

SB 2598

SD-2

**RELATING TO
SALARY
OVERPAYMENTS**

A BILL FOR AN ACT

RELATING TO SALARY OVERPAYMENTS.

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

1 SECTION 1. The legislature finds that salary overpayments
2 have been an ongoing issue throughout many departments and
3 agencies of the State. From November 2016 to October 2017,
4 state departments and agencies in Hawaii overpaid salaries in an
5 amount exceeding \$415,000 each month. The highest amount of
6 overpayment occurred in November 2016, at \$622,266.14. Greater
7 accountability by state departments and agencies and increased
8 ability to correct overpaid salaries will reduce overpayment
9 waste.

10 The purpose of this Act is to:

- 11 (1) Require each department to deduct the department's
12 total salary overpayment from the department's budget
13 request for the following fiscal biennium;
- 14 (2) Require that employees who exhaust their sick leave be
15 placed on a manual accounting system;



1 (3) Remove the two-year statute of limitations on the
2 determination and notice of salary or wage
3 overpayment; and

4 (4) Allow officers charged with collecting debt due to
5 salary or wage overpayment to garnish the pension of
6 former employees, including former employees who have
7 not been employed by the State for over two years.

8 SECTION 2. Chapter 37, Hawaii Revised Statutes, is amended
9 by adding a new section to be appropriately designated and to
10 read as follows:

11 "§37- Salary and wage overpayments deducted from budget
12 requests. Any department that has an outstanding wage or salary
13 overpayment balance at the end of a fiscal biennium shall deduct
14 the amount of the balance from the department's budget request
15 in the following fiscal biennium."

16 SECTION 3. Chapter 78, Hawaii Revised Statutes, is amended
17 by adding a new section to be appropriately designated and to
18 read as follows:

19 "§78- Manual accounting systems; employee sick leave.
20 Each department shall establish a manual accounting system to
21 record the wages or salary and leave of any employee who



1 exhausts the employee's sick leave. Each department may adopt
2 rules pursuant to chapter 91 for the purposes of this section."

3 SECTION 4. Section 78-12, Hawaii Revised Statutes, is
4 amended by amending subsection (e) to read as follows:

5 "(e) If the indebtedness has occurred as a result of
6 salary or wage overpayment, the disbursing officer shall
7 determine the amount of indebtedness and notify the employee in
8 writing of the indebtedness[~~; provided that, to be an actionable~~
9 ~~cause of action, the determination and notice to the employee~~
10 ~~shall be made within two years from the date of the salary or~~
11 ~~wage overpayment, and not after]. If the employee contests the~~
12 ~~disbursing officer's determination of indebtedness, the employee~~
13 ~~may request a hearing pursuant to chapter 91."~~

14 SECTION 5. This Act does not affect rights and duties that
15 matured, penalties that were incurred, and proceedings that were
16 begun before its effective date.

17 SECTION 6. Statutory material to be repealed is bracketed
18 and stricken. New statutory material is underscored.

19 SECTION 7. This Act shall take effect on July 1, 2050.



Report Title:

Wage and Salary Overpayment; State Agencies and Departments;
Employees; Budget Requests; Pensions

Description:

Requires each department to deduct the department's total salary overpayment from the department's budget request for the following fiscal biennium. Requires that employees who exhaust their sick leave be placed on a manual accounting system. Removes the two-year statute of limitations on determination and notice to an employee of salary and wage overpayment. Effective 7/1/2050. (SD2)

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

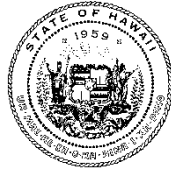


SB 2598

SD-2

TESTIMONY

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 & PUBLIC EMPLOYMENT
TUESDAY, MARCH 20, 2018
10:00 A.M.
CONFERENCE ROOM 309

S.B. 2598, S.D.2

RELATING TO SALARY OVERPAYMENTS.

Chair Johanson, Vice Chair Holt, and members of the Committee, thank you for the opportunity to testify on S.B. 2598, S.D. 2.

The Department of Accounting and General Services (DAGS) supports the intent of this measure and would like to offer the following comments.

