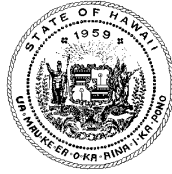


DAVID Y. IGE  
GOVERNOR



RYKER WADA  
DIRECTOR  
  
JASON MINAMI  
DEPUTY DIRECTOR

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

February 21, 2019

TESTIMONY TO THE  
HOUSE COMMITTEE ON FINANCE

For Hearing on Friday, February 22, 2019  
12:30 p.m., Conference Room 308

BY

RYKER WADA  
DIRECTOR

**House Bill No. 625, House Draft 1**  
**Relating to the Department of Human Resources Development**

TO CHAIRPERSON LUKE, VICE CHAIR CULLEN, AND MEMBERS OF THE  
COMMITTEE:

The purpose of House Bill No. 625, House Draft 1 is to abolish the Department of Human Resources Development (DHRD) and transfer its functions to the Department of Budget and Finance, and to replace the Director of DHRD with the same-tiered Director of Taxation as the new basis for salaries of certain other state officials.

DHRD **strongly opposes** this measure. DHRD is responsible for a myriad of vital tasks within the Administration, including but not limited to the oversight and consistency amongst the Executive Branch departments in the administration of personnel laws, rules, policies and programs regarding recruitment, selection, compensation, and employee rights and benefits; representing the State in collective bargaining and labor relations matters; and administering the State's self-insured

workers' compensation program. If the human resources function is transferred to the Department of Budget and Finance (B&F), which has its own extremely important, separate and distinct functional responsibilities, human resource issues of importance to the departments as a whole will not receive the priority and immediate attention they deserve.

Through time, the Legislature, the Governor and the Administration have always placed a high value on its greatest resources – its employees – by recognizing human resources as a cabinet post. DHRD has served as the point on these issues and provided expertise and advice from a statewide perspective. Having a cabinet level department dedicated to this critical function on behalf of the Executive Branch helps to ensure consistency and uniformity in the application of human resources laws, rules, policies, and procedures amongst all departments. Delegating these functions to another department will only serve to dilute DHRD's functions within the existing responsibilities and functions within that department. As such, DHRD respectfully requests that this measure be held.

Thank you for the opportunity to provide testimony on this measure.

DAVID Y. IGE  
GOVERNOR



RODERICK K. BECKER  
DIRECTOR

ROBERT YU  
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**

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

**TESTIMONY BY RODERICK K. BECKER  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
TO THE HOUSE COMMITTEE ON FINANCE  
ON  
HOUSE BILL NO. 625, H.D. 1**

**February 22, 2019  
12:30 p.m.  
Room 308**

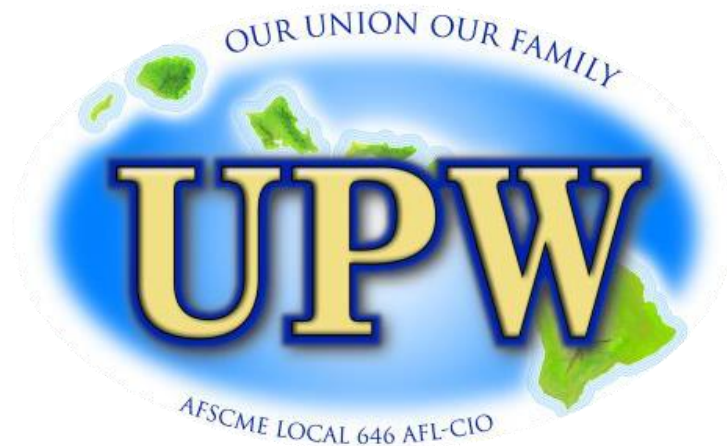
**RELATING TO THE DEPARTMENT OF HUMAN RESOURCES DEVELOPMENT**

House Bill (H.B.) No. 625, H.D. 1: consolidates the Department of Human Resources Development (DHRD) and the Department of Budget and Finance (Department) into one department and combines the departments' powers and duties effective July 1, 2020; replaces the Director of DHRD with the same-tiered Director of Taxation as the new basis for salaries of certain other State officials statutorily tied to the Director of DHRD; and establishes the Human Resources Development Special Fund.

The department strongly opposes this bill. While we understand the importance of promoting efficiency and effectiveness in State government, the possible economies of scale resulting from the consolidation appear to be minimal as the core functions of each department is distinct. Each department is currently staffed to implement separate duties and responsibilities, and a reorganization with a potential reduction-in-force may be necessary to provide scalable savings from such a consolidation. Further, until an integrated budget and personnel system is funded, budget and personnel records will need to be separately maintained.

Finally, as a matter of general policy, the department does not support the creation of any special fund which does not meet the requirements of Section 37-52.3, HRS. Special funds should: 1) serve a need as demonstrated by the purpose, scope of work and an explanation why the program cannot be implemented successfully under the general fund appropriation process; 2) reflect a clear nexus between the benefits sought and charges made upon the users or beneficiaries or a clear link between the program and the sources of revenue; 3) provide an appropriate means of financing for the program or activity; and 4) demonstrate the capacity to be financially self-sustaining. With regards to H.B. No. 625, H.D. 1, it is difficult to determine whether the proposed special fund would be self-sustaining.

Thank you for your consideration of our comments.



The Hawaii State House of Representatives  
The Thirtieth Legislature  
Regular Session of 2019

Committee on Finance  
Representative Sylvia Luke, Chair  
Representative Ty J.K. Cullen, Vice Chair

Date of Hearing: Friday, February 22, 2019  
Time of Hearing: 12:30 p.m.  
Place of Hearing: Conference Room 308

**TESTIMONY ON HB625, HD1 RELATING TO THE DEPARTMENT OF HUMAN  
RESOURCES DEVELOPMENT**

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 (UPW). The UPW is the exclusive representative for approximately 14,000 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 four counties.

HB625, HD1 proposes to transfer the functions of the Department of Human Resources Development to the Department of Budget and Finance. The UPW respectfully recommends that the committee consider the following summary points in its deliberation:

- Determine the specific outcomes or goals to be achieved by this transfer.
- Determine what the problems are, the possible solutions and how they are to be implemented to achieve these goals in this proposed transfer. Enlist the input of HR professionals.

- Understand that the operational and functional philosophies of the two departments are not compatible. A core function of a human resource department is to invest in employees with incentives, training, shortage category recruitment, competitive wages and salaries, morale/team building programs etc. These are cost items. A core function of a finance/budgeting department is to control costs, reduce expenditures, and provide best value for the expenditures.
- The HR functions and operations will be primarily finance driven by non-HR persons unfamiliar with the various and complex HR state and federal laws in employment, discrimination and collective bargaining.
- Leadership must understand that there is a strong relationship between employee satisfaction, productivity and contribution. People are one of the most important resources an any organization.
- The state personnel system constitutes all the departments with HR professionals in their respective agencies. It is not only the central department of human resources development within the state HR system that is responsible for recruitment.
- There will be no direct voice on behalf of thousands of state employees at the cabinet level for strategic discussions and planning without an HR director at the table.
- Potential delay in HR functions and operations until the finance leadership is well grounded on important HR principles and procedures required by state and federal laws.
- Demoralization of dedicated and highly experienced HR professionals could result in the loss of some of them through movement elsewhere.

The UPW understands the need to improve the HR operations of the state. However, it will be difficult to achieve major improvements by just transferring the HR functions without goals, a professional HR director at the helm and a plan to achieve improvements. The UPW **opposes** this measure.

Thank your for the opportunity to provide the above comments.