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# A BILL FOR AN ACT

RELATING TO INDEBTEDNESS TO THE STATE.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1           SECTION 1. Section 78-12, Hawaii Revised Statutes, is  
2 amended by amending subsections (e) and (f) to read as follows:

3           "(e) If the indebtedness has occurred as a result of  
4 salary or wage overpayment, the disbursing officer shall  
5 determine the amount of indebtedness and notify the employee in  
6 writing of the indebtedness[~~+~~] within sixty days of making the  
7 determination; provided that, to be an actionable cause of  
8 action, the determination and notice to the employee shall be  
9 made within two years from the date of the salary or wage  
10 overpayment, and not after. If the employee contests the  
11 disbursing officer's determination of indebtedness, the employee  
12 may request a hearing pursuant to chapter 91.

13           (f) Regardless of whether a contested determination of  
14 indebtedness is pending, the disbursing officer shall commence  
15 immediate recovery of the indebtedness as provided in this  
16 subsection. [~~If the indebtedness is equal to or less than~~  
17 ~~\$1,000, the disbursing officer shall immediately deduct from any~~



1 ~~subsequent periodic payment normally due the employee any amount~~  
2 ~~up to the total amount of indebtedness and for indebtedness~~  
3 ~~greater than \$1,000, the disbursing officer shall deduct:~~

- 4 ~~(1) An amount agreed to by the employee and the appointing~~
- 5 ~~authority, but not less than \$100 per pay period; or~~
- 6 ~~(2) One quarter of the salary, wages, or compensation due~~
- 7 ~~the employee until the indebtedness is repaid in~~
- 8 ~~full.]~~

9 The disbursing officer shall deduct:

10 (1) For an employee earning a gross income of less than  
11 \$2,000 per pay period:

12 (A) An amount agreed to by the employee and the  
13 appointing authority, but not less than \$50 per  
14 pay period; or

15 (B) Five per cent of the salary, wage, or  
16 compensation due to the employee until the  
17 indebtedness is repaid in full;

18 (2) For an employee earning a gross income of \$2,000 to  
19 \$3,000 per pay period:



1           (A) An amount agreed to by the employee and the  
2           appointing authority, but not less than \$75 per  
3           pay period; or

4           (B) Fifteen per cent of the salary, wage, or  
5           compensation due to the employee until the  
6           indebtedness is repaid in full; and

7           (3) For an employee earning a gross income of more than  
8           \$3,000 per pay period:

9           (A) An amount agreed to by the employee and the  
10           appointing authority, but not less than \$100 per  
11           pay period; or

12           (B) Twenty-five per cent of the salary, wage, or  
13           compensation due to the employee until the  
14           indebtedness is repaid in full.

15 In addition to [~~paragraph (1),~~] paragraphs (1) through (3), an  
16 employee and the appointing authority may agree to offset any  
17 remaining amount of indebtedness by applying the current value  
18 of appropriate leave or compensatory time credits posted in the  
19 employee's respective accounts as balances that would otherwise  
20 be payable in cash upon separation from service; provided that  
21 credits shall not be applied to any extent that would require a



1 refund of any moneys already deducted or repaid or that would  
2 require the payment of any moneys to the employee equivalent to  
3 a cashing out of leave or compensatory time credits."

4 SECTION 2. Statutory material to be repealed is bracketed  
5 and stricken. New statutory material is underscored.

6 SECTION 3. This Act shall take effect on July 1, 2050.



**Report Title:**

Indebtedness; Salary or Wage Overpayment; Overpayment Payroll Transactions; Deductions for Recovery; Disbursing Officer; Notice

**Description:**

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. Amends the amount that a disbursing officer may deduct from an employee's salary, wage, or compensation based on the employee's gross income. Effective 7/1/2050. (SD1)

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

