
Dept. Totals by MOF				

4. Description of FY09 proposed operating budget adjustments by Program ID

Attachment 4
Fiscal Year 09 Proposed Budget Adjustments

Program I.D.	Description of Adjustment	FTE	\$ Amount	MOF
	None			

5. Provide a listing of all proposed FY09 capital improvement projects

Attachment 5
FY09 Capital Improvements Program Summary

Priority	Project Title	FY09 \$ Amount	MOF
1	None		
2			
3			

6. Briefly discuss specific budget adjustments of concern for your agency.

None

7. Summary of DHRD's budget request to B&F, funding decisions made by B&F, and the funding decisions finalized by the Governor.

Attachment 6
FY09 Request Decisions

Dept Priority	Program ID	Description	MOF	Department			Governor's Final Decision		
				Perm. FTE	Temp. FTE	\$ Amt	Perm. FTE	Temp. FTE	\$ Amt
1	HRD 191	Replacement of Computer File Server Machines	A			140,000			

8. Explain the process used to identify priorities (requests for additional operating and capital improvements program funding) for your department including which category the requests for additional funding fall into: a. priority program initiatives of the Governor, b. certain unavoidable fixed costs and/or entitlements, or c. on-going critical programs which lack continued funding.

The Department had only one request which focused on replacing aging computer file servers that are used for the statewide human resources management system (HRMS), workers compensation claims management functions and payments processing, file transfers to external agencies, and office automation functions. This request falls into the other category.

9. Discuss how requests for additional operating and capital improvements program funding were prioritized and discuss the manner in which community, departmental, and legislative input was gathered and utilized to determine priorities.

The Department had only one request to prioritize for the supplemental budget.

10. Briefly discuss what actions your department has taken or is planning to take to reduce operating costs and how those actions will translate into savings that may be reduced from your budget.

Attachment 7
Actions to Realize Savings

Prog ID	MOF	Description of Action to Realize Savings	\$ Amount of Actual FY07 Savings	\$ Amount of Projected FY08 Savings
		No projected realized savings		

11. Identify all positions that are vacant as of December 1, 2007. For each of these positions, please indicate if authority for your department to hire was or was not granted.

Attachment 8
All Positions Vacant As of 12/1/07

Date of Vacancy	Position Title	Position Number	Exempt (Y/N)	Budgeted Amount	Actual Salary Last Employee Paid	MOF	Program ID	Authority to Hire (Y/N)
10/16/07	Pers Mgmt Spec VI	9000	N	73,044	73,044	A	HRD 102/PA	Y
3/1/06	Pers Mgmt Spec V	21825	N	58,248	58,248	A	HRD 102/PA	Y
5/9/07	Pers Prog Ofcr	24849	N	75,144	75,144	A	HRD 102/QA	Y
7/1/07	Pers Mgmt Spec V*	118799	N	47,698		A	HRD 102/RA	Y

*Note: This is a new temporary position.

12. Provide a listing of all instances of your department's expenditures exceeding the federal fund ceiling for FY07 and FY08.

Attachment 9
Listing of Expenditures Exceeding Federal Fund Ceiling for FY07 and FY08

Prog ID	FY07 Ceiling	FY07 Expenditures	FY08 Ceiling	FY08 Expenditures	Reason for Exceeding Ceiling	Recurring (Y/N)
	None		None			

13. Provide a listing of all budget appropriations transferred to another Program ID and/or another department in FY07 and FY 08.

Attachment 10
Listing of Transfers for FY07 and FY08

Prog ID	FY07 Ceiling	FY07 Amount Transferred	FY08 Ceiling	FY08 Amount Transferred	Reason for Transfer	Recurring (Y/N)
		None		None		

14. Provide a listing of all positions currently deployed from your department.

Attachment 11
Department Listing of Deployed Positions

Pos. #	Position Title/Description	Program ID Originally Assigned to	Program ID Transferred to	Narrative Discussion on Why Position was Moved	Specific Reasons Deployment Will Result in More Efficient Functioning of Department	Impact to Program Originally Assigned to	Date Deployment Began	Expected End Date of Deployment
None								

Budget Structure.

