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**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)

**WRITTEN ONLY**  
TESTIMONY BY CRAIG K. HIRAI  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
TO THE SENATE COMMITTEE ON WAYS AND MEANS  
ON  
SENATE BILL NO. 3283

**February 23, 2022**  
**10:00 a.m.**  
**Room 211 and Videoconference**

RELATING TO THE DEPARTMENT OF TAXATION

The Department of Budget and Finance (B&F) offers comments on this bill.

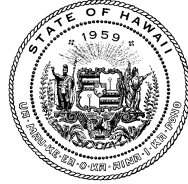
Senate Bill No. 3283 renames and reorganizes certain programs within the Department of Taxation.

As a matter of general policy, B&F recommends that the Legislature not specify departmental organization through legislation as it ignores union consultation and other procedural matters crucial to the reorganization process which are established through an Administrative Directive.

Thank you for your consideration of our comments.

DAVID Y. IGE  
GOVERNOR

JOSH GREEN M.D.  
LT. GOVERNOR



ISAAC W. CHOY  
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**DEPARTMENT OF TAXATION**  
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To: The Honorable Donovan M. Dela Cruz, Chair;  
The Honorable Gilbert S.C. Keith-Agaran, Vice Chair;  
and Members of the Senate Committee on Ways and Means

From: Isaac W. Choy, Director  
Department of Taxation

Date: Wednesday, February 23, 2022  
Time: 10:00 A.M.  
Place: Via Video Conference, State Capitol

**Re: S.B. 3283, Relating to the Department of Taxation**

The Department of Taxation (Department) supports S.B. 3283 and offers the following comments for the committee's consideration.

The Department has worked closely with the Department of Budget & Finance (B&F) and the Governor's Office as well as the State Legislature for its reorganization (reorg) efforts.

During the 2016 legislative session, to expedite the process, the Department proposed the System Administration (SysAd) reorg first, then submitted the reorg package to B&F and the Governor's Office. The proposal was approved, and the reorg has been a success. This year, for the same purpose, the Department is proposing several reorg items to the Legislature.

**Description of proposed technical reorg changes:**

**Page 1, Section 2:** Reorg #1--Oahu Collection Branch will be renamed as "Tax Collection Office" instead of "Tax Collection Program," with a new Program ID, TAX103, and its current Sub-Org Code, EO.

**Page 2, Section 3:** Reorg #2--The Quality Control (QC) Office will be transferred from the Office of the Director to the Information Technology Services Office (ITSO). Then the QC office will be combined with the SysAd Office (which is currently under ITSO) as a new section, Business Analysis Section

**Page 2, Section 4:** Reorg #3-- Two (2) exempt positions in the Rules Office will be converted to permanent civil service positions and transferred to the Administrative Services Office (ASO). There will be two (2) fewer exempt FTEs in the Department's payroll after this reorg.

### **Rationale for Changes:**

#### **Reorg #1, Oahu Collection Branch.**

To better address the aging accounts receivables, a very legitimate concern of the Legislature, the Branch will be transferred out of the Compliance Division and become a new program, Tax Collection Office, which will report to the Director of Taxation. As an independent program in the Department, the Tax Collection Office will more effectively and efficiently interact and cooperate with all other programs to fulfill the Department's goals as a whole.

The Tax Collection Office will establish work processes and end goals, and will have designated work to be accompanied, measured and managed. Placing the Office directly under the line and staff control of the Director of Taxation makes it more accountable and answerable for its work – work that is defined and goals are achievable. The duties, responsibilities, and functions of the Office are unique, and the acknowledgement and recognition of its stand-alone nature is long overdue.

**Reorg #2, QC Office.** The purpose of the QC Office is to provide support in the analysis and evaluation of operational needs in each functional subsystem in the information system, and to ensure the optimal usage of the information system by the Department's users internally and taxpayers externally. Previously, the QC Office worked closely with its counterpart, the SysAd Office, in the Department's Tax System Modernization (TSM) Project and it performed the similar job as the SysAd Office.

Both Offices were temporarily placed under the Director of Taxation. With the completion of the TSM Project and new ITSO Manager onboard, especially with the SysAd Office having been transferred to ITSO, this reorg will optimize the operation for ITSO, SysAd, and QC.

Formally moving the QC into ITSO to be combined with the SysAd, will provide stability and continued access to resources that have been extremely beneficial.

**Reorg #3, two (2) exempt positions in the Rules Office.** Position # 120985, Financial Business Analyst, and position # 121602, Business Analyst are to be converted to permanent civil service positions and transferred to ASO as Program Budget Analyst V. These two (2) positions were in the support group for the Department's TSM Project, now that the project is completed, they can be utilized by the programs that need more support such as ASO.

One of the ASO's most important functions is to prepare, formulate, and monitor the budget for the Department, but ASO currently does not have any fulltime staff in this area, so accounting or procurement staff have been performing budget duties on a parttime basis. With two (2) fulltime budget staff aboard, ASO will be better able to balance its services and improve budget functions for the Department. Meanwhile, there will be two (2) exempt employees fewer in the Department, which will be more cost effective for the operation since exempt employee's salary is usually higher or much higher than civil service ones.

**Program Impact:**

The proposed non-cost reorganization will not have any adverse impact on the Department, nor will it affect staff pay, terms or conditions of employment.

Thank you for the opportunity to testify.

DAVID Y. IGE  
GOVERNOR



RYKER WADA  
DIRECTOR

ANDREW T. GARRETT  
DEPUTY DIRECTOR

**STATE OF HAWAII**  
**DEPARTMENT OF HUMAN RESOURCES DEVELOPMENT**  
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HONOLULU, HAWAII 96813-2437

**TESTIMONY TO THE  
SENATE COMMITTEE ON WAYS AND MEANS**

For Hearing on Wednesday, February 23, 2022  
10:00 a.m., Conference Room 211 Via Video Conference

By

RYKER WADA  
DIRECTOR

**Senate Bill No. 3283**  
**Relating to the Department of Taxation**

WRITTEN TESTIMONY ONLY

CHAIRPERSON DELA CRUZ, VICE CHAIR AGARAN, AND MEMBERS OF THE  
SENATE COMMITTEE ON WAYS AND MEANS:

The Department of Human Resources Development (DHRD) offers comments on  
this measure.

The purpose of Senate Bill No. 3283 is to make certain no-cost internal  
organizational changes of certain functions and offices to address aging accounts  
receivable and quality control within the Department of Taxation. The measure  
establishes a new division within the department to be known as the "tax collection  
program" and renames the quality control office to "business analysis section" placing it  
within the system administration office of the department.

The organizational changes proposed in this measure can be achieved without legislative action. *Administrative Directive No. 19-02, Policies and Procedures for Effecting Organizational and Functional Statement Changes* documents the authority and responsibility related to changes in organization and function for the State Executive Branch.

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

# TAX FOUNDATION OF HAWAII

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126 Queen Street, Suite 305

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: ADMINISTRATION, Department of Taxation Organizational Changes

BILL NUMBER: SB 3283

INTRODUCED BY: MORIWAKI

EXECUTIVE SUMMARY: Makes certain no-cost organizational changes within the Department of Taxation.

SYNOPSIS: Establishes a new division to be known as the “tax collection program” with program identification number TAX103.

Renames the current quality control office the “business analysis section” and places it within the system administration office of the Department of Taxation.

EFFECTIVE DATE: Upon Approval

STAFF COMMENTS: These appear to be entirely internal changes to the Department. We are unclear on how the proposed changes would impact the public.

Digested: 2/19/2022

**SB-3283**

Submitted on: 2/16/2022 4:20:44 PM

Testimony for WAM on 2/23/2022 10:00:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Remote Testimony Requested</b>
Gerard Silva	Individual	Oppose	No

Comments:

Taxes are Ellegal. All who Violate this will Face Charges!!