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SENATE COMMITTEE ON WAYS AND MEANS
BUDGET REQUEST FOR THE BIENNIUM BUDGET 2009-2011
JANUARY 8, 2009

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

Honorable Chair Mercado Kim 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) budget requests for the Fiscal Biennium 2009 – 2011.

The department functions as the central personnel office for the Executive Branch. Over the years, reductions have been made to our budget. Since 1995, the department has lost 65 positions or 37% of its staff and about \$1.7 million (22%) in operating funds. Although fiscal restrictions have been imposed on State agencies, our workload has not decreased.

The current economic and fiscal conditions are affecting our department operations in the following manner:

- There has been a 51% increase in the number of applications received for State jobs and a 187% increase in the number of eligible applicants referred to line agencies.
- To address increasing energy costs, for 3 months we piloted a 4-day work week (4DWW) program at DHRD. This concept envisions that State offices would be open 4 days a week, 10 hours a day. One major goal of the 4DWW project is to save electricity costs on each day that offices are closed. The Department of Health also participated by implementing a 2-month pilot program for their Kinau Hale Building offices. We are currently in the process of reviewing and documenting the findings of the 2 projects.

- Notably, as other departments try to address the budget situation by pursuing initiatives which impact employees' working conditions, this could generate workforce issues. Departments will need to place increased focus on their workforce planning activities. We anticipate that DHRD offices will be called upon more frequently by the line departments for assistance in addressing these challenges.
- Workforce analysis shows that about 25% of the Executive Branch workforce will be eligible for retirement by the end of fiscal year 2010. However, due to significant financial losses in their retirement savings, employees may decide to defer their retirement plans and remain in the workforce longer. We will need to develop new strategies for dealing with the aging workforce, maintaining productivity, and addressing the widening skills gap that will occur when those employees eventually leave.
- Lastly, we anticipate that collective bargaining negotiations will face new challenges in these dire economic times. We continue to seek collaboration with the employee unions and the employees in addressing our mutual fiscal challenges.

These are challenging economic times and we remain committed to work with the Legislature to seek solutions that effectively balance short- and long-term priorities.

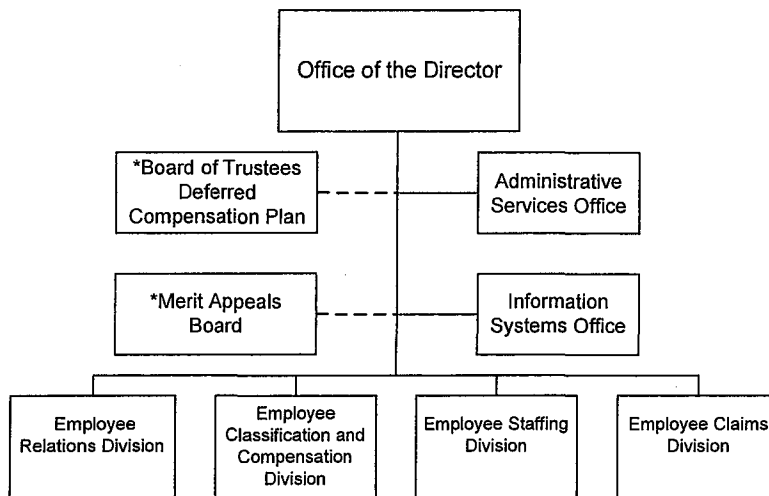
Mission Statement

The Department’s mission is to provide timely and responsive leadership, resources, and services to support the Governor and State agencies in the recruitment, management, and retention of a qualified and productive workforce.

Organizational Structure

The Department is headed by the Office of the Director and has 4 divisions and 2 staff offices. Two agencies are attached to the Department for administrative purposes. Exhibit 1 displays the Department’s organizational structure.

Exhibit 1
Department of Human
Resources Development



*Administratively Attached Agency

The number of positions and total dollar amounts by Means of Financing for each of the Department’s divisions/branches, using current FY09 allocation and proposed FY10 funding levels are as follows:

Worksheet 1
Funding Levels for Divisions/Branches

Division or Branch Name	FY09 (P)	FY09 (T)	FY09 \$\$\$	FY10 (P)	FY10 (T)	FY10 \$\$\$	MOF
Office of the Director/ASO/ISO	13.00	1.00	1,571,969	13.00	1.00	1,551,477	A
Unemployment Insurance Benefits			1,223,320			1,223,320	A
Merit Appeals Board			7,069			7,069	A
Employee Relations Division	26.00		1,868,232	26.00		1,847,732	A
Employee Classification & Compensation Division	17.00	1.00	1,180,665	17.00		1,134,842	A
Employee Staffing Division	28.00		1,840,675	28.00		1,815,550	A
Employee Claims Division	28.00		9,088,213	28.00		8,078,621	A
Human Resources Development Special Fund			700,000			700,000	B

Table 1: Department Functions

The Department is the central personnel agency for the Executive Branch. Our operations are guided by legislative mandates, Executive orders, State and Federal laws, as well as administrative agency and court orders. The programs of this Department are designed to support the Governor's Office and State agencies in meeting their needs for a productive workforce to carry out their core functions and activities. Table 1 provides a list of the functions performed by the Department.

Table 1
Priority List of Functions

Priority #	Description of Function	Performance Measures	Statutory Reference (HRS, PL, etc.)
1a	Develops and administers a civil service system consistent with the application of the Merit Principle and professional testing standards	Number of applications received Number of applications screened Number of vacancies filled Number of qualified eligibles referred Percent of certificates Issued within 5 calendar days where list of eligibles exist Percent of certificates Issued within 95 calendar days where list of eligibles do not exist	Hawaii Constitution, Article XVI Chapter 76, HRS Chapter 78, HRS Section 89-9 (d), HRS Chapters 378, 386 & 831, HRS Chapter 92F, HRS Federal Uniform Guidelines for Employee Selection Procedures, August 1978. Federal ADA, age discrimination laws, Lautenberg Amendment and other Federal laws related to employment.