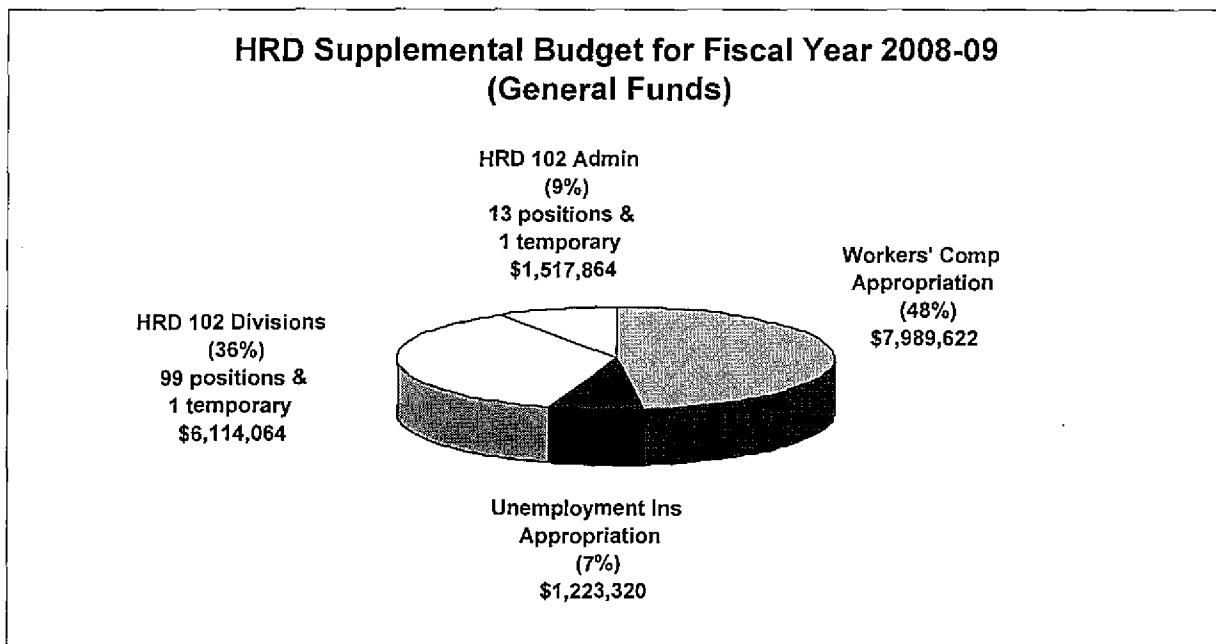
The Department currently (FY 08) has two program areas in which a full complement of human resource (HR) responsibilities is integrated into a statewide HR program:

HRD-102, includes the operating budgets of the Department's 4 divisions.

- Employee Staffing Renee Tarumoto, Division Chief
- Employee Relations Diane Sumida, Division Chief
- Employee Claims Valerie Pacheco, Division Chief
- Employee Classification & Compensation Carleton Taketa, Division Chief

Included in this program are the State Workers' Compensation Appropriation and the Unemployment Insurance Benefits Appropriation for the State executive branch as an employer entity. The Workers' Compensation Appropriation is used to provide benefits for state workers injured on the job. The Unemployment Insurance Benefits Appropriation is used to provide unemployment benefits to former state workers. Both the Department of Education and the University of Hawaii, however, administer their own funds for workers' compensation and unemployment insurance as it was felt this would help their programs become more proactive.

HRD-191 is comprised of the administrative services for the Department, including the Office of the Director, Administrative Services Office and Information Systems Office. HRD-191 focuses on long-range and overall policy-setting direction for the State's personnel management system, and provides comprehensive administrative and information technology planning and services.



On a percentage basis, the Workers' Compensation Appropriation accounts for 48% (\$8.0 million) of our total FY 2008-09 General Fund budget; Unemployment Insurance Benefits make up 7% (\$1.2 million) of the budget; and the operating budget for our Department accounts for 45% (\$7.6 million).

