
A BILL FOR AN ACT

RELATING TO STATE EMPLOYEE BENEFITS.

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

1 SECTION 1. The legislature finds that vacancy rates across
2 government agencies, particularly in the executive department,
3 persist at elevated levels. These vacancies are fueled in part
4 by Hawaii's high cost of living and lack of sufficient
5 affordable housing, which drives many residents to leave for
6 less expensive jurisdictions on the mainland to pursue their
7 dream of homeownership and the stability and financial security
8 it brings. This housing crisis disproportionately affects
9 younger employees, lower- and middle-wage earners, and renters,
10 groups that form a large portion of the state workforce and
11 represent the future of public service.

12 National surveys confirm that the down payment, ordinarily
13 required to qualify for a mortgage or to avoid the added expense
14 of mortgage insurance, is the single greatest barrier to
15 homeownership. According to a 2024 Gallup report, sixty-eight
16 per cent of renters cite affordability and insufficient savings
17 for a down payment as the main reason why they remain renters.



1 A 2024 Bankrate survey likewise found that more than half of
2 aspiring homeowners cannot save for a down payment because of
3 high living costs and low income, with one in five believing
4 they may never save enough.

5 The legislature further finds that a potential resource for
6 state employees to fund these down payments may exist in the
7 earned vacation benefits held by each individual state employee.
8 Under the terms of current collective bargaining agreements, a
9 typical full-time employee for the State accrues fourteen hours
10 of vacation leave per month and can carry up to a balance of
11 seven hundred twenty hours from year-to-year. Upon a separation
12 of service, because of retirement or other break of service
13 lasting more than seven calendar days without rehire, the
14 employee is paid the value of the accumulated vacation leave as
15 a lump sum equal to the amount of compensation the employee
16 would be entitled or allowed if the vacation leave was used in
17 the normal manner. These lump sum payments, especially for
18 separating employees with high vacation accrual balances, can be
19 worth tens of thousands of dollars. While employees who
20 separate to find other employment or who retire will receive the
21 lump sum payment, employees who continuously work for the State



1 without a break in service are not permitted to "cash out" their
2 accrued vacation balances.

3 The legislature also finds that establishing a pilot
4 program to allow state employees to liquidate a portion of their
5 earned and accrued vacation benefits and apply the disbursement
6 to the down payment of a personal primary residence without the
7 necessity of a separation of service will allow the State to
8 increase the recruitment and retention of employees. The
9 legislature additionally finds that a project of this nature
10 aligns with the State's broader housing and workforce
11 development policies by addressing a primary barrier to
12 homeownership without creating new subsidies or pension
13 liabilities, and will support a more stable workforce, lower
14 turnover costs, and strengthen local families and neighborhoods.

15 Accordingly, the purpose of this Act is to authorize the
16 department of health to establish a three-year vacation payout
17 pilot program to liquidate a portion of department of health
18 employees' earned and accrued vacation benefits and apply the
19 disbursement to the down payment of a personal primary residence
20 without the necessity of a separation of service.



1 SECTION 2. (a) The department of health may establish a
2 vacation payout pilot program to permit department of health
3 employees to use earned vacation leave benefits to fund the down
4 payment of a personal primary residence in the State.

5 (b) A department of health employee shall be eligible to
6 participate in the pilot program if the employee, at a minimum:

7 (1) Is a purchaser of residential real property in the
8 State who:

9 (A) Is a citizen of the United States;

10 (B) Is a bona fide resident of the State;

11 (C) Is at least eighteen years of age; and

12 (D) Does not personally, or, if the employee is
13 married, whose spouse does not own any interest
14 in a primary residence within or without the
15 State and neither the employee nor the employee's
16 spouse has owned a primary residence within three
17 years immediately before the application to
18 participate in the vacation payout pilot program;

19 (2) Is a permanent full or part-time employee with the
20 department of health in good standing. For purposes
21 of this paragraph, "good standing" means the employee:



- 1 (A) Is not serving an initial or new probationary
- 2 period;
- 3 (B) Is not subject to suspension, pending
- 4 disciplinary action, or termination proceedings
- 5 at the time of application;
- 6 (C) Has received at least a satisfactory rating on
- 7 the most recent performance evaluation; and
- 8 (D) Is not the subject of a pending investigation or
- 9 substantiated investigation that may reasonably
- 10 lead to discipline;
- 11 (3) Has been employed by the department of health for at
- 12 least one year at the time of the application;
- 13 (4) Submits an affidavit stating that the employee:
- 14 (A) Will occupy the purchased property as their
- 15 primary residence within ninety days of the deed
- 16 being recorded;
- 17 (B) Intends to maintain occupancy in the purchased
- 18 property for at least three years; and
- 19 (C) Is not the child, spouse, or parent of the seller
- 20 of the purchased property; and



1 (5) Is not acting as the agent of any other person or
2 entity in purchasing the mortgaged property.

3 (c) The department of health shall establish procedures to
4 receive, review, and adjudicate applications requesting vacation
5 pay out as part of the pilot program.

6 (d) Funds shall be paid on behalf of the employee directly
7 to the escrow, title company, or company lender at closing and
8 not as a lump-sum to the employee, subject to any withholdings
9 required by state and federal law.

10 (e) The vacation payout shall only include vacation leave
11 earned at the time of the application and shall not include any
12 future unearned vacation leave.

13 (f) The minimum vacation leave payout shall be no less
14 than \$5,000 and the maximum payout shall be no more than \$50,000
15 per eligible employee, inclusive of any taxes withheld, subject
16 to the availability of funds within the department of health's
17 budget.

18 (g) The department of health shall submit a report of its
19 findings and recommendations, including any proposed
20 legislation, regarding the pilot program to the legislature no
21 later than twenty days prior to the convening of the regular



1 sessions of 2027, 2028, and 2029. The report submitted prior to
2 the convening of the regular session of 2028 shall make a
3 recommendation as to whether the pilot program should be
4 extended.

5 (h) For purposes of this Act, "primary residence" means a
6 dwelling unit where the owner lives for the majority of the year
7 and intends to use as their main permanent home.

8 SECTION 3. If any provision of this Act, or the
9 application thereof to any person or circumstance, is held
10 invalid, the invalidity does not affect other provisions or
11 applications of the Act that can be given effect without the
12 invalid provision or application, and to this end the provisions
13 of this Act are severable.

14 SECTION 4. This Act shall take effect upon its approval,
15 and shall be repealed on June 30, