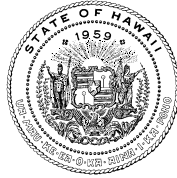


JOSH GREEN, M.D.
GOVERNOR
KE KIA'ĀINA



KEITH A. REGAN
COMPTROLLER
KA LUNA HO'OMALU HANA LAULĀ

MEOH-LENG SILLIMAN
DEPUTY COMPTROLLER
KA HOPE LUNA HO'OMALU HANA LAULĀ

STATE OF HAWAII | KA MOKU'ĀINA O HAWAII
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES | KA 'OIHANA LOIHELU A LAWELAWÉ LAULĀ
P.O. BOX 119, HONOLULU, HAWAII 96810-0119

WRITTEN TESTIMONY
OF
KEITH A. REGAN, COMPTROLLER
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES
TO THE

COMMITTEE ON FINANCE

FEBRUARY 21, 2025, 10:00 A.M.
CONFERENCE ROOM 308 AND VIA VIDEOCONFERENCE, STATE CAPITOL

H.B. 164, H.D. 1

RELATING TO INDEBTEDNESS TO THE STATE.

Chair Yamashita, Vice Chair Takenouchi, and Members of the Committee, thank you for the opportunity to submit testimony on this measure.

The Department of Accounting and General Services (DAGS) offers **comments** on H.B. 164, H.D. 1 which sets the time requirement within which a disbursing officer must notify an employee of indebtedness to the government resulting from salary or wage overpayment and amends the amount a disbursing officer shall deduct to begin immediate recovery of indebtedness based on an employee's gross income.

DAGS would like to address the amendment to change subsection (e). We would like to share, for reference, Comptroller's Memorandum (CM) No. 2019-01 which relates to "Procedures for Salary and Wage Overpayment Recovery". We have provided the CM as part of this testimony for convenience. The CM is also available on the DAGS website

at <https://ags.hawaii.gov/comptrollers-memoranda/>. We would like to call your attention to a few key points of this CM:

- **“Determination.** All State agencies and departments are responsible to identify salary overpayments as they occur and to notify the fiscal office within one (1) week of discovery unless the overpayment is a direct result of a determination for workers’ compensation that has been pending, but in such case, the determination must be made within one (1) month of the determination.”
- **Notice.** Pursuant to §78-12, HRS, the department disbursing officer will determine the amount of the indebtedness and notify the employee within one (1) week of discovery of the salary overpayment. The notice will notify the employee in writing that if the employee contests the disbursing officer’s determination of indebtedness, the employee may request a hearing pursuant to chapter 91 or, as applicable, a procedure provided in a collective bargaining agreement provided in lieu of the hearing.
- Please see Comptroller’s Memo 2019-01 attachment C - Example of letter of notification.

We believe that the current process established by CM 2019-01 is efficient, expeditious, and well-defined making the changes proposed in this subsection unnecessary. We would request that the current procedures remain in place without changes to subsection (e).

To address the amendment to subsection (f), we are concerned that reducing the per pay period minimum flat amount from the current rate and instituting multiple tiers of wage levels with associated fixed amounts for collections will significantly increase the

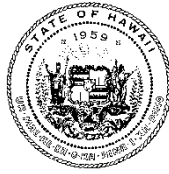
amount of time necessary for a department to collect overpayments. Departmental resources will need to be re-directed to manage the extended recovery period. Please note that per attachment C (Letter of Notification) of CM 2019-01, departments are given the authority and discretion to determine the deduction amount. This amount is negotiated as an agreement between the employee and the employing department. Departments are guided by HRS §78-12 to determine a minimum threshold, however, they also have the latitude to review an employee's financial situation, to consider a reasonable, affordable option, that would satisfy the State's collection efforts as well as the economic needs of the employee.