Notably, DHRD's no cost/low-cost employee benefit programs (e.g., PTS Deferred Compensation Retirement Plan, Premium Conversion Plan) generate more than \$8.5 million in tax savings annually for the State, which the State otherwise would have had to pay to the federal government. These tax savings more than cover the Department's operating costs.

Budget Strategy. The programs of this staff Department are designed to support State agencies in meeting their needs for a productive workforce to carry out their programs and activities. Specific human resources policy responsibilities and activities of this Department are based on the Merit Principle and include providing the line departments with services, policies, procedures, and guidelines which promote the timely recruitment, development and retention of productive workers; and, effective management of the workforce.

The Department's initiatives are based on sound personnel practices, the needs of the agencies that the Department serves, and the expanding use of modern technology.

DEPARTMENTAL OVERVIEW

Employee Staffing Division (ESD)

The Employee Staffing Division (ESD) develops and administers statewide recruitment, examination and placement programs that facilitate workforce planning and timely staffing activities based on the Merit Principle for civil service employment in the executive branch. In addition to this statewide responsibility, the Division provides direct, centralized staffing services to agencies in attracting and retaining qualified candidates for civil service employment.

Recruitment and Examination Branches of the ESD perform the following services and activities.

- Develops and administers a statewide Recruitment Program based on the Merit Principle that is concerned with obtaining on a timely basis sufficient numbers of qualified persons to fill State civil service positions.
- Develops statewide recruitment plans, based on recruitment history and/or requests, and conducts recruitments, including labor shortage positions. Distributes and intakes applications, publishes announcements and advertisements.
- Develops informational strategies for statewide recruitment programs using the Division's Internet Web site, and other special recruitment multi-media campaigns such as video tape activities and job fairs.
- Maintains and certifies lists of eligibles (also known as "certificates") and refers persons from appropriate eligible lists to job vacancies.
- Conducts statewide placement programs for disabled employees and employees affected by Reduction-in-Force, including administering the Separation Incentives Program.
- Develops and administers an Examination Program concerned with identifying those persons possessing the necessary requirements of a position.
- Constructs examinations to test for specific competencies which include analyzing statistical data to establish passing scores, weights, conversion factors, etc., evaluates examination validity and reliability of tests.
- Evaluates applicants' qualifications to determine whether minimum experience, education, personal and medical suitability and other legal requirements for public employment and/or personnel movement are met.
- Administers examinations which include activities such as scheduling examinations and arranging for appropriate test facilities; notifying applicants scheduled for the examination; administering examination; and scoring.
- Establishes list of eligibles (general register) for each recruitment, and reports test results to applicants.
- Oversees and administers laws, rules, policies, procedures related to statewide recruitment, examination, referral and selection and placement matters for the Executive Branch.
- Provides advisory services to departments concerning recruitment, placement, examination, including suitability background checks, selection activities,

probationary periods, and related personnel matters to line departments, other jurisdictions, and others.

- Prepares responses on examination and/or recruitment matters to the Merit Appeals Board and/or other agencies as necessary.

The goal of the Division is to obtain on a timely basis, sufficient numbers of qualified people to fill State jobs.

Employee Relations Division (ERD)

The Employee Relations Division (ERD) develops, implements, and establishes statewide policies, procedures, and guidelines, and provides technical support to State Executive Branch agencies in the areas of labor relations, performance management, employee benefits (excluding health and retirement), personnel transactions, and training. ERD also administers various programs which help address the needs of Executive Branch employees, the majority of whom are covered by collective bargaining, during the course of their State employment, and provides direct consultative services to line managers in dealing with labor relations issues.

ERD's services include the:

- Negotiation of labor-management agreements, in collaboration with the Office of Collective Bargaining (OCB);
- Administration of labor-management agreements;
- Development, implementation, and administration of a statewide employee performance evaluation program;
- Processing & auditing of pay and other personnel transactions which includes the implementation of negotiated pay increases or other wage and salary adjustments provided for by the various collective bargaining agreements;
- Generation of data or reports for the Governor, DHRD Director, OCB Chief Negotiator, B&F Director, legislators, the media, and others, including the generation of workforce statistics/reports;
- Development, implementation, and administration of various statewide no-cost/low-cost employee benefit programs and assistance programs, including coordination of the annual Governor's Awards Ceremony, and
- Development and administration of statewide training and development programs for employees and managers, such as the nationally recognized Hawaii Leadership Academy.

