

HB 811

RELATING TO SALARIES

LAB, FIN

HB811



Submit Testimony

Measure Title: RELATING TO SALARIES.
Report Title: Salaries; Public Officers and Employees
Description: Repeals payroll day for public officers and employees by requiring them to be paid pursuant to a predicted payroll schedule, rather than an after-the-fact payroll schedule.
Companion:
Package: None
Current Referral: LAB, FIN
Introducer(s): JOHANSON, HOLT

<u>Sort by Date</u>		Status Text
1/23/2017	H	Pending introduction.
1/25/2017	H	Pass First Reading
1/27/2017	H	Referred to LAB, FIN, referral sheet 4
2/3/2017	H	Bill scheduled to be heard by LAB on Tuesday, 02-07-17 10:00AM in House conference room 309.

S = Senate | **H** = House | **D** = Data Systems | **\$** = Appropriation measure | **ConAm** = Constitutional Amendment
Some of the above items require Adobe Acrobat Reader. Please visit [Adobe's download page](#) for detailed instructions

A BILL FOR AN ACT

RELATING TO SALARIES.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. Section 78-13, Hawaii Revised Statutes, is
2 amended to read as follows:
3 "~~§78-13~~ **Salary periods.** (a) Unless otherwise provided by
4 law, all officers and employees shall be paid at least
5 semimonthly except that substitute teachers, part-time hourly
6 rated teachers of adult and evening classes, and other part-
7 time, intermittent, or casual employees may be paid once a month
8 ~~[and that the governor, upon reasonable notice and upon~~
9 ~~determination that the payroll payment basis should be converted~~
10 ~~from predicted payroll to after the fact payroll, may allow a~~
11 ~~one-time once a month payroll payment to all public officers and~~
12 ~~employees to effect a conversion to after the fact payroll as~~
13 ~~follows:~~
14 ~~(1) The implementation of the after the fact payroll will~~
15 ~~commence with the June 30, 1998, pay day, which will~~
16 ~~be delayed to July 1, 1998,~~



H.B. NO. 811

- 1 ~~(2) The July 15, 1998, pay day will be delayed to July 17,~~
2 ~~1998,~~
- 3 ~~(3) The July 31, 1998, pay day will be delayed to August~~
4 ~~3, 1998,~~
- 5 ~~(4) The August 14, 1998, pay day will be delayed to August~~
6 ~~19, 1998,~~
- 7 ~~(5) The August 31, 1998, pay day will be delayed to~~
8 ~~September 4, 1998,~~
- 9 ~~(6) The September 15, 1998, pay day will be delayed to~~
10 ~~September 18, 1998, and~~
- 11 ~~(7) Thereafter, pay days will be on the fifth and the~~
12 ~~twentieth of every month. If the fifth and the~~
13 ~~twentieth fall on a state holiday, Saturday, or~~
14 ~~Sunday, the pay day will be the immediately preceding~~
15 ~~weekday].~~

16 Further, the payroll payment basis shall be converted from
17 after-the-fact payroll to predicted payroll and shall commence
18 with the August 4, 2017 pay day, which shall be paid on July 31,
19 2017. Thereafter, pay days will be on the fifteenth and last
20 day of every month. If the fifteenth or the last day of the
21 month falls on a state holiday, Saturday, or Sunday, the pay day



H.B. NO. 811

1 will be the immediately preceding weekday. The implementation
2 of the [~~after the fact~~] predicted payroll shall [~~not~~] be subject
3 to negotiation under chapter 89."

4 SECTION 2. Statutory material to be repealed is bracketed
5 and stricken. New statutory material is underscored.

6 SECTION 3. This Act shall take effect upon its approval.
7

INTRODUCED BY:




JAN 23 2017



H.B. NO. 811

Report Title:

Salaries; Public Officers and Employees

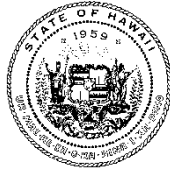
Description:

Repeals payroll day for public officers and employees by requiring them to be paid pursuant to a predicted payroll schedule, rather than an after-the-fact payroll schedule.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.



DAVID Y. IGE
GOVERNOR



RODERICK K. BECKER
Comptroller

AUDREY HIDANO
Deputy Comptroller

STATE OF HAWAII
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES
P.O. BOX 119, HONOLULU, HAWAII 96810-0119

TESTIMONY OF
RODERICK K. BECKER, COMPTROLLER
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES
TO THE
HOUSE COMMITTEE ON LABOR AND PUBLIC EMPLOYMENT
ON
TUESDAY, FEBRUARY 7, 2017
10:00 A.M.
CONFERENCE ROOM 309

H.B. 811

RELATING TO SALARIES.