We humbly request that the following additions be considered and defined in subsection (f):

- Reassessment of Payment Plan: should any changes occur in the employee's salary due to step movement or changes in position, promotions, appointments, contract negotiations, or transfer to a different agency/department. In addition, the anticipation of termination due to performance review, retirement, and exempt appointment expiration should be included.
- Amortization Consideration: maximum time limit for the debt to be repaid, with consideration for multiple incidents.

As mentioned, we have included CM 2019-01 and the associated attachments as part of this testimony. We appreciate the opportunity to testify on this matter.

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

January 7, 2019

COMPTROLLER'S MEMORANDUM NO. 2019-01

TO: Heads of Departments and Agencies

ATTN: Fiscal and Personnel Offices

FROM: Roderick K. Becker, Comptroller

SUBJECT: Procedures for Salary and Wage Overpayment Recovery

Comptroller's Memorandum No. 2013-02, Procedures for Salary and Wage Overpayment Recovery, has been superseded to reflect new minimum amounts to be recovered and to incorporate Comptroller's Memorandum No. 2017-16, Revision to Salary Overpayment Offset Procedures and Comptroller's Memorandum No. 2017-18, Monthly Reporting of Salary and Wage Overpayments. All other procedures detailed in those comptroller's memorandum remain in effect and are included in this memorandum.

I. Reports - Monthly Salary Overpayments Reporting

The columnar reporting format remains basically the same with the addition of four columns highlighted in yellow on the sample report attached (Exhibit A).

Column	Title	Explanation
C	Date of Notification Letter Sent	Date of letter sent to the person notifying him/her of the overpayment (pursuant to HRS §78-12(e)).
E	Amount Overpaid this Month	Amount of new overpayments.
G	Amount Recovered this Month	Amount recovered in the current month.
H	Amount Referred to AG this Month	Amount referred to the AG in the current month.

Salary overpayments should be separated by collectible and uncollectible and totaled. All overpayments referred to the AG should be reported under uncollectible. Departments are to refer all overpayments to the AG once the individual has terminated employment and is no longer making repayments.

All monthly reports should be transmitted by memorandum from the director to the comptroller and should be submitted by the fifteenth of the following month. If a department is not able to meet this deadline, please notify the Pre-Audit Branch of any delay. Departments will no longer receive reminders for monthly submission, and instead, a notation will be made that no submittal was received.

II. Processing of Overpayments and Workers Compensation

Effective immediately for employees currently employed, the recovery for any new salary overpayments should be processed as an offset to the employee's semi-monthly gross salary and not as a deduction by the submission of a Salary Assignment/Cancellation form (SAFORM D-60). This change will eliminate the need for departments to accumulate deduction amounts in a trust account, to prepare a Treasury Deposit Receipt (SAFORM B-13) for the full amount of the recovery and to prepare a Notification of Payroll Adjustment form (SAFORM D-70) to record the recovery in the payroll system.

Also, effective immediately, in lieu of preparing a D-70 to re-class salaries to workers compensation (WC), departments should pay the WC amount using the Regular online Payroll Change Schedule and pay the remaining salary amount as "Base Pay" on the Regular online Payroll Change Schedule. To utilize this process, the employee should have sufficient semi-monthly salary to offset the WC amount and to cover payroll deductions and taxes (Exhibit B).

To minimize and to prevent salary overpayments require timely recording of all leaves earned and taken. Staff responsible for leave records should post all Form G-1s, Application for Leave of Absence, within five (5) working days of receipt.

For employees whose cumulative paid leave balances fall below ten (10) working days of vacation and ten (10) working days of sick (or 160 hours), departments and agencies should individually monitor and track the employees' paid leave balances to ensure that a salary overpayment does not occur.

If a salary overpayment occurs and the employee meets either of the following conditions, pursuant to §78-13, Hawaii Revised Statutes (HRS), the employee should be placed on an "after-the-fact payroll" schedule as a non-salaried employee.