The mission of the Division is to provide timely and responsive leadership and support to all State Executive Branch agencies in the areas of labor relations, performance management, no-/low-cost benefits, personnel transactions, and training so that they may retain and maximize the productivity of employees in the civil service.

The goal of the Division is to deliver quality employee relations services that meet the needs of line managers, departmental personnel staff, and employees.

Employee Claims Division (ECD)

The Employee Claims Division plans and administers the Executive Branch's statewide, self insured, workers' compensation program for all departments, including the legislature as well as the Charter Schools in accordance with Section 15, Act 87, SLH 2005. It is also responsible for the statewide safety program. The Division does not handle claims for the University of Hawaii or the Department of Education as they have separate funds, claims management responsibilities, and administer their own return to work priority program.

The mission of the Division is to provide timely, appropriate, responsive support and benefits to those employees who have sustained work related injuries or illness that result in their seeking medical attention and/or preventing them from returning to work and to provide a safe and healthy work environment for all employees.

A major goal of the Employee Claims Division is to assist injured employees back to work at the earliest time. Depending on the nature of injury or illness, employees may be returned to a light duty position or, if eligible, participate in the State's Return to Work Priority Program.

There is a continuing emphasis on marketing claims management services which includes an ongoing contract with the County of Hawaii and improving customer service programs through quarterly bulk claim review meetings with departments. Also on the priority list is an ongoing effort to make improvements to the Division's financial accounting, cost containment, and auditing procedures to insure compliance with Department of Labor and Industrial Relations/Disability Compensation Division (DLIR/DCCD) rules and regulations.

The Safety Office utilizes workers' compensation data to assist departments in identifying types of injuries and to develop strategies in mitigating recurrences. The Safety Office conducts inspections, assists managers in identifying workplace hazards, does specific worksite assessments to insure proper ergonomics for employees, conducts extensive workplace violence training sessions, and conducts safety and safety management courses for State employees. The Safety Office administers the State's drug and alcohol testing programs for affected bargaining unit employees.

The Division also oversees the State's Temporary Disability Benefits Plan and provides administrative support to the Merit Appeals Board.

Employee Classification and Compensation Division

The Employee Classification and Compensation Division (ECCD) develops and administers the classification and compensation programs for the Executive Branch. These programs support the State's recruitment and retention of a qualified workforce, assist management in the effective use of personnel, and assure employees of equitable salaries for the work they do. In addition, the division develops and recommends terms and conditions of employment and appropriate pay and benefit

programs for employees excluded from collective bargaining coverage; and develops policies and procedures for the exempt service.

These services and activities include, but are not limited to:

- Developing and improving new classification systems;
- Overseeing the implementation of the statewide classification system and providing assistance to operating departments;
- Conducting occupational studies and research activities;
- Developing compensation strategies;
- Assessing the needs of excluded managers and employees, developing necessary Executive Orders, etc.;
- Developing, maintaining and administering a Variable Pay Program for managers;
- Determining and administering exemptions from the civil service.

The mission and goal of the Division is to develop and implement proactive HR programs, systems and services related to these functions that will support recruitment and retention of competent employees and facilitate the management of the workforce, and promote a high level of performance.

The challenges facing the Divisions involve modernization of systems to today's dynamic operational needs and thus capitalizing on the flexibility provided by Act 253, the Civil Service Reform law; creating useful tools for the management of the workforce; and simplifying systems and creating greater flexibility without sacrificing equity.

