



**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 SENATE COMMITTEES ON  
GOVERNMENT OPERATIONS  
AND  
LABOR  
ON  
TUESDAY, FEBRUARY 6, 2018  
2:50 P.M.  
CONFERENCE ROOM 229

S.B. 2598

RELATING TO SALARY OVERPAYMENTS.

Chair Kim, Chair Tokuda, Vice Chair Ruderman, Vice Chair English, and members of the Committee, thank you for the opportunity to testify on S.B. 2598.

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 sufficiently accumulated sick leave. Until a new leave accounting system is implemented, up-to-date leave records need to be manually maintained for employees who have minimal leave hours accumulated in order for the employee's pay to be properly adjusted. Furthermore, the amendment to Section 78-12 (e) provides clarification that salary overpayments can be garnished from pension benefits.

Thank you for the opportunity to testify on this measure.



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

**Date:** 02/06/2018

**Time:** 02:50 PM

**Location:** 229

**Committee:** Senate Government Operations  
Senate Labor

**Department:** Education

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

**Title of Bill:** SB 2598 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. Allows officers charged with collecting debt due to salary or wage overpayment to garnish the pension of former employees.

**Department's Position:**

The Department of Education (Department) supports the intent of SB 2598, but offers the following comments on sections (1) and (2) of the bill.

**(1) Requirement that each department deduct the department's total salary overpayment from the department's budget request for the following fiscal biennium.** This would reduce funding and may have a direct impact on schools. The Department is working with schools and offices through training and monitoring to regularly update employee leave balances to try to minimize overpayments that result from insufficient leaves.

**(2) Requirement that employees who exhaust their sick leave be placed on a manual accounting system.** The Department currently has a process in place by which Payroll converts salaried employees from predicted pay to pay based on Actual Time Worked in compliance with HRS 78-13 (b) and (c) for employees who have been working for the State for at least six months and 1) have no paid leave accumulated, and have an existing salary overpayment balance, or 2) had at least two incidents of leave which results in salary overpayment within the past six months. The Department has a Time & Attendance system that records employee leave transactions and balances, and provides a means to identify employees who have exhausted their sick and vacation balances. The system is reliant on

employees submitting paper leave documents and/or the school or office following up to ensure leave papers are submitted and processed.

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](http://www.hawaiipublicschools.org).

DAVID Y. IGE  
GOVERNOR



THOMAS WILLIAMS  
EXECUTIVE DIRECTOR

KANOE MARGOL  
DEPUTY EXECUTIVE DIRECTOR

**STATE OF HAWAII**  
**EMPLOYEES' RETIREMENT SYSTEM**

TESTIMONY BY THOMAS WILLIAMS  
EXECUTIVE DIRECTOR, EMPLOYEES' RETIREMENT SYSTEM  
STATE OF HAWAII

TO THE SENATE COMMITTEE ON GOVERNMENT OPERATIONS  
AND  
THE SENATE COMMITTEE ON LABOR  
ON  
SENATE BILL NO. 2598

**February 6, 2018**  
**2:50 P.M.**  
**Conference Room 229**

RELATING TO SALARY OVERPAYMENTS

Chairs Kim and Tokuda, Vice Chairs Ruderman and English and Members of the Committees,

The ERS has serious concerns about the likely impact of SB2598 on its processes and operations. S.B. 2598 proposes to garnish the retirement pension of a former employee who was overpaid by a State department or agency. This proposal would require the Employees' Retirement System (ERS), based on a request from a State department's or agency's disbursing officer, to deduct an amount from the former employee's monthly pension and distribute these garnished deductions to the respective State department or agency until the former employee's indebtedness is satisfied. The ERS views the likely administrative burden of such a requirement as unsustainable with current resources.

As noted in S.B. 2598, there are "many departments and agencies" of the State for whom overpaid salaries is an ongoing issue. While the total number of individuals affected each month is not represented, it could easily reach into the hundreds. The proposal states that these



Employees' Retirement System  
of the State of Hawaii

overpayments exceeded \$415,000 each month for the period from November 2016 through October 2017 (\$4.9M annually).

Although the ERS Staff and Board of Trustees appreciate the intent of this proposal to impose greater accountability on State departments and agencies to recover overpaid salaries, we have serious concerns about proposing the garnishment of retirement pensions as a method of correction as it shifts the responsibility for the overpayment and its recovery from the relevant department or agency and concentrates it, intentionally or otherwise, within the ERS.

As of January 31, 2018, the ERS administers a total of only 60 deductions under section 88-92, HRS, which allows for specific cases of garnishment from ERS pensions subject to court order. Of the 60 cases, 59 are child-support payments and Internal Revenue Service (IRS) levies from pension payments, which are federally mandated. These deductions are consolidated and paid directly to either the State Family Court or to the IRS.

While the recovery of overpaid salaries is an important issue for State government, inserting the ERS into what we often disputed overpayment and salary reporting errors (especially long after the errors may be identified) only adds to the ERS's resulting administrative responsibilities and overpaid pension payments caused by these errors. In addition, S.B. 2598 is unclear about the process by which an overpayment would be legitimately vetted, and the ERS officially required, to garnish a former employee's pension. The ERS will require additional computer upgrades, overpayment request tracking and accounting system modifications, enhanced employer disbursement capabilities and possibly other resources in order to comply with this legislation. The planned implementation of a new leave administration system by State departments is expected to reduce prospectively by half or more the number of such overpayments; pending this implementation and its anticipated results, however, the ERS would still be subject to accommodate the multiple requirements of this proposal on an on-going basis. Therefore, while it understands the bill's intent, the ERS Board has significant concerns regarding S.B. 2598 and asks that the inclusion of the ERS amongst the options for salary overpayment recovery be reconsidered.

Thank you for this opportunity to testify.

DAVID Y. IGE  
GOVERNOR



LAUREL A. JOHNSTON  
ACTING 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 LAUREL A. JOHNSTON  
ACTING DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
TO THE SENATE COMMITTEES ON GOVERNMENT OPERATIONS  
AND LABOR  
ON  
SENATE BILL NO. 2598**

**February 6, 2018  
2:50 p.m.  
Room 229**

**RELATING TO SALARY OVERPAYMENTS**

Senate Bill No. 2598 requires each department to deduct the department's outstanding wage or salary overpayment balance at the end of a fiscal biennium from the department's budget request for the following fiscal biennium. The bill also 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 employee of salary and wage overpayment, and allows salary and wage overpayments to be garnished from the pension of former employees.

The Department of Budget and Finance offers comments regarding the deduction of wage or salary overpayment amounts from department budget requests. We are concerned that this requirement may encourage departments to 1) delay making an overpayment determination until after a fiscal biennium ends to avoid or delay being penalized, or 2) request lower priority budget requests to offset an overpayment deduction.

Broadly applying a budget request deduction to a department without regard to the program and means of financing, which may have incurred the overpayments, may inadvertently penalize programs that have not had such issues. Given that it is unlikely that a department's budget request would be approved in its entirety, it is unclear how the deduction would be applied to the Executive budget request. It is also unclear whether such deductions are intended to be continued in future years or are one-time deductions.

Thank you for your consideration of our comments.