1. **Existing Salary Overpayment Balance.** Employees who have been working for the State for at least six (6) months, have no paid leave accumulated, and have an existing salary overpayment balance will be placed on an after-the-fact payroll schedule as a non-salaried employee. The employee may be paid the employee's salary, minus any salary overpayment offset pursuant to §78-12, HRS, on the same pay dates and for the same pay periods as non-salaried employees. Upon accumulation of 80 hours of paid leave, the employee will be paid the employee's salary on the same pay dates and for the same pay periods as salaried employees.
2. **Repeated Salary Overpayments.** Employees who have been working for the State for at least six (6) months and have had at least two (2) incidents of leave which result in salary overpayment within the past six (6) months will be placed on

an after-the-fact payroll schedule as a non-salaried employee. The employee may be paid the employee's salary, minus any salary overpayment offset pursuant to §78-12, HRS, on the same pay dates and for the same pay periods as non-salaried employees. If there are no incidents of leave which result in a salary overpayment for a subsequent four-month period, the employee will be paid the employee's salary on the same pay dates and for the same pay periods as salaried employees.

To implement the "after-the-fact payroll", an "incident" occurs when an employee does not report to work and is not ill nor excused for an emergency, or when the employee leaves work without being excused for illness or emergency. Any "incident" must immediately be reported to the departmental personnel office who will then prepare the required employee personnel action form resulting in a salary overpayment.

To comply with §78-13(a), HRS, that requires an employee be paid twice a month, implementation of "after-the-fact" payroll should be done over two (2) pay periods. For the first pay date following notification, the employee should be paid for half of the pay to which he is entitled for that pay period and then be paid for the remaining portion to which he is entitled the following pay date.

As a final step to prevent salary overpayments, departments may:

1. Request a Reversal - Retrieve State employee's net pay that has been forwarded to a bank or other assignee for deposit by requesting a reversal. The action should be used two (2) work days **before** pay day. All deduction assignees other than FIT, SIT, SS and Medicare taxes withheld should also be notified that a reversal is being requested and that the employee's account should not be credited.
2. Request a Deletion - Request an employee's pay may be totally deleted from an upcoming pay day. The request should be emailed to DAGSCentralPayroll@hawaii.gov no later than 8:00 a.m. three (3) work days **before** pay day to stop the pay. Any email received by 8:00 a.m. two (2) work days before pay day will be requested but may not successfully stop the pay. All deduction assignees other than FIT, SIT, SS and Medicare taxes withheld should also be notified that a deletion is being requested and that the employee's account should not be credited.

If a salary overpayment could not be prevented, the department must take immediate action to recover the overpayment. Pursuant to §78-12, HRS, the following action should be taken:

Determination. All State agencies and departments are responsible to identify salary overpayments as they occur and to notify the fiscal office within one (1) week of discovery unless the overpayment is a direct result of a determination for workers' compensation that has been pending, but in such case, the determination must be made within one (1) month of the determination.

All overpayments must then be immediately reported to the State's Employees' Retirement System (ERS). Personnel responsible for the timely reporting should

access the ERS website, click on “Employers Forms” and select the “Retro/Overpayment Breakdown Template”. Instructions are provided on the website on how to complete and submit the form.

Notice. Pursuant to §78-12, HRS, the department disbursing officer will determine the amount of the indebtedness and notify the employee within one (1) week of discovery of the salary overpayment. The notice will notify the employee in writing that if the employee contests the disbursing officer's determination of indebtedness, the employee may request a hearing pursuant to chapter 91 or, as applicable, a procedure provided in a collective bargaining agreement provided in lieu of the hearing.

The notice will also notify the employee that, if the employee does not respond, the employee will be deemed to have waived a hearing and recovery will begin immediately through payroll deductions. Additionally, the notice will notify the employee that pursuant to §78-12(f), HRS, regardless of whether a contested determination of indebtedness is pending, the disbursing officer will commence immediate recovery of the indebtedness by offset from the employee's periodic payment normally due the employee.