Program Structure Number: 11 03 05 01

**Program I.D. and Title: HRD 102 – Workforce Attraction, Selection, Classification
And Effectiveness**

**Page References in The Multi-Year Program and Financial Plan and Executive
Budget (Budget Period: 2007-2009), Volume II, pages 775 – 779.**

I. Introduction

A. Summary of Program Objectives.

This program is designed to support State operating program objectives through recruitment and retention of a qualified civil service workforce founded on the Merit Principle by:

- classifying positions based on work and compensating employees at proper pay levels and at competitive rates;
- obtaining the workforce on a timely basis;
- maintaining a system to assure effective employee-employer relations;
- improving on-the-job performance through staff development programs;
- providing timely and appropriate workers' compensation benefits; and
- providing a safe and healthy work environment

This program is also designed to enhance program effectiveness and efficiency by formulating policies and procedures, directing operations and personnel, and providing administrative support services.

B. Description of Program Activities.

Major activities of this program include:

- Recruit applicants, develop and construct examinations based on acceptable testing standards, administer and correct examinations, rate applicants' qualifications, refer qualified applicants for employment, determine employment suitability, and conduct special placement activities for employees affected by reduction-in-force and work-related and non-work related injuries.
- Develop and maintain the classification system including developing new and amended class specifications, classifying positions, determining the bargaining unit for classified positions, and establishing policies and procedures.
- Approve and manage position exemptions from civil service.
- Develop and maintain equitable pay relationships by determining the pricing and repricing of classes; administer a systematic pay program including establishing special rates for shortage

occupations and promoting competitive pay rates and progressive compensation practices.

- Assess training needs, develop and conduct training programs, conferences, workshops.
- Develop and conduct safety programs, investigate and manage claims filed by State employees, monitor, assess effectiveness, and make changes to the statewide return-to-work program to reflect changes based upon statutory amendments and to contain the State's cost for workers' compensation.
- Oversee State's drug and alcohol testing program for affected bargaining unit employees in addition to those subject to Federal requirements.
- Develop and administer various statewide employee benefit programs, employee assistance programs, and other programs designed to enhance work productivity (e.g. Cafeteria Plan, PTS Deferred Compensation Retirement Plan, Leave Sharing, REACH counseling services, Crisis Response Assistance, Performance Appraisal Program, Incentive Awards Program).
- Educate, advise and consult on the application of legal guidelines to take personnel actions. Conduct on-site review and assistance audits of departmental personnel actions reporting systems and operations. Develop automated systems to process employee, position and payroll data associated with the taking of personnel actions.
- Interpret and administer contracts and rules, including processing employee grievances.
- Provide support for collective bargaining activities.
- Provide advisory-guidance services to the line agencies and support services in proceedings involving personnel matters to the Deputy Attorney Generals.
- Gather, analyze and disseminate workforce information.

II. Program Performance Results

See Departmental Overview.

III. Problems and Issues

See Departmental Overview.

IV. Expenditures for FY08

HRD 102	Act 213/07 Appropriation	Collective Bargaining	Transfers In/(Out)	Restriction	Available Resources	Est. Total Expenditure
(Pos. Count)	(99.00)				(99.00)	(99.00)
Pers. Svcs.	5,756,983	230,280			5,987,263	5,987,263
Curr. Exp.						
Operating	356,879				356,879	356,879
W/C	9,875,903				9,875,903	9,875,903
UI	4,223,320				4,223,320	4,223,320
Special Fund	700,000				700,000	700,000
Equipment	2,800				2,800	2,800
Motor Veh.						
Total	20,915,885	230,280			21,146,165	21,146,165
Less:						
Interdept. Trf (U)						
W/C	1,886,281				1,886,281	1,886,281
UI	3,000,000				3,000,000	3,000,000
Special Fund	700,000				700,000	700,000
(Pos. Count)	(99.00)				(99.00)	(99.00)
General Fund	15,329,604	230,280			15,559,884	15,559,884

- A. Explain all transfers within the Program I.D. and the impact on the program.**
Not applicable
- B. Explain all transfers between Program I.D.'s and the impact on the program.**
Not applicable
- C. Explain all restrictions and the impact on the program.**
Not applicable

