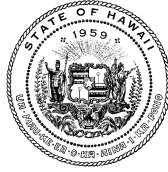


DAVID Y. IGE
GOVERNOR



CURT T. OTAGURO
COMPTROLLER
AUDREY HIDANO
DEPUTY COMPTROLLER

STATE OF HAWAII
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES

P.O. BOX 119, HONOLULU, HAWAII 96810-0119

WRITTEN TESTIMONY
OF
CURT T. OTAGURO, COMPTROLLER
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES
TO THE SENATE COMMITTEES ON
GOVERNMENT OPERATIONS
AND
WAYS AND MEANS

JANUARY 30, 2020, 2:45 P.M.
CONFERENCE ROOM 225, STATE CAPITOL

S.B. 2839

RELATING TO THE REISSUANCE OF PAYROLL CHECKS.

Chair Thielen, Vice Chair Inouye and members of the Committee. The Department of Accounting and General Services (DAGS) supports the intent of this bill and would like to offer the following comments.

The passage of Act 110, Session Laws of Hawaii 1998, requires all employees hired on or after July 1, 1998, to designate a financial institution account into which the State is authorized to deposit the employee's pay. With the modernization of the payroll system starting with the pay period ending May 4, 2019, the State of Hawaii was able to provide direct deposit to employees through an Automated Clearing House (ACH), which is settled to the employee's designated account by pay date.

The process to reissue a payroll check can be upwards of two weeks. By the time the employee reports the issue to the department and the proper paperwork is submitted and run

through the validation process of either a check cancellation or stop payment, the employee may not receive their reissued check till two weeks later. With a fee assessed for the reissuance of a payroll check, it will be beneficial for the employee to convert from a paper check to ACH to avoid being assessed a fee for the reissuance of a payroll check.

Thank you for the opportunity to testify on this matter.



HAWAII GOVERNMENT EMPLOYEES ASSOCIATION
AFSCME Local 152, AFL-CIO

RANDY PERREIRA, Executive Director • Tel: 808.543.0011 • Fax: 808.528.0922

The Thirtieth Legislature, State of Hawaii
The Senate
Committee on Government Operations

Testimony by
Hawaii Government Employees Association

January 30, 2020

S.B. 2839 – RELATING TO THE
REISSUANCE OF PAYROLL CHECKS

The Hawaii Government Employees Association, AFSCME Local 152, AFL-CIO raises strong concerns and opposition to portions of S.B. 2839 which assess a \$50 fee for the reissuance of a payroll check.

First and foremost, the Administration's justification sheet attached to this measure does not identify any problems or issues pertaining to non-received, lost, fraudulent, or altered payroll checks. Rather it seems a punitive way to enroll all employees on direct deposit, as the justification clearly states: "with a fee assessed for the reissuance of a payroll check, it will be beneficial for the employee to convert from a paper check to [automated clearing house] to avoid being assessed a fee for the reissuance of a payroll check."

While we can understand the State wanting to assess a fee to reissue payroll checks under certain limited circumstances, we respectfully argue that \$50 is a steep fine, especially when most financial institutions charge between \$25 - \$35 per returned check or to stop payment on a check. Additionally, while it is reasonable for the State to collect a nominal fee to reissue a lost check, it is unreasonable to charge for a check that the Employee did not receive or for a fraudulent check that the State issued, since in both cases, it is to no fault of the Employee.

Again, we do not begrudge the State in charging a reasonable fee to reissue checks, however if this measure is solely a means to convert Employees from paper checks to direct deposit, we must implore – isn't there a better way to accomplish this than by taking punitive legislative action?

Respectfully submitted,

Randy Perreira
Executive Director