Refer to Exhibit C, Notification of Salary or Wage Overpayment, as a sample. The notice should be given to the employee in person or mailed to the employee's residence by certified mail. Additional information that shall be provided is Exhibit D, Computation of Overpayment, and Exhibit E, Response to Salary or Wage Overpayment Notice.

For preparation of Exhibit D, Computation of Overpayment, payroll personnel with access to HIP can extract employee's pay information by going to Payroll for North America > Payroll Process USA > Produce Payroll > Review Paycheck or Review Self Service Paycheck. For payroll personnel without HIP access, we have enclosed a sample worksheet that can be modified to expand for additional types of pay and deductions.

Upon receiving notice that the employee's pay is being offset, if the employee requests to pay the remaining balance by cash or check (payable to Director of Finance, State of Hawaii) deposited to FHB account ending in x0497, prepare a Treasury Deposit Receipt, SAFORM B-13, and Notification for Payroll Adjustment and SAFORM D-70, if applicable. The Treasury Deposit Receipt should be completed with the following information:

TRUST PAYROLL CLEARANCE FUND 122 FY T 11 915 M 9200 050

(Note: FY = Fiscal Year)

Salary Overpayment Offset. Pursuant to §78-12, HRS, regardless of whether a contested determination of indebtedness is pending, the disbursing officer shall commence immediate recovery of the indebtedness as follows:

Salary Overpayment Amount	Maximum No. of Pay Periods to Recover	Other Conditions
Up to \$500.00	2	Not less than \$100 per pay period
\$500.01 to \$1,000.00	4	Not less than \$250 per pay period

\$1,000.01 to \$3,000.00	8	Not less than \$250 per pay period Not more than one-quarter of the Employee's total compensation per pay period
\$3,000.01 to \$5,000.00	12	Not less than \$375 per pay period Not more than one-quarter of the employee's total compensation per pay period
Above \$5,000.00	18	Not less than \$416 per pay period Not more than one-quarter of the employee's total compensation per pay period.

The above table establishes the maximum number of pay periods in which to recover a particular salary overpayment amount. Dividing the salary overpayment amount by the maximum number of pay periods establishes the minimum amount that should be deducted from an employee's compensation per pay period. The maximum number of pay periods will not apply in situations where the minimum amount per pay period exceeds one-quarter of the employee's total compensation. In these situations, the department can only deduct one-quarter of the employee's total compensation per pay period until the outstanding salary overpayment amount is paid off. Amounts greater than the minimum may be deducted if agreed to by the employee.

The recovery for salary overpayments should be processed as an offset to the employee's semi-monthly gross salary through Additional Pay.

Application of available leave. An employee and appointing authority may agree to offset any remaining amount of indebtedness by applying the current value of appropriate leave or compensatory time credits posted in the employee's respective accounts as balances that would otherwise be payable in cash upon separation from service. However, such credits shall not be applied to any extent that would require a refund of any moneys already deducted or repaid or that would require the payment of any moneys to the employee equivalent to a cashing out of leave or compensatory time credits.

1. Departmental personnel staff obtains from the employee a completed and signed "Agreement to Apply Vacation and/or Compensatory Time Off Credits Value to Repay Salary or Wage Overpayment" (Exhibit F).
2. Send a copy of the payroll adjustment form to DAGSCentralPayroll@hawaii.gov, if applicable, to adjust withholding retirement contributions from those employees who are contributory or hybrid members of the ERS.

Transfer to Other Department. In the event an employee leaves the employment of a department to which they have an unpaid salary overpayment for another state department, the department will notify the employee's new department of employment of the salary overpayment. The new department of employment will then implement these policies, procedures, and practices to recover the outstanding salary overpayment.

Recovery of Overpayment From Former Employees. Any salary overpayment should be offset by any vacation or compensatory time pay due the employee. Any remaining balance of vacation or compensatory pay due should then be paid to the employee.

If the vacation or compensatory time pay due the employee does not offset the salary overpayment, the account should be referred to the Attorney General in accordance with instructions from the Attorney General.