Chair Johanson, Vice Chair Holt, and members of the Committee, thank you for the opportunity to testify before you on H.B. 811.

The Department of Accounting and General Services (DAGS) opposes this bill, because the elimination of the payroll lag will require additional funds to be appropriated to pay for an extra payday where Departments currently have funding for only twenty-four paydays. The elimination of the payroll lag will result in twenty-five paydays in fiscal 2018. General funded programs will require an additional \$100 million to fund the additional payday.

In addition, an unanticipated result of the bill may be an increase in salary overpayments since the State will have less time to determine the accuracy of an employees' pay. The State will then need to utilize its limited resources to collect salary overpayments that would have been prevented if the payroll lag was still in effect for employees with insufficient or no leave balances.

Also, DAGS, with the support of the Office of Enterprise Technology Services, launched the Enterprise Payroll and Time & Attendance Modernization project in October

2016, which is an active modernization project to update the current payroll process and system. The change proposed in this bill, would have a significant impact on the project team's efforts to ensure that payroll staff are sufficiently prepared to transition to the new system. Placing all employees on a predicted payroll cycle as opposed to the after-the-fact cycle will critically impact the success of the project.

Thank you for the opportunity to testify on this matter.

HB 811

LATE TESTIMONY

LATE

DAVID Y. IGE
GOVERNOR

LATE



LATE

WESLEY K. MACHIDA
DIRECTOR

LAUREL A. JOHNSTON
DEPUTY DIRECTOR

EMPLOYEES' RETIREMENT SYSTEM
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
OFFICE OF THE PUBLIC DEFENDER

STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE
P.O. BOX 150
HONOLULU, HAWAII 96810-0150

ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND
MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

WRITTEN ONLY

TESTIMONY BY WESLEY K. MACHIDA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE HOUSE COMMITTEE ON LABOR AND PUBLIC EMPLOYMENT
ON
HOUSE BILL NO. 811

February 7, 2017
10:00 a.m.
Room 309

RELATING TO SALARIES

House Bill No. 811 proposes to repeal the current “after-the-fact” payroll schedule that was implemented pursuant to Act 355, SLH 1997. This measure proposes pay days on the fifteenth and last day of each month for all public officers and employees pursuant to a predicted payroll schedule commencing with the August 4, 2017 pay day, which shall be paid on July 31, 2017. The implementation of the predicted payroll shall be subject to negotiation under Chapter 89.

The Department of Budget and Finance opposes this measure. Should the current State payroll schedule be amended to add an additional pay period in FY 18, it would increase general fund payroll expenditures by approximately \$100 million. Special funds ceilings would also need to be increased in FY 18 for increased special funds payroll costs by approximately \$40 million, not including fringe costs. Further, the current after-the-fact State payroll schedule, which provides for a “lag period” of payment, reduces the risk of salary overpayments as it affords additional time for payroll change actions to be properly recorded and submitted for processing.

Thank you for your consideration of our comments.



STATE OF HAWAII
DEPARTMENT OF EDUCATION
P.O. BOX 2360
HONOLULU, HAWAII 96804

LATE

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Date: 02/07/2017

Time: 10:00 AM

Location: 309

Committee: House Labor & Public
Employment

Department: Education

Person Testifying: Kathryn S. Matayoshi, Superintendent of Education

Title of Bill: HB 0811 RELATING TO SALARIES.

Purpose of Bill: Repeals payroll day for public officers and employees by requiring them to be paid pursuant to a predicted payroll schedule, rather than an after-the-fact payroll schedule.

Department's Position:

The State of Hawaii Department of Education (DOE) opposes H.B. 0811. Eliminating LAG and After-the Fact (ATF) pay dates and converting to the predicted pay cycle of the 15th and end-of month (EOM) would have negative impacts.

The DOE Payroll operations unit would need to adjust processing deadlines to accommodate the revised Department of Accounting and General Services (DAGS) Central Salary payroll calendar due dates. ATF employees' gross pay will effectively "double" on 7/31/2017 as their gross pay is "caught-up" for the delayed ATF payroll from 07/16/2017 to 07/31/2017, which would have been paid on 8/17/2017, but is proposed to be paid on 07/31/2017 together with their 08/04/2017 pay for 07/01/2017 to 7/15/2017.