Currently approximately half of all salary overpayments are the result of employees calling in sick without having sufficient sick leave accumulated. Until a new leave accounting system is implemented, up-to-date leave records need to be manually maintained for employees that have minimal leave hours accumulated so that the employee's pay can be timely adjusted.

Thank you for the opportunity to testify on this matter.



UNIVERSITY OF HAWAII SYSTEM

Legislative Testimony

Testimony Presented Before the
House Committee on Labor & Public Employment
March 20, 2018 at 10:00 a.m.

by
Kalbert K. Young
Vice President for Budget and Finance/Chief Financial Officer
University of Hawai'i

SB 2598 SD2 – RELATING TO SALARY OVERPAYMENTS

Chair Johanson, Vice Chair Holt, and members of the committee:

The University of the Hawai'i supports the intent of SB 2598 SD2, Relating to Salary Overpayments, but has several concerns and a proposed amendment.

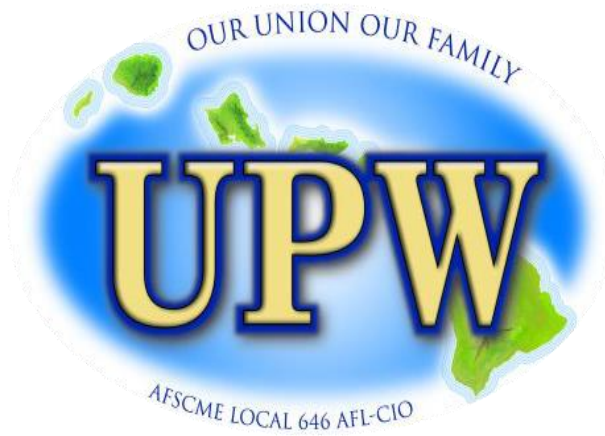
Although we recognize that salary overpayments remain an ongoing issue throughout many State departments, we would like to point out that the University has an online leave system which has significantly limited our exposure to overpayments related to leave abuse.

The University currently has no overpayments due to the overuse of sick leave. It is possible for such overpayments to occur, as we have no control over the duration an employee is out sick. The overpayments that the University currently has are mostly related to workers' compensation claims and terminations.

Despite having the second largest payroll in State government, the University was fourth in gross amount overpaid on DAGS' December 2017 overpayment report. The University's annual payroll is approximately \$656 million and gross overpayments on the December 2017 report totaled \$77,587, or .012 percent.

Requiring the University to create a manual system to track employees with leave issues would not only increase administrative overhead but would also create more opportunities for overpayments to occur. As such, we respectfully request that the bill be amended to exempt the University from the requirement in Section 3 to establish a manual accounting system.

Thank you for this opportunity to testify.



The Hawaii State House of Representatives
The Twenty-Ninth Legislature
Regular Session of 2018

Committee on Labor & Public Employment
Representative Aaron Ling Johanson, Chair
Representative Daniel Holt, Vice Chair
Members of the Committee

Date of Hearing: Tuesday, March 20, 2018
Time of Hearing: 10:00 a.m.
Place of Hearing: Conference room 309, State Capitol

Testimony on Senate Bill 2598, SD2 Relating to Salary Overpayments

By Dayton M. Nakanelua,
State Director of the United Public Workers,
AFSCME, Local 646, AFL-CIO

My name is Dayton M. Nakanelua, State Director of the United Public Workers, AFSCME, Local 646, AFL-CIO. The UPW is the exclusive representative for approximately 12,000 public employees, which include blue collar, non-supervisory employees in Bargaining Unit 01 and institutional, health and correctional employees in Bargaining Unit 10, in the State of Hawaii and the four counties.

SB2598, SD2 requires each department to deduct from their budget for the following fiscal biennium the total salary overpayment of their department. The bill also requires the departments to place employees who exhaust their sick leave to be tracked by a manual accounting system. The two-year statute of limitations on determination and notice to an employee of salary or wage overpayment is removed.

The problem of salary overpayments in state government goes back to 1996. We refer the committee to University of Hawaii Professional Assembly v. Cayetano, United States Court of Appeals, Ninth Circuit Court, and N0. 98-16148, July 14, 1999 and other related documents on the subject.