Incorrect Determination of Indebtedness. If the determination of indebtedness was contested and subsequently found to be incorrect:

Any moneys repaid or deducted for any indebtedness in excess of the correct amount will be promptly refunded with interest specified by section; or

All leave or compensatory time credits applied to offset any indebtedness in excess of the correct amount shall be re-credited to the employee's respective leave or compensatory time accounts and shall not result in a cash payment.

Unlawfully Acquired Indebtedness. If the indebtedness has arisen or been incurred by reason of the employee having embezzled, stolen, or otherwise unlawfully acquired any moneys, the whole amount of the salary, wages, or compensation, or so much thereof as may be required to pay the indebtedness in full, shall be withheld.

If you or your staff have any questions or concerns regarding implementation of this memorandum, please call 201-SERV or email hip.hawaii.gov.

Attachments:

- Exhibit A – Monthly Salary Overpayments Reporting
- Exhibit B – Re-Class Salary to Workers Compensation
- Exhibit C – Notification of Salary or Wage Overpayment
- Exhibit D – Computation of Overpayment
- Exhibit E – Response to Salary or Wage Overpayment Notice of (Date of Notification Letter)
- Exhibit F – Agreement to Apply Vacation and/or Compensatory Time Off Credits to Repay Salary or Wage Overpayment

DEPARTMENT OF
SALARY OVERPAYMENT FOR THE MONTH ENDING

									CATEGORY				
EMPLOYEE	DATES OF OVERPAYMENTS	DATE OF NOTIFICATION LETTER SENT	AMOUNT OVERPAID	AMOUNT OVERPAID THIS MONTH	AMOUNT RECOVERED	AMOUNT RECOVERED THIS MONTH	AMOUNT REFERRED TO AG THIS MONTH	BALANCE	Still Employed and Occurred < 2 years	Still Employed and Occurred > 2 years	Not Employed and Occurred < 2 years	Not Employed and Occurred > 2 years	Reason for Overpayment
COLLECTIBLE													

To re-class salary to Workers Compensation:

Sample: W (830.00)

 B 830.00

Effective Immediately:

Two steps:

- 1) Pay WC \$830.00 on the WC PCS.
- 2) Subtract \$830.00 from the employee's salary. Pay difference as "B" type pay.

Example:

Pay \$830.00 on online PCS

If employee's salary to be paid is \$2,000.00, subtract the salary portion and pay the employee the difference as "B" (base pay) on the online PCS. Employee's deductions and taxes total \$518.00. There is sufficient salary (wages) to deduct the deductions and taxes without causing a deficit.

\$2,000.00 Semi Monthly Salary

- 830.00 Re-class salary amount to offset

\$1,170.00 "B" type pay on the online PCS

The taxes will be adjusted accordingly.

Department Letter Head
Date

Mr./Mrs./Miss/Ms.
Address
City, State, Zip Code

Dear

Subject: Notification of Salary or Wage Overpayment

This "Letter of Notification" informs you that you have been overpaid. Enclosed with this letter of notification are the "Overpayment Worksheet" that shows the details of the overpayment and the "Response to Salary or Wage Overpayment Notice" that allows you to request a hearing and/or request a change in the amount being deducted.

You are advised to respond to this letter immediately by completing the enclosed "Response to Salary or Wage Overpayment Notice". If you do not respond within fifteen (15) calendar days of the receipt of this letter, you have waived the right to a hearing and the amount of overpayment shall be deemed as established at \$_____.

The amount of \$_____ is being deducted and will continue to be deducted until the total overpayment is recovered in full.

It is very important that you inform us of your intentions by completing the enclosed "Response to Salary or Wage Overpayment Notice" and return it to the Employing Department or Agency shown at the top of the notice. Please call _____ at _____ if you have any questions relating to this notice and the two enclosures.

Sincerely,

Enclosures

M/S

Exhibit D

TO: Departmental Contact Person
Employing Department or Agency
Address
City, State, Zip Code

FROM: (Employee Name)

SUBJECT: Response to Salary or Wage Overpayment Notice of (Date of Notification Letter)

HEARING Check one of the following:

_____ I do not request a hearing, I agree to the amount of the overpayment and to the amount being deducted until repayment in full.

_____ I do not request a hearing, I agree to the amount of the overpayment but I want to negotiate another deduction amount from my semimonthly gross pay. (Continue to next section.)

_____ I request a hearing to determine my salary overpayment.
(If you choose this option, do not fill in the rest of this form and Pursuant to Section 78-12, HRS, recovery (of overpayment) will start immediately regardless of whether a contested hearing is pending. Sign and return the form.)

REPAYMENT PLAN OPTIONS

_____ I wish to make immediate and full repayment of the overpayment (OP) by cash or check.

_____ I wish to propose an increase from the minimum dollar amount of \$_____ currently being deducted from my salary, wages or compensation to \$_____. I understand this is my proposal only, and that this proposal must be accepted by the department before it is effective.

I further understand that for overpayment in excess of \$1,000, the maximum amount that may be withheld will be one-fourth (1/4) of salary, wages, or other compensation for each pay period.

_____ I wish to offset any remaining amount of indebtedness by applying the current value of appropriate leave (e.g., vacation leave) or compensatory time credits posted in my account that would otherwise be payable in cash upon my separation from service.

Acknowledged by:

Employee Signature

Authorized Signature of Dept./Agency

Social Security No. Date

Title Date

AGREEMENT TO APPLY VACATION AND/OR COMPENSATORY TIME OFF CREDITS TO REPAY SALARY OR WAGE OVERPAYMENT

Department _____ Date _____

Employee Social Security No. _____ Pos. No. _____ Name _____ Payroll Number _____

I. ACCRUED CREDITS

	Hours	Current Hrlly Rate*	Value
1. Accrued vacation credits as of _____	_____	\$ _____	\$ _____
2. Accrued CTO credits as of _____	_____	\$ _____	\$ _____
3. TOTAL Accrued credits	_____	\$ _____	\$ _____

II. ACCRUED CREDITS APPLIED FOR REPAYMENT *Complete only after it is determined when repayment will be made and whether the repayment due is the gross or customary "net" amount.*

	Hours	Current Hrlly Rate*	Value	Accrued Hrs – Applied Hrs = Balance
1. Vacation Credits	_____	\$ _____	\$ _____	_____ - _____ = _____
2. CTO Credits	_____	\$ _____	\$ _____	_____ - _____ = _____

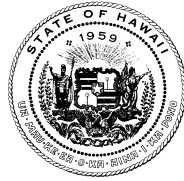
I authorize deduction of the above vacation and/or CTO credits for repayment of salary or wage overpayment.

EMPLOYEE SIGNATURE DATE

APPROVED: _____
REPRESENTATIVE RESPONSIBLE FOR FORM 7 TRANSACTION DATE

Form 7 Tracking Instructions:

- Use new codes to record deduction of vacation/CTO credits for repayment of overpayment.
OV = Vacation hours applied for repayment of an overpayment
OC = CTO hours applied for repayment of an overpayment.
- *Current hourly rate includes all differentials included in an employee's monthly salary. It does not include hourly differentials (e.g., night shift, working condition, etc.) that should have been paid in cash even if a CTO election is made in lieu of cash payment for OT.
- Convert hours to value by multiplying the hours by the employee's current hourly rate. Convert value to hours by dividing the value by employee's current hourly rate. For ease in tracking, as much as possible, have employee apply credits for repayment in 15-minute (¼ hour) increments.
- On the Form 7, deduct the number of hours used for repayment of an overpayment using the transaction date.
- Keep a copy in the employee's official personnel file with the G-1's.
- Attach a copy to the employee's repayment agreement.