Priority	Description of Function	Performance Measures	Statutory Reference (HRS, PL, etc.)
1a	<p>Administers and enforces the State's labor-management agreements and employee performance appraisal system for Executive Branch departments, and provides staff services in the negotiation of labor contracts. (Labor Relations)</p> <p>a. Participates in negotiations with the employee unions on collective bargaining agreements and mutual agreements, which includes serving as spokespersons for the State and County Employers;</p> <p>b. Administers the uniform interpretation and application of provisions in collective bargaining agreements, dispute settlements, and related determinations of labor-management relationships (i.e. Hawaii Labor Relations Board rulings).</p> <p>c. Provides advisory guidance and assistance to management representatives in the application of contractual provisions and handling of employees with performance problems, in consideration of past arbitration decisions, court decisions, and contract interpretations;</p> <p>d. Develops policies, procedures, and operating guidelines on various labor relations and performance evaluation matters;</p> <p>e. Processes grievances which may have statewide impact; and</p> <p>f. Tracks legislation involving labor relations matters and prepares testimonies for the DHRD Director.</p>	<p>Number of grievances per 1,000 employees</p> <p>Percent of grievances settled without arbitrators</p>	<p>Chapter 89, HRS <i>Collective Bargaining Law</i></p> <p>Section 76-41, HRS <i>Performance appraisal systems; failure to meet performance requirements</i></p>
1b	<p>Develops, implements, and administers various statewide no-cost/low-cost employee benefit programs, including those which provide significant tax savings to the State, and other activities to help attract and retain employees. (Employee Assistance)</p> <p>The tax savings programs work in this way. Normally, employees contribute 7.65% of their wages towards Social Security taxes; Employers must pay the federal government a matching amount. However, when employees participate in pre-tax benefit programs offered by the State, which are authorized under the Internal Revenue Code, their gross taxable wages are reduced by the amount they contribute into the plans. As a result, the employees pay less social security taxes, which decreases the amount the State needs to match.</p> <p>a. Administers various pre-tax benefit programs, such as the Deferred Compensation Plan; PTS Deferred Compensation Plan for Part-Time, Temporary, and Seasonal or Casual Employees; Premium Conversion Plan; Island Flex Flexible Spending Accounts Plan; Flex Park; and Pre-Tax Transportation Benefits Program, which produce more than \$8.7 million in tax savings annually to the State.</p> <p>b. Administers other employee benefit programs that are required by federal laws, State laws, and the collective bargaining agreements, such as Family Leave, Military Leave, and Leave Sharing.</p> <p>c. Provides staff support the the Deferred Compensation Plan Board of Trustees.</p> <p>d. Develops policies, procedures, and guidelines on the benefit programs; ensures compliance with the IRS regulations which authorize the benefit programs.</p> <p>e. Provides advisory guidance to line departments on benefit programs.</p> <p>f. Tracks legislation involving matters affecting all employee benefit programs, including those administered by other departments, and prepares testimonies for the DHRD Director.</p>	<p>Amount of payroll tax savings</p>	<p>Section 78-26, HRS <i>Leave sharing program</i></p> <p>Section 125, Internal Revenue Code (IRC);</p> <p>Section 78-30, HRS <i>Cafeteria plans</i></p> <p>Chapter 88E, HRS <i>Deferred Compensation Plan</i></p> <p>Chapter 88F, HRS <i>Deferred Compensation Retirement Plan for Part-Time, Temporary, and Seasonal or Casual Employees</i></p> <p>Section 132(f), IRC, <i>Pre-tax Transportation Benefit Programs</i></p> <p>Chapter 398, HRS <i>Family Leave</i></p> <p>Federal Regulations, Part 825, <i>Family & Medical Leave Act</i></p>

Priority #	Description of Function	Performance Measures	Statutory Reference (HRS, PL, etc.)
1c	<p>Processes and audits pay and personnel transactions for civil service employees of the Executive Branch and generates routine and special workforce reports. (Personnel Transactions)</p> <ul style="list-style-type: none"> a. Develops instructions for all Executive Branch departments to guide them in implementing negotiated pay adjustments, arbitration decisions, and settlement agreements; b. Processes mass pay increases negotiated for Bargaining Units 1, 2, 3, 4, 9, 10, 11, and 13, for all departments; c. Prints and distributes Employee Personnel Action Report forms to record all personnel transactions which are generated en masse, e.g., pay increases for all 8 Bargaining Units, pay increases by Bargaining Unit due to varying effective dates, job title changes due to changes in a class or class series; d. Provides advisory guidance and assistance to line Departmental Personnel Office (DPO) staff in the interpretation and application of laws, policies, collective bargaining agreements, and Executive Orders provisions relating to compensation, leaves, leave recordkeeping, transfers, separations, and other personnel transactions related issues; e. Randomly audits the line departments' personnel transactions to ensure accurate reporting and processing; f. Generates routine and special workforce reports to provide data requested by the Office of the Governor, DHRD Director, Department of Budget and Finance, Office of Collective Bargaining Chief Negotiator, legislators, media, unions, and others; and g. Tracks legislation involving matters related to compensation and leaves, and prepares testimonies for the DHRD Director. 		<p>Section 76-13(1), HRS <i>Establish and maintain roster of all persons in the civil service</i> Section 26-5(b), HRS <i>Pay administration</i> Section 76-28, HRS <i>Forms required of appointing authorities</i></p>
1d	<p>Develops, conducts, and coordinates statewide training for managerial and non-managerial employees. (Training)</p> <p>Implements and administers the statewide training and employee development program for employees and managers of all Executive Branch departments through the following:</p> <ul style="list-style-type: none"> a. Assesses statewide training needs and priorities; b. Develops, conducts, and coordinates employee training programs; c. Assists departments in identifying training needs, developing and implementing programs and developing training aids and materials; d. Develops and administers the Hawaii Leadership Academy for top-level managers; e. Provides consultative services to the line departments on training-related matters, including facilitating management/leadership meetings, retreats, etc.; f. Develops policies, procedures, and operating guidelines on training-related matters; and g. Tracks legislation involving training and employee development-related matters and prepares testimonies 	<p>Employees trained as percentage of total workforce</p>	<p>Section 78-28, HRS <i>In-service training programs</i></p>