The UPW appreciates the concerns of the committee on this problem of salary or wage overpayment and the subsequent burden of determination, notification to employees and the collection of overpaid salary or wages. Prior legislation was passed that amended HRS 78-13 Salary Periods, for a payroll lag to affect a conversion of the predicted payroll system to an after-the-fact system. However, overpayments continue. It was stated that the problems of salary or wage overpayment is mainly due to insufficient accounting capabilities.

Previous testimonies from various departments indicate that the provisions of the bill will create other problems. First, any departmental budget reductions to account for overpayments will have an adverse impact on operations. Second, there will be an impact on federal funds. Third, departments, in order to avoid being penalized, could delay the determination process until the end of the biennium. The solution seems to be the implementation of a computerized leave accounting system to replace the manual leave accounting system.

The UPW appreciates the removal of the garnishment process for employee pensions in the SB2598 version of the bill. We have concerns however, of the removal of two-year statute of limitations for determination and notice of salary or wage overpayment. It could have an adverse impact on affected employees. The UPW regrets that it cannot support this bill and must stand in opposition.

Thank you for the opportunity to submit this testimony.

SB 2598

SD-2

LATE

TESTIMONY



LATE

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

Date: 03/20/2018
Time: 10:00 AM
Location: 309
Committee: House Labor & Public
Employment

Department: Education

Person Testifying: Dr. Christina M. Kishimoto, Superintendent of Education

Title of Bill: SB 2598, SD2 RELATING TO SALARY OVERPAYMENTS.

Purpose of Bill: Requires each department to deduct the department's total salary overpayment from the department's budget request for the following fiscal biennium. Requires that employees who exhaust their sick leave be placed on a manual accounting system. Removes the two-year statute of limitations on determination and notice to an employee of salary and wage overpayment. Effective 7/1/2050. (SD2)

Department's Position:

The Department of Education (Department) continues to support the intent of SB 2598 SD2, but offers the following additional comments on the challenges facing the Department.

Overview:

This bill is focused on back-end efforts to collect overpayments or prevent them via manual processes. Given the size of the Department and complexity of manual tracking, the Department is concerned that this approach will magnify the timekeeping burden on our schools and offices. Ultimately, the Department will comply with legal requirements that are decided, but respectfully offers our perspective for the committee's consideration.

Background on overall overpayment challenges :

Overpayments are a systemic problem as a result of (1) Employees taking leave of absences without having sufficient leave balances, and (2) Untimely or non-reporting to the payroll unit of employee "no call/no show" absences, resignations, retirements, transfers, terminations, or deaths.

Primary issues that contribute to overpayments are mainly on the front end and are identified as:

(1) **Payroll by exception.** Salaried employees are paid their bargaining unit contract semi-monthly pay **unless** payroll is notified to adjust pay for employees who are absent and do

not have sick/vacation leaves. Late notification of exceptions results in overpayments.

(2) Salary periods (HRS 78-13) and stringent and tight DAGS payroll deadlines . Payroll must be submitted to DAGS up to eight (8) days prior to the end of the pay period for salaried employees with **predicted payroll**. Late notification of exceptions results in overpayments.

(3) Upfront leaves earned . Bargaining Unit 5 (teachers) and other 10-month employees earn their leaves upfront at the start of the school year per bargaining unit contract and memorandum of agreements on the premise they will work the full school year. Overpayments occur when earned leaves are exhausted and the employee separates before the last day of the school year.

(4) Old/manual systems . DOE's Kronos Time and Attendance (TnA) system and processes need to be modernized.

(a) Reliance on paper leave request forms, manual leave approvals and data entry by SASAs/timekeepers into our TnA system to update leave balances makes it crucial for employees to submit their leave request forms in a timely manner, and for timekeepers to manually data enter leave updates as they occur.

(b) In comparison to other departments of the state, the Department has 46,000 employees or approximately 58% of the total employee count (79,940) for the state.

The Department, as well as other State departments, continue to grapple with the impacts of various personnel law, policies, and collective bargaining agreements in the management of salary overpayments. However, employees have control over and should be responsible for their leaves of absence and any resulting overpayments.

The Hawaii State Department of Education seeks to advance the goals of the Strategic Plan which is focused on student success, staff success, and successful systems of support. This is achieved through targeted work around three impact strategies: school design, student voice, and teacher collaboration. Detailed information is available at www.hawaiipublicschools.org.