V. Supplemental Budget Requests for FY09

HRD 102	Act 213/07 Appropriation	Budget Adjustment	Supplemental Budget Request
(Pos. Count)	(99.00)		(99.00)
Personal Services	5,757,185		5,757,185
Current Expenses			
Operating	356,879		356,879
W/C	9,875,903		9,875,903
UI	4,223,320		4,223,320
Special Fund	700,000		700,000
Equipment			
Motor Vehicles			
Total	20,913,287		20,913,287
Less:			
Interdept. Trf (U)			
W/C	1,886,281		1,886,281
UI	3,000,000		3,000,000
Special Fund	700,000		700,000
(Pos. Count)	(99.00)		(99.00)
General Fund	15,327,006		15,327,006

A. Workload or Program Request

None

B. For all position count reductions, specify whether the positions were filled or vacant.

Not applicable

VI. Program Restrictions

Identify restrictions carried over from FY08 as well as additional reductions due to Department of Budget and Finance budget ceilings for FY09.

None

VII. Capital Improvement Program (CIP) Requests for FY09

None

VIII. Proposed Lapses of CIP Projects

None

Program Structure Number: 11 03 05 02

**Program I.D. and Title: HRD 191 – Supporting Services – Human Resources
Development**

**Page References in The Multi-Year Program and Financial Plan and Executive
Budget (Budget Period: 2005-2007), Volume II, pages 775 – 779.**

I. Introduction

A. Summary of Program Objectives.

This program is designed to enhance program effectiveness and efficiency by formulating policies, directing operations and personnel and providing other administrative support services.

B. Description of Program Activities.

Major activities of this program include:

- Advise the Governor on policies and problems concerning the administration of the Personnel Management System of the State.
- Administer the Personnel Management System of the State.
- Direct and coordinate Dept. of Human Resources Development programs.
- Direct Comprehensive Planning
- conduct Program Analysis,
- ensure Budget Preparation,
- prepare Variance Reports,
- perform Management Services.
- Carry out Administrative and Housekeeping Services, including administrative support to the Merit Appeals Board. and
- Departmental Automation Projects.

II. Program Performance Results

See Departmental Overview.

III. Problems and Issues

See Departmental Overview.

IV. Expenditures for FY08

HRD 191	Act 213/07 Appropriation	Collective Bargaining	Transfers In/(Out)	Restriction	Available Resources	Est. Total Expenditure
(Pos. Count)	(13.00)				(13.00)	(13.00)
Pers. Svcs.	934,355	26,605			960,960	960,960
Curr. Exp. Operating W/C UI Special Fund	583,509				583,509	583,509
Equipment						
Motor Veh.						
Total	1,517,864	26,605			1,544,469	1,544,469
Less: Interdept. Trf (U) W/C UI Special Fund						
(Pos. Count)	(13.00)				(13.00)	(13.00)
General Fund	1,517,864	26,605			1,544,469	1,544,469

- A. Explain all transfers within the Program I.D. and the impact on the program.**
Not applicable
- B. Explain all transfers between Program I.D.'s and the impact on the program.**
Not applicable
- C. Explain all restrictions and the impact on the program.**
Not applicable

V. Supplemental Budget Requests for FY09

HRD 191	Act 213/07 Appropriation	Budget Adjustment	Supplemental Budget Request
(Pos. Count)	(13.00)		(13.00)
Personal Services	934,355		934,355
Current Expenses			
Operating	583,509		583,509
W/C			
UI			
Special Fund			
Equipment			
Motor Vehicles			
Total	1,517,864		1,517,864
Less:			
Interdept. Trf (U)			
W/C			
UI			
Special Fund			
(Pos. Count)	(13.00)		(13.00)
General Fund	1,517,864		1,517,864

A. Workload or Program Request

None

B. For all position count reductions, specify whether the positions were filled or vacant.

Not applicable

VI. Program Restrictions

Identify restrictions carried over from FY08 as well as additional reductions due to Department of Budget and Finance budget ceilings for FY09.

None

VII. Capital Improvement Program (CIP) Requests for FY09

None

VIII. Proposed Lapses of CIP Projects

None