Priority #	Description of Function	Performance Measures	Statutory Reference (HRS, PL, etc.)
1a	Develops and administers the position classification system for civil service positions, including the establishment and maintenance of classes and their experience and training requirements; and the assignment of positions to classes, bargaining units and other administrative units.	Percent of classification actions for filled positions completed in 6 months Percent of classification actions for new and vacant positions completed in 3 months Percent of classification action changed by appeal	Section 76-13.5, HRS
1b	Develops and maintains the civil service compensation system, including the pricing/repricing of classes; and establishing special rates for shortage occupations.		Section 76-1, HRS Section 89-9(f)(2), HRS Section 89-11(f), HRS
1c	Development and administration of programs covering exempt positions and employees.		Section 76-16, HRS

Priority #	Description of Function	Performance Measures	Statutory Reference (HRS, PL, etc.)
1a	Act 253, SLH 2000 amended section 26-5, HRS replacing the Civil Service Commission with the Merit Appeals Board (MAB) which was responsible to sit as an appellate body on matters which are set forth in section 76-14, HRS. MAB decides appeals from actions taken by the chief executive, the director, an appointing authority or a designee acting on behalf of one of these individuals on issues such as: any person suffering a legal wrong by a recruitment and examination for a civil service position; an employee serving an initial probationary appointment who alleges wrongful termination for failure to successfully complete the initial probation period; for a classification and reclassification of a civil service position which is occupied by a civil service employee, an incumbent of a position in a new class may file an appeal if the employee has suffered a legal wrong by that action. Employees who aren't covered by a collective bargaining agreement under section 89-6, HRS may file an appeal on disciplinary actions (dismissals, demotions, suspensions), adverse actions for failure to meet performance requirements (dismissals, demotions, reduction in pay) or other employment actions if the employee suffers a legal wrong by the action.		Chapter 26, HRS Chapter 76, HRS

Priority #	Description of Function	Performance Measures	Statutory Reference (HRS, PL, etc.)
1a	A core function of this program is to provide timely and accurate delivery of statutory benefits to all injured employees within the Executive Branch (excluding DOE and UH) of government, Charter Schools, Hawaii Public Housing Authority, and the Legislature. This program is responsible for the management of workers' compensation claims. This includes investigating questionable claims, conducting discovery, researching precedent cases, attending administrative hearings, negotiating settlement, and authorizing accurate and appropriate benefits, such as: authorizing temporary total disability benefits within 10 days after notification of the disability, insuring payment of benefits ordered pursuant to a final decision or settlement agreement within 31 days after they become due, and authorize or deny medical bills within 60 days of their receipt. This program is also responsible for monitoring treatment plans to insure that the treatment provided is reasonable, necessary, curative and related to the nature of the compensable injury. If questionable, the staff arranges for evaluations by medical experts. The program maintains the State's Return to Work Priority Program to assist injured employees who become unable to perform their usual and customary jobs to return to suitable gainful employment and the policy and procedures for employees who have environmental restrictions but can perform their usual and customary duties.	Ratio of open claims to closed claims	Chapter 386, HRS Chapter 10, Title 12 Chapter 14, Title 12 Chapter 15, Title 12 All collective bargaining unit agreements ADA A.D. 94-02
1b	Administer safety and health workplace laws, rules, and regulations consistent with State and Federal mandates such as: Occupational Safety and Health Administration, Environmental Protection Administration, and the Federal Motor Carrier Safety Administration. Develop and conduct safety and health seminars, workshops and conferences. Develop and maintain the human resources component of the State's Civil Defense Plan for emergency disaster management. Develop and maintain the State's Alcohol and Drug Testing Program.	Percent of BU 10 employees that attended voluntary informational briefings (87%) Percent of BU 10 employees who received educational materials (100%) Percent of BU 1 employees who attended voluntary informational briefings (63%) Percent of BU 1 employees who received educational material (100%)	49 CFR Parts 382-384 49 CFR Part 40 29 CFR Part 19-10 Chapter 396, HRS All collective bargaining units agreements
1c	Provides technical assistance to the Merit Appeals Boards which may include rule revision and coordinating/running a public hearing.		Chapter 76, HRS
1d	Provides oversight for the State's Temporary Disability Benefits Program		Chapter 392, HRS
1a	Administers the State personnel program, provides administrative support services to statutorily and executively assigned commissions and boards, and represents the State on other commissions and committees. This program focuses on long-range and overall policy-setting direction for the State's personnel management system, and provides administrative and information technology planning and services to department operations.		Section 26-5, HRS Chapter 76, HRS Chapter 78, HRS Chapter 89, HRS Chapter 89C, HRS
1b	Administers the unemployment insurance benefit fund for the Executive Branch (not including UH and DOE), Charter Schools, OHA, the Legislature, and Judiciary.		Section 383-62, HRS

Table 2: Program ID Listing of Major Activities

The Department has two Program ID's in which a full complement of human resource (HR) activities is integrated into a statewide HR program.

HRD102, includes the operating budgets of the Department's 4 divisions

HRD102/PA	Employee Staffing Division
HRD102/QA	Employee Relations Division
HRD102/RA	Employee Classification and Compensation Division
HRD102/SA	Employee Claims Division

Included in this program are the State Workers' Compensation appropriation (HRD102/SA) and the Unemployment Insurance Benefits appropriation (HRD102/KA) 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 administer their own funds for workers' compensation and unemployment insurance.

HRD191 is comprised of the Office of the Director, Administrative Services Office and Information Systems Office.

On a percentage basis, the Workers' Compensation Appropriation accounts for 41% (\$6.4 million) of the FY10 general fund budget; Unemployment Insurance Benefits make up 8% (\$1.2 million) of the budget; and the operating budget for the Department accounts for 51% (\$8.0 million).

Table 2 provides a listing of the major activities that each Program ID performs.

Table 2
Program ID Listing of Major Activities

Prog ID/Org	Major Activity or Activities performed	Priority #	Pos (P)	Pos(T)	PS \$\$\$\$	Other \$\$\$\$	MOF
HRD102			99.00		6,225,472	7,881,662 700,000 4,886,281	A B U
HRD102/KA	Administers the unemployment insurance benefit fund for the Executive Branch (not including UH and DOE), Charter Schools, OHA, the Legislature, and Judiciary.	1b					
HRD102/OA	The Merit Appeals Board holds hearings which are governed by sections 76-14, 76-41, 76-47, 91-8, and 91-9, HRS given written public notice of any regular, special, or rescheduled meetings which will include an agenda listing all of the items to be considered at the meeting, the date, time, and place of the meeting. Such notice is filed in the Office of the Lieutenant Governor and in the Board's office at least six days before the meeting. The Board keeps written minutes of all meetings which are public record and must be available within thirty days after the meeting (except where disclosure would be inconsistent with section 92-5, HRS); grants continuances or extensions of time for the filing of documents; may, at any time, initiate proceedings for the adoption, amendment, or repeal of any rule of the Board; may issue a declaratory order as to the applicability of any rule or order of the Board.	1					
HRD102/PA	Develops and administers a statewide staffing program for civil service employment in the Executive Branch which includes competitive recruitment; and jurisdictional placement searches for employees affected by reduction in force, and work related and non-work related disabilities.	1a					

Prog ID/Org	Major Activity or Activities performed	Priority #	Pos (P)	Pos(T)	PS \$\$\$\$	Other \$\$\$\$	MOF
HRD102/QA	ERD's services include the: <ul style="list-style-type: none"> · 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; 	1a 1a 1a					
HRD102/QA	· 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	1b					
HRD102/QA	· 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; <ul style="list-style-type: none"> · 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; 	1c 1c					
HRD102/QA	· Development and administration of statewide training and development programs for employees and managers, such as the nationally recognized Hawaii Leadership Academy.	1d					
HRD102/RA	Civil Service Position Classification <ol style="list-style-type: none"> 1. Position actions (i.e. establish, reallocate, abolish, extend, etc.) 2. Class specifications (i.e. establish, amend, and abolish) and selective certification requirements 	1a					
HRD102/RA	Compensation <ol style="list-style-type: none"> 1. Pricing and repricing of civil service classes (i.e. determine and review) 2. Determine whether classes in other jurisdictions are equal to classes in HRD jurisdiction 3. Shortage category determinations and rate setting 4. Wage surveys 5. Develop and implement pay programs (e.g. flexible hiring rates, recruitment incentives, performance incentives, etc.) 6. Collective bargaining support (primarily on wages) 	1b					
HRD102/RA	Exemptions from Civil Service <ol style="list-style-type: none"> 1. Review requests to approve and extend projects (authority to approve delegated by Governor to HRD Director) 2. Review requests for approval and extensions of exempt positions (other than project exemptions) 3. Review exemption checklists from departments (used to determine exemptions in order to contract for services) 	1c					

Prog ID/Org	Major Activity or Activities performed	Priority #	Pos (P)	Pos(T)	PS \$\$\$\$	Other \$\$\$\$	MOF
HRD102/SA	<p>In fiscal year 2007, the Claims Management Office handled 2197 claims, 768 of which were newly filed claims. They reviewed, approved and authorized over 15,000 invoices from physicians, physical therapists, massage therapists, pharmacies, vocational rehabilitation providers, settlement agreements, and decisions issued by the DLIR/Disability Compensation Division and Labor & Industrial Relations Appeals Board. The staff handled an average of 166 claims which is 23% higher than the recommended claim handling workload. Our Section Supervisors handled an average of 130 claims which is 45% higher than the recommended claim handling workload given that they also supervise staff, handle the most complex claims, and are responsible for completing performance appraisals for their subordinates. Because of the heavy workload, the Branch Chief handles the majority of the claims that are being heard at the appellate level.</p> <p>In fiscal year 2008, the Claims Management office handled 2174 claims, 728 of which were newly filed claims. They reviewed, approved, and authorized over 14,000 invoices from physicians, physical therapists, massage therapists, pharmacies, vocational rehabilitation providers, settlement agreements, and decisions issued by the DLIR/Disability Compensation Division and Labor & Industrial Relations Appeals Board. The staff handled an average of 167 claims which is 24% higher than the recommended claim handling workload. Our Section Supervisors handled an average of 113 claims which is 25% higher than the recommended claim handling workload given that they also have supervisory responsibilities.</p>	1a					
HRD102 SA	<p>In fiscal year 2007, the Safety Office conducted 96 classes covering Violence in the Workplace; Drug and Alcohol testing for employees subject to reasonable suspicion and random drug testing requirements, their supervisors, departmental coordinators, and departmental employer representatives; and work station design. 1,826 employees attended these programs which were conducted on all islands, at work sites, and at times which covered all shift workers. In fiscal year 2008, the Safety Office conducted 126 classes covering Violence in the Workplace; Drug and Alcohol testing for employees subject to reasonable suspicion and random drug testing requirements, their supervisors, departmental coordinator, and departmental employer representatives; mechanics of safe lifting; and covered the Safety Module which is part of the department's supervisory training program. 3,524 employees attended these programs which were conducted on all islands, at work sites, and at times which covered all shift workers. Sessions for supervisors were 4 hours long, and sessions for employees were 2 hours long.</p> <p>The Safety Office developed the program that became the standard for the State and the Counties.</p>	1b					
HRD191	<ul style="list-style-type: none"> •Administers the State personnel management system and advises the Governor on policies and problems concerning the administration of the system. •Directs and coordinates DHRD operations; and program and financial plans. •Provides administrative support services relating to information technology, fiscal, budget, procurement, and personnel management to department programs. 	1a	13.00	1.00	1,002,968	548,509	A

Table 3: Biennium Budget Reductions

The Department’s biennium budget reflects a 20% reduction in general funds. Table 3 provides a list of the reductions and the impact to program operations. These reductions are based on meetings with the program administrators. The Department did not solicit public input on the impact of these reductions.

Table 3
Biennium Budget Reductions

#	Description of Reduction	Impact of Reduction	Prog ID/Org	Pos (P) 10	Pos (T) 10	\$10 & \$11	Pos (P) 11	Pos (T) 11	MOF
1	Reduce Other Current Expenses for Recruitment and Examinations	<p>Reduction in funding for out-of-state travel (\$2,740) will eliminate professional development attendance at IPMA-HR conference. Face-to-face networking with sister jurisdictions to address staffing challenges specific to public employment will be lost. The Division plans to increase use of webinars and Internet access to national HR websites and surveys on best practices.</p> <p>Reduction in funding for job fairs, recruitment materials, and staff training (\$12,500) will impact our participation in community recruitment activities such as employer-sponsored and university-sponsored career/job fairs, Department of Labor and Industrial Relations (DLIR) displaced worker programs, Kama'aina Stay Home high school outreach program and other marketing activities that focus on the State of Hawaii Executive Branch as an employer of choice to Hawaii's youth. The reduction in print advertising (\$13,825) will result in fewer recruitment/classified ads placed in the Oahu and neighbor island newspapers. These cuts will impact our ability to attract and refer qualified applicants for State civil service employment, particularly in difficult to fill positions.</p> <p>Reduction in funding for office supplies (\$1,350), dues and subscriptions (\$2,100), mileage (\$880), and travel (\$2,700) is being accomplished by the elimination of written tests administered by DHRD. Departmental managers may choose to administer job-related tests as part of their selection interview process. Canceling maintenance on the interactive voice response system (\$4,600) may affect equipment repair and replacement.</p>	HRD102/PA			40,695			A

#	Description of Reduction	Impact of Reduction	Prog ID/Org	Pos (P) 10	Pos (T) 10	\$10 & \$11	Pos (P) 11	Pos (T) 11	MOF
2	Reduce Other Current Expenses for Employee Relations	<p>Funding for the REACH Program contract is being reduced by \$22,000. REACH provides confidential, short-term professional counseling services to all eligible employees of the Executive, Legislative, and Judicial Branches who may be experiencing personal problems affecting their job performance. REACH is especially important during tough economic times like these, as employees experience increased anxiety about reorganizations or other significant changes to their jobs which may be necessary to address the State's budget cuts. REACH services can help avert workplace problems/conflicts and reduce the State's exposure to more costly lawsuits and work related claims. The decrease in funding for the REACH contract will require adjustments to the level/scope of services to limit the possibility of having to suspend the program mid-year.</p> <p>Funding for the annual Governor's Awards ceremony is being reduced by \$6,115. The impact of this reduction is that the ceremony can no longer be held outdoors or at any other site which entails equipment or other costs. The ceremony had been held outdoors in recent years because of numerous complaints that the State Capitol Auditorium was too small to accommodate the 500+ employees who annually attend. With the budget reduction, the ceremony will be moved back indoors to the State Capitol.</p> <p>Reduction of funds for dues and subscriptions (\$1,810) will adversely impact staff in that a valuable subscription which provides compiled information on arbitration cases from all states pertaining to the Labor Relations (LR) program area will no longer be available. Such information helps LR staff in providing advisory services to the line departments in the handling of similar cases. LR staff will have to rely on the AG's Office to provide such information.</p> <p>The reduction of funds for travel (\$1,100) will mean that LR staff will not be able to attend Joint Labor Management Training (JLMT) and Quarterly Contract Administration (QCA) meetings. The JLMT meetings have helped promote better working relationships with the unions which have, in turn, helped staff negotiate settlements of longstanding grievances which would have proven more costly. The QCA meetings have enabled staff to discuss/resolve common issues with the other County jurisdictions involving the collective bargaining agreements. As such, reduction of travel funds may have an impact on labor-management relations and problem resolution.</p>	HRD102/QA			31,025			A

#	Description of Reduction	Impact of Reduction	Prog ID/Org	Pos	Pos	\$10 & \$11	Pos	Pos	MOF
				(P) 10	(T) 10		(P) 11	(T) 11	
3	Delete Temporary Personnel Management Specialist Position In Employee Classification & Compensation	The current position classification system is over 40 years old. The system is very labor intensive because it is highly descriptive and requires analysis of many details and making fine distinctions between various aspects and levels of work. There is a compelling need to develop new ways of classifying civil service positions that are simple, fast and more flexible to meet the needs of the programs. The loss of the temporary position will reduce the capacity of the Division to perform developmental work and provide civil service position classification services to State programs/agencies.	HRD102/RA		1.00	47,448		1.00	A
	Reduce Other Current Expenses for Employee Classification & Compensation	The reduction of funds (\$1,540) for office supplies means that staff will have to make do with less. The reduction of funds (\$525) for dues and subscriptions will impact the development of staff by reducing the availability of valuable sources of information and the ability to learn through association with others, both in the public and private sector. The elimination of funds for travel (\$1,325) will mean that staff will not be able to participate in inter-jurisdictional meetings on other islands and will not be able to conduct audits on other islands to meet needs of programs unless they fund the travel. The reduction in funds for training (\$610) will impact the development of staff, particularly regarding technical position classification and compensation matters. This will slow efforts to improve the civil service classification and compensation system.	HRD102/RA			4,000			A

#	Description of Reduction	Impact of Reduction	Prog ID/Org	Pos (P) 10	Pos (T) 10	\$10 & \$11	Pos (P) 11	Pos (T) 11	MOF
4	Reduce Funds for Workers' Compensation Claims	<p>We are responsible for the administration, processing and payment of workers' compensation claims and benefits for Executive Branch employees (excluding DOE and UH), Charter School employees, and the Legislature who suffer injuries or illnesses arising out of and in the course of their employment. In the past, funds appropriated for workers' compensation claims were lapsed because fewer claims were filed which contributed towards lowering the costs.</p> <p>When comparing our expenditures between FY 2007 and FY 2008, we have shown a decline in expenditures in 8 out of 11 cost categories. Since many of the things that affect workers' compensation costs are outside of our control, we cannot predict if this trend will continue. We do not control the number of accidents that occur, the type of injuries sustained, when an injured employee will be released by his/her physician to return to work, whether or not an injured employee will have suffered permanent impairment, or be disfigured as a result of the injury. Also, we may deny a claim one year. In the following year, it might be determined to be work related. We, thereafter, must pay all retroactive benefits with current year funding since workers' compensation funds lapse at the end of the fiscal year.</p> <p>There are automatic escalators built into the system. Each year on January 1st, the rate at which we pay weekly benefits is increased based upon a percentage of the State's average weekly wage. The benefit rate will go up from \$696 in 2008 to \$725 in 2009. An increase of 4%. Medical costs have continued to rise. From FY 2007 to FY 2008, they rose a modest 5%. We are faced with Medicare reimbursement rates changing on January 1st but have no indication as to whether or not they will be increased, decreased, or remain the same. Another unknown quantity is the amount that we pay for the annual assessment into the Special Compensation Fund (386-151, HRS). This amount varies from year to year based upon industry-wide expenditures (the formula is set by statute) which have shown some increases.</p>	HRD102/SA			1,307,162			A

#	Description of Reduction	Impact of Reduction	Prog ID/Org	Pos (P) 10	Pos (T) 10	\$10 & \$11	Pos (P) 11	Pos (T) 11	MOF
	Reduce Funds for Workers' Compensation Claims	<p>We continue to stress what we, as an employer, need to be doing in order to insure a safe work environment. When injuries do occur, we look for ways to prevent similar injuries from occurring in the future. On-site inspections are performed to identify potential hazards and to improve work station ergonomics. Our Safety Office chairs the statewide Safety Council made up of representatives from each department who meet on a regularly scheduled basis to discuss best safety practices, OSHA requirements, and other issues related to maintaining a safe work environment. Not all injuries are physical in nature. There is a growing number of stress claims, some of which are due to heavy work loads, personality conflicts between coworkers, and all too frequently, related to the appearance of poor supervision.</p> <p>During poor economic times, there is often an increase in work-related claims. The reasons for this may be that employees are rushing to complete projects and aren't as careful or as safety conscious as they normally would be, or employees are affected by positions remaining vacant or lost due to budget cuts, but the volume of work remains the same.</p> <p>Other factors which would impact the sufficiency of the funding would be if there were one or more catastrophic claims (such as death). These could add a substantial cost which is not factored into our funding projection. The impact of having inadequate funding is significant. First and foremost, we wouldn't be able to pay all of the statutory benefits that the injured workers rely upon to live thus creating an enormous financial hardship on their families. Secondly, failure to pay timely benefits will result in the assessment of statutory penalties which will also contribute to increasing our costs.</p>							

#	Description of Reduction	Impact of Reduction	Prog ID/Org	Pos		\$10 & \$11	Pos		MOF
				(P) 10	(T) 10		(P) 11	(T) 11	
5	Reduce Funding for HRMS Computer System (payroll interface)	Currently, the Department does not use the HRMS payroll interface. By canceling the software support maintenance and license for the HRMS payroll interface, we were hoping to use the funds to replace aging computer file servers that form the backbone of the Department's data processing and office automation functions. The file servers are a critical component to the daily operations of the Department in addressing the information processing needs of our customers and in meeting assigned mandates. A number of the file servers we would like to replace have been in continuous use well beyond their stated life span. These machines are no longer supported by the manufacturer, resulting in unsupported hardware and a scarcity of spare and/or replacement parts. System failures that we have experienced (because of the aging hardware) include hung file servers, incomplete nightly job runs, and failure of backup jobs.	HRD191/AA			35,000			A

Table 4: Biennium Budget Additions

Table 4
Biennium Budget Additions

Description of Addition	Prog ID/Org	Pos (P) Pos (T)		\$\$\$\$ 10	Pos (P) Pos (T)		\$\$\$\$ 11	MOF
		10	10		11	11		
None								

Table 5: Restrictions

Table 5 provides all current year (FY09) restrictions and the impact of the restriction.

Table 5
Current Year (FY09) Restrictions

Prog ID	FY09 \$\$\$	Impact	FY10 \$\$\$	FY11 \$\$\$
HRD102	293,066	<p>We are responsible for the administration, processing and payment of workers' compensation claims and benefits for Executive Branch employees (excluding DOE and UH), Charter School employees, and the Legislature who suffer injuries or illnesses arising out of and in the course of their employment. In the past, funds appropriated for workers' compensation claims were lapsed because fewer claims were filed which contributed towards lowering the costs.</p> <p>When comparing our expenditures between FY 2007 and FY 2008, we have shown a decline in expenditures in 8 out of 11 cost categories. Since many of the things that affect workers' compensation costs are outside of our control, we cannot predict if this trend will continue. We do not control the number of accidents that occur, the type of injuries sustained, when an injured employee will be released by his/her physician to return to work, whether or not an injured employee will have suffered permanent impairment, or be disfigured as a result of the injury. Also, we may deny a claim one year. In the following year, it might be determined to be work related. We, thereafter, must pay all retroactive benefits with current year funding since workers' compensation funds lapse at the end of the fiscal year.</p>	293,066	293,066

Prog ID	FY09 \$\$\$	Impact	FY10 \$\$\$	FY11 \$\$\$
		<p>There are automatic escalators built into the system. Each year on January 1st, the rate at which we pay weekly benefits is increased based upon a percentage of the State's average weekly wage. The benefit rate will go up from \$696 in 2008 to \$725 in 2009. An increase of 4%. Medical costs have continued to rise. From FY 2007 to FY 2008, they rose a modest 5%. We are faced with Medicare reimbursement rates changing on January 1st but have no indication as to whether or not they will be increased, decreased, or remain the same. Another unknown quantity is the amount that we pay for the annual assessment into the Special Compensation Fund (386-151, HRS). This amount varies from year to year based upon industry-wide expenditures (the formula is set by statute) which have shown some increases.</p> <p>We continue to stress what we, as an employer, need to be doing in order to insure a safe work environment. When injuries do occur, we look for ways to prevent similar injuries from occurring in the future. On-site inspections are performed to identify potential hazards and to improve work station ergonomics. Our Safety Office chairs the statewide Safety Council made up of representatives from each department who meet on a regularly scheduled basis to discuss best safety practices, OSHA requirements, and other issues related to maintaining a safe work environment. Not all injuries are physical in nature. There is a growing number of stress claims, some of which are due to heavy work loads, personality conflicts between coworkers, and all too frequently, related to the appearance of poor supervision.</p> <p>During poor economic times, there is often an increase in work-related claims. The reasons for this may be that employees are rushing to complete projects and aren't as careful or as safety conscious as they normally would be, or employees are affected by positions remaining vacant or lost due to budget cuts, but the volume of work remains the same. Other factors which would impact the sufficiency of the funding would be if there were one or more catastrophic claims (such as death). These could add a substantial cost which is not factored into our funding projection. The impact of having inadequate funding is significant. First and foremost, we wouldn't be able to pay all of the statutory benefits that the injured workers rely upon to live thus creating an enormous financial hardship on their families. Secondly, failure to pay timely benefits will result in the assessment of statutory penalties which will also contribute to increasing our costs.</p>		

Other Sources of Revenue

The Department is proposing to use its special fund to offset part of the general fund reduction for the REACH program contract, which provides short-term professional counseling services to eligible employees. Revenue for the special fund comes from fees assessed to other state agencies (HHSC, OHA, Judiciary) for services provided under entrepreneurial initiatives. Because the economic downturn is having an adverse impact on these agencies, we are projecting a decrease in revenue for the special fund. This is why we are only able to offset part of the general fund reduction for the REACH program.