There may be potential increases in salary overpayments. Converting LAG employees may cause salary overpayments because pay would need to be projected for an additional four (4) workdays (from 07/06/2017 to 07/12/2017). Converting ATF employees may have a significant negative impact to salary overpayments as the current 7/27/2017 cut-off gives the field eight (8) workdays to notify the Payroll unit of LWOP (from 07/16/2017 to 07/27/2017), while the new 07/06/2017 cut-off will precede the pay period start date and provide no opportunity for correction by the Payroll unit. As of 02/03/2017, DOE has 4,030 ATF employees who would be impacted by the conversion. Total Gross Salary for the ATF employees is approximately \$7M.

In addition, the State of Hawaii Information and Communication Services Division and the DOE's Office of Information Technology Services may need to create and modify the payroll jobs to accommodate the new DAGS processing deadlines.

Thank you for the opportunity provide testimony on this measure.

LAG vs. After-the-Fact (ATF)	Pay Period (PP)	NOW			NEW		
		Cut-off for LWOP Call-in and Form 5 Notification [A]	DAGS Payroll Change Schedule (PCS) Due [B]	Pay Date	Cut-off for LWOP Call-in and Form 5 Notification [A]	DAGS Payroll Change Schedule (PCS) Due [B]	Pay Date
LAG Hired < 7/1/1998	7/16/2017 7/31/2017	7/12/2017	7/24/2017	8/4/2017	7/6/2017	7/18/2017	7/31/2017
	Workdays from Pay Date	(17)	(9)		(17)	(9)	
ATF Hired >=7/1/1998	7/16/2017 7/31/2017	7/27/2017	8/4/2017	8/17/2017	7/6/2017	7/18/2017	7/31/2017
	Workdays from Pay Date	(15)	(9)		(17)	(9)	

[A] Approximately 17 workdays from Pay Date

[B] Approximately 9 workdays from Pay Date

Comments:

1.0 Converting **LAG** to Pay Period (PP) Pay Date:

Moving the cut-off date from 7/12/2017 to 7/6/2017 for LWOP Call-in and LWOP Form 5 Notification may have a negative impact to Salary Overpayments as pay would need to be projected for an additional four (4) workdays.

2.0 Converting **ATF** to PP Pay Date:

2.1 Moving the cut-off date from 7/27/2017 to 7/6/2017 (15 workdays) for LWOP Call-in and LWOP Form 5 Notification may have a significant negative impact to Salary Overpayments as the current 7/27/2017 cut-off gives the field eight (8) workdays to notify Payroll of LWOP (from 7/16 - 7/27/2017), while the new 7/6/2017 cut-off will precede the PP start and provide no opportunity for correction by Payroll.

2.2 As of 2/3/2017, DOE has 4,030 ATF employees who would be impacted by the conversion. Total Gross Salary for the ATF employees is \$6,925,188.57.



HAWAII GOVERNMENT EMPLOYEES ASSOCIATION
AFSCME Local 152, AFL-CIO

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The Twenty-Ninth Legislature, State of Hawaii
House of Representatives
Committee on Labor and Public Employment

Testimony by
Hawaii Government Employees Association

February 7, 2017

H.B. 811 – RELATING TO SALARIES

The Hawaii Government Employees Association, AFSCME Local 152, AFL-CIO supports the purpose and intent of H.B. 811 which repeals the payroll lag and restores the state's payroll system back to a predicted payroll schedule from an after-the-fact payroll schedule.

20 years ago, then-Governor Ben Cayetano and his administration aggressively pursued a state payroll lag, citing budgetary concerns with an underlying threat to furlough and layoff government employees if the lag was not implemented. After much contention, the state implemented a two-week lag – the equivalent of one full pay period – over the course of several months. The Cayetano administration sold the payroll lag as a temporary necessity to fix its budgetary woes but the lag has remained intact for two decades.

We respectfully argue that prompt payment of wages earned is sound fiscal policy which will result in funds expediently reaching employees' pocketbooks and money more quickly circulating in our economy. It is unreasonable to expect employees who perform overtime or newly hired employees who rely on their first paycheck to wait a full pay period and 5 additional days to be compensated for their work. This excessive delay in payment lowers the value of the wages earned.

Thank you for the opportunity to testify in support of repealing the payroll lag.

Respectfully submitted,

Randy Perreira
Executive Director