STATE OF HAWAII
HAWAII STATE PUBLIC LIBRARY SYSTEM
'OIHANA HALE WAIHONA PUKE AUPUNI O KA MOKU'ĀINA O HAWAII
OFFICE OF THE STATE LIBRARIAN
44 MERCHANT STREET
HONOLULU, HAWAII 96813

HOUSE COMMITTEE ON FINANCE

Thursday, February 21, 2025

10:00 am

Conference Room 308

**By Stacey A. Aldrich
State Librarian**

H.B. 164 HD1 RELATING TO INDEBTEDNESS TO THE STATE

To: Rep. Kyle T. Yamashita, Chair
Rep. Jenna Takenouchi, Vice Chair
Members of the House Committee on Finance

The Hawai'i State Public Library System (HSPLS) **offers comments on H.B. 164 HD1**, which requires disbursing officers to notify employees within sixty days of making a determination that an indebtedness has occurred to the government resulting from salary or wage overpayment, and amends the amount that a disbursing officer may deduct from an employee's salary, wage, or compensation based on the employee's gross income.

The HSPLS appreciates the intent of this measure and raises the following concerns:

- **Clarification is needed regarding how the 60-day notification requirement applies to the two-year determination and notification period.** HSPLS sends out notices after we identify and calculate the overpayment amount. The process to validate the overpayment amount and send out notifications takes several steps.
- **Most overpayments are created due to the lack of accurate tracking and timely inputting of leave (vacation, sick, leave without pay) into the HIP system.** The HIP payroll system is a "system of record" which automatically pays employees their base pay on a regular schedule every two weeks. For employees with low leave balances and/or employees who are on leave without pay, unless accurate and timely information that an employee did not work on specific dates is input into the system, the employee will continue to be paid their base pay and an overpayment is created. Therefore, many overpayments can be created if there isn't diligent and continuous

oversight by both employees and supervisors in situations where employees have low balances or lack sufficient leave.

- **Some overpayments are created due to other issues, such as worker's compensation or temporary disability issues.** These forms on pay substitute for an employee's regular base pay, but the approval and processing of these claims are complex and handled by the Department of Human Resources. Overpayments are usually created, calculations and corrections into the HIP system are made manually by Fiscal staff. It is unclear how the 60-day notification requirement would be imposed for these types of situations where determinations are outside of our control.
- **Reducing the amount that can be offset against an employee who has already received excess pay will contradict the statutory intent to collect back the money from the employee.** The intent of the statute is for departments and agencies to collect back funds that were not earned by employees. While we understand the imposition on employees to recover funds from their paychecks, the amounts are a fraction of the total indebtedness, and the employee has already received the excess funds. Reducing the offset amount will only extend the obligation for the employee, and if the employee were to leave State service before the overpayment is repaid, the overpayment case will need to be forwarded to the Office of the Attorney General for collection.
- **Calculation of overpayments is a very manual process.** Despite the HIP system, the calculation of the overpayment is rarely simple and usually requires hours of time to review and audit the employee's records to ensure the calculation is accurate. This is even harder when organizations like ours are in transition with staffing due to retirements and have difficulty finding candidates who are qualified to process payroll, have done overpayment calculations, and/or have experience with the HIP system.

Further, we note that for many years, the Legislature has actively attempted to have all departments and agencies reduce the amount of overpayments. Reducing the collection amount will ensure that there will be little reduction in the total amount of a department or agency's overpayment balance.

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



UNITED PUBLIC WORKERS

AFSCME Local 646, AFL-CIO

HOUSE OF REPRESENTATIVES THE THIRTY-THIRD LEGISLATURE REGULAR SESSION OF 2025

COMMITTEE ON FINANCE
Rep. Kyle T. Yamashita, Chair
Rep. Jenna Takenouchi, Vice Chair

Friday, February 21, 2025, 10:00 AM
Conference Room 308 & Videoconference

Re: Testimony on HB164, HD1 – RELATING TO INDEBTEDNESS TO THE STATE

Chair Yamashita, Vice Chair Takenouchi, and Members of the Committee:

The United Public Workers, AFSCME Local 646, AFL-CIO ("UPW") is the exclusive bargaining representative for approximately 14,000 public employees, which includes blue collar, non-supervisory employees in Bargaining Unit 1 and institutional, health, and correctional employees in Bargaining Unit 10, in the State of Hawaii and various counties.