Operational Budget

Program ID and Title: HRD102 – Workforce Attraction, Selection, Classification and Effectiveness

1. Introduction

Summary of Program Objectives: To support State 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 work force 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.

2. Program Performance Results

Table 6
ProgID
Program Performance Results

#	Measures of Effectiveness	Direction of Success (increase/decrease)	FY07 Result	FY08 Result	FY09 Plan	FY10 Plan
1	Percent of Certificates Issued Within 5 Calendar Days Where List of Eligibles Exist	Increase	59	82	75	75
2	Percent of Certificates Issued Within 95 Calendar Days Where List of Eligibles Do Not Exist	Increase	68	26	30	30
3	Percent of Selection Action Taken Changed By Appeal.	Decrease	1	0	1	1
4	Percent of Classification Actions for Filled Positions Completed in 6 Months	Increase	92	100	95	95
5	Percent of Classification Actions for New and Vacant Positions Completed in 3 Months	Increase	80	90	95	95
6	Percent of Classification Actions Taken Changed by Appeal	Decrease	0	0	1	1
7	Employees Trained as a Percent of Total Workforce	Increase	34	36	20	20
8	Percentage of Grievances Settled Without Arbitrators	Increase	83	95	90	90
9	Number of Grievances per 1,000 Employees	Decrease	23	15	20	25
10	Ratio of Open Claims Versus Claims Closed During the Fiscal Year	Increase	1.6	1.1	1.0	1.0

2a. Discuss how this Program ID's Measures of Effectiveness (MOE) relate to department's mission and program objectives.

The department's mission is to provide timely and responsive leadership, resources, and services to support the Governor and State agencies in the recruitment, management, and retention of a qualified and productive workforce.

Employee Staffing Division. The Employee Staffing Division develops and administers a statewide staffing program based on the Merit Principle for civil service employment in the Executive Branch. The goal of the Division is to obtain on a timely basis, sufficient numbers of qualified people to fill State jobs. The division's measures of effectiveness (#1, #2, #3) serve as indicators of the program's ability to obtain the workforce in a timely basis.

Employee Relations Division. The goal of the Employee Relations Division is to provide timely and responsive leadership, resources and services to fully support 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 their employees. The division's measures of effectiveness (#7, #8, #9) relate to the department's mission and program objectives in that they help to retain a qualified civil service workforce, such as by:

- Maintaining a system to assure effective employee-employer relations, and
- Improving on-the-job performance through staff development programs.

The division helps attract and retain a qualified workforce by providing attractive/competitive no-cost/low-cost benefit programs. Such programs generate millions of dollars in tax savings annually for the State, which the State otherwise would have to pay to the federal government. The estimated annual tax savings from the benefit programs for the past 4 fiscal years were:

FY04 = \$8.0+ million

FY05 = \$8.1+ million

FY06 = \$8.5+ million

FY07 = \$8.7+ million

Employee Classification and Compensation Division. The Employee Classification and Compensation Division 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 by classifying positions based on the work performed on a timely basis, and assuring employees of equitable salaries for the work they do. The division's measures of effectiveness relating to completion of classification actions for filled, vacant and new positions (#4, #5) relate to the issue of timeliness. The measure of effectiveness regarding classification actions changed by appeals (#6) relates to whether the position actions taken are proper in light of the work performed by the position.

Employee Claims Division. A primary function of the department is the retention of a qualified civil service workforce. The responsibilities of the Employee Claims Division go beyond civil service employees. We afford benefits to all qualified employees irrespective of their types of appointments. Our efforts in providing a safe and healthy work environment through drug and alcohol testing, violence in the workplace training, work site inspections, ergonomic assessments, and proper lifting classes are geared towards retaining our most valuable resources which are our employees. When an employee suffers a work-related injury or illness, our primary goal is to help restore that employee, as soon as recovery is achieved, to his or her usual and customary employment. If that isn't possible, then we look to identify suitable, gainful employment through our Return to Work Priority Program.

2a. Discuss how results of measures of effectiveness affect program activities.

The results of measures of effectiveness provide meaningful indicators of program performance given a particular level of resources. Through the measures of effectiveness, we can also assess whether changes (i.e. in policy, process, etc.) had any significant impact and adjust accordingly, where possible.

For example, the decrease in the number of grievances reflects the concerted effort to improve relations with the employee unions. This included increased involvement in regular forum meetings with the HGEA and UPW on joint labor/management issues. In these forums, union stewards/agents and management representatives discussed and resolved mutual concerns that impacted both parties. Such forums help create and foster more harmonious relations, with the end result being a reduction in the filing of grievances.

The increase in the number of employees trained as a percent of the total workforce is due to a significant increase in the number of Drug and Alcohol Testing (DAT) classes conducted by the department to comply with the Bargaining Unit (BU) 01 Supplemental Agreement negotiated with UPW. In the past, random drug and alcohol testing was limited to employees in BU 01 who had Commercial Drivers Licenses; however, the new Supplemental Agreement requires that all BU 01 employees are subject to random testing and that training on the DAT procedures be offered for the employees and their supervisors.

2b. Please identify any modifications to the program's performance measures and discuss the rationale for these modifications.

None

Program ID and Title: HRD191 – Supporting Services - Human Resources Development

1. Introduction

Summary of Program Objectives: To enhance program effectiveness and efficiency by formulating policies, directing operations and personnel, and providing other administrative support services.

2. Program Performance Results

No measures of effectiveness have been developed for this program. Department initiatives focus on the development of the State's workforce to meet the challenges of evolving public policy, technology, and public expectations.

Capital Improvement Program (CIP) Budget

The Department has no capital improvement program budget or request.

DEPARTMENT-WIDE SUMMARY INFORMATION

1. Totals for Department FY09 budget with restrictions and emergency requests and FY10 and FY11 proposed operating budget adjustments by means of financing

Attachment 1
Totals for Proposed Department Budget Adjustments (by Method of Funding)

Fiscal Year (FY) 2009					
Act 158/08 Appropriation (a)		Restriction (b)	Emergency Request (c)	Total FY09 (a)+(b)+(c)	MOF
16,539,593		(293,066)		16,246,527	A
700,000				700,000	B
4,886,281				4,886,281	U
				-	
22,125,874		(293,066)	-	21,832,808	Total

Fiscal Year (FY) 2010					
Act 158/08 Appropriation (d)	Collective Bargaining (e)	Reduction (f)	Additions (g)	Total FY10 (d)+(e)+(f)+(g)	MOF
16,539,593	584,348	(1,465,330)		15,658,611	A
700,000				700,000	B
4,886,281				4,886,281	U
				-	
22,125,874	584,348	(1,465,330)	-	21,244,892	Total

Fiscal Year (FY) 2011					
Act 158/08 Appropriation (h)	Collective Bargaining (i)	Reduction (j)	Additions (k)	Total FY11 (h)+(i)+(j)+(k)	MOF
16,539,593	584,348	(1,465,330)		15,658,611	A
700,000				700,000	B
4,886,281				4,886,281	U
				-	
22,125,874	584,348	(1,465,330)	-	21,244,892	Total

Please indicate restrictions and reductions as negative numbers, using brackets ()

2. Identify any emergency requests for FY09

Attachment 2
FY09 Proposed Emergency Requests

Program ID	Description of Emergency Request	FTE	\$\$\$	MOF
	None			

3. Provide position count and dollar amount totals for FY10 and FY11, by Program ID and by means of financing

Attachment 3
Program ID Totals

Prog ID	Title	Pos 10	\$\$\$ 10	Pos 11	\$\$\$ 11	MOF
HRD102	Workforce Attraction, Selection, Classification and Effectiveness	99.00	14,107,134	99.00	14,107,134	A
HRD102	Workforce Attraction, Selection, Classification and Effectiveness		700,000		700,000	B
HRD102	Workforce Attraction, Selection, Classification and Effectiveness		4,886,281		4,886,281	U
HRD191	Supporting Services - Human Resources Development	13.00	1,551,477	13.00	1,551,477	A

4. Summary of Department's budget request to B&F, funding decisions made by B&F, and final funding decisions made by the Governor. Include reductions submitted in response to the 20% scenario (Tier 3)

Attachment 4
Budget Decisions

Prog ID/Org	Description	MOF	Dept FY10			Dept FY11			B&F FY10			B&F FY11		
			FTE(P)	FTE(T)	\$\$\$	FTE(P)	FTE(T)	\$\$\$	FTE(P)	FTE(T)	\$\$\$	FTE(P)	FTE(T)	\$\$\$
HRD102/SA	Reduce Funds for Workers' Compensation Claims	A			(1,307,162)			(1,307,162)			(1,307,162)			(1,307,162)
HRD102/PA	Reduce Other Current Expenses for Recruitment and Examinations	A			(40,695)			(40,695)			(40,695)			(40,695)
HRD102/QA	Reduce Other Current Expenses for Employee Relations	A			(31,025)			(31,025)			(31,025)			(31,025)
HRD102/RA	Reduce Other Current Expenses for Employee Classification & Compensation	A			(51,448)			(51,448)	(1.00)		(51,448)	(1.00)		(51,448)
HRD191/AA	Reduce Other Current Expenses for Supporting Services	A			(35,000)			(35,000)			(35,000)			(35,000)

Attachment 4
Budget Decisions

Prog ID/Org	Description	MOF	Dept FY10			Dept FY11			Gov FY10			Gov FY11		
			FTE(P)	FTE(T)	\$\$\$	FTE(P)	FTE(T)	\$\$\$	FTE(P)	FTE(T)	\$\$\$	FTE(P)	FTE(T)	\$\$\$
HRD102/SA	Reduce Funds for Workers' Compensation Claims	A			(1,307,162)			(1,307,162)			(1,307,162)			(1,307,162)
HRD102/PA	Reduce Other Current Expenses for Recruitment and Examinations	A			(40,695)			(40,695)			(40,695)			(40,695)
HRD102/QA	Reduce Other Current Expenses for Employee Relations	A			(31,025)			(31,025)			(31,025)			(31,025)
HRD102/RA	Reduce Other Current Expenses for Employee Classification & Compensation	A			(51,448)			(51,448)	(1.00)		(51,448)	(1.00)		(51,448)
HRD191/AA	Reduce Other Current Expenses for Supporting Services	A			(35,000)			(35,000)			(35,000)			(35,000)

5. Identify all positions that are vacant as of December 1, 2008 and indicate if authority to hire was or was not granted

Attachment 5
All Positions Vacant as of 12/1/08

Date of Vacancy	Position Title	Position Number	Exempt (Y/N)	Budgeted Amount	Actual Salary Last Paid	MOF	Prog ID	Authority to Hire (Y/N)
10/31/08	Pers Mgmt Specialist (ECD)	40659	N	47,412	51,312	A	HRD 102/SA	Y
09/23/08	Pers Mgmt Specialist (ERD)	46994	N	45,576	47,436	A	HRD 102/QA	
12/05/08	Pers Mgmt Specialist (ECCD)	118799	N	47,448	42,660	A	HRD 102/RA	Y

6. Provide a listing of all instances of your department's expenditures exceeding the federal fund ceiling for FY08 and FY09

Attachment 6
Federal Fund Expenditure Exceeding Ceiling for FY08 and FY09

Prog ID	Appropriation Ceiling	Ceiling Increase	Date of Transfer	Reason for Exceeding Ceiling	Recurring (Y/N)	GF Impact (Y/N)
	None					

7. Provide a listing of all budget appropriations transferred to another Program ID and/or another department in FY08 and FY09.

Attachment 7
Listing of Transfers for FY08 and FY09

<u>From Prog ID</u>	<u>To Prog ID</u>	<u>Amount Transferred</u>	<u>Date of Transfer</u>	<u>Reason for Transfer</u>	<u>Recurring (Y/N)</u>
		None			

8. Summary of Department's CIP requests

Attachment 8
CIP Summary

<u>Priority</u>	<u>Project Title</u>	<u>FY10 \$\$\$</u>	<u>FY11 \$\$\$</u>	<u>MOF</u>
None				