UPW **strongly supports** HB164, HD1, which requires disbursing officers to notify employees within sixty days of making a determination that an indebtedness has occurred to the government resulting from salary or wage overpayment. This measure also amends the amount that a disbursing officer may deduct from an employee's salary, wage, or compensation based on the employee's gross income.

From time to time, the State and counties will mistakenly overpay an employee over a period of time or through a lump sum payment. This overpayment effectively becomes a loan with a burdensome repayment plan that the affected employee often cannot afford. §78-12, Hawaii Revised Statutes, currently provides that the minimum payment amount is \$100 per pay period or 25% of an employee's compensation until the indebtedness is paid in full. This statutory provision is a bit antiquated given the rising cost of living and unfairly punishes a public employee for a payroll error committed by the employer.

While UPW understands that indebtedness must be repaid, the current repayment schedule is simply too costly for many of our members who earn \$2,000 or less per pay period and are living paycheck to paycheck. The legislation attempts to address the inequity of the current repayment plan by establishing a tiered schedule that would help alleviate the financial burden created by an employer's payroll error.

Reducing the minimum payment to \$50 per pay period or 5% of an employee's compensation for those who earn less than \$2,000 will give the lowest income earners more time and greater flexibility to repay their debt without undue burden.

Mahalo for the opportunity to testify in support of this measure.

HEADQUARTERS

1426 North School Street
Honolulu, Hawaii 96817-1914
Phone 808.847.2631

HAWAII

362 East Lanikaula Street
Hilo, Hawaii 96720-4336
Phone 808.961.3424

KAUAI

2970 Kele Street, Suite 213
Lihue, Hawaii 96766-1803
Phone 808.245.2412

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841 Kolu Street
Wailuku, Hawaii 96793-1436
Phone 808.244.0815

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HAWAII GOVERNMENT EMPLOYEES ASSOCIATION
AFSCME Local 152, AFL-CIO

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The Thirty-Third Legislature, State of Hawaii
The House of Representatives
Committee on Finance

Testimony by
Hawaii Government Employees Association

February 21, 2025

H.B. 164, H.D. 1 — RELATING TO INDEBTEDNESS TO THE STATE.

The Hawaii Government Employees Association, AFSCME Local 152, AFL-CIO strongly supports the purpose and intent of H.B. 164, H.D. 1, which requires disbursing officers to notify employees within sixty days of making a determination that an indebtedness has occurred to the government resulting from salary or wage overpayment and amends the amount that a disbursing officer may deduct from an employee's salary, wage, or compensation based on the employee's gross income.

At times, the state and counties will mistakenly overpay an employee on a continual basis or in one lump sum amount. Through no fault of their own, these employees are stifled with a loan and a hefty repayment plan that they cannot afford due to a department's failure to accurately pay an employee – it's the departments fault, not the employee's. As currently written, Hawaii Revised Statutes Chapter 78-12, the minimum repayment amount is either \$100 per pay period or 25% of an employee's salary with no consideration to how much an employee earns.

We represent many employees on the lower-end of the salary schedule, including roughly 2,400 employees who earn less than \$20 an hour – the current repayment amount is too high, particularly for these lower income earners who cannot support the additional financial constraint. Reducing the minimum amount earned by establishing a tier system for employees who earn less than \$3,000 per pay period or \$72,000 a year will provide more financial flexibility for these employees. We would like to emphasize that it is the employer's responsibility to pay their employees accurately – and if the employer fails to do so, the statute should allow for flexibility to ensure that the employee can repay the amount overpaid to them in the least destructive way.

Thank you for the opportunity to provide testimony in strong support of H.B. 164, H.D. 1.

Respectfully submitted,

Randy Perreira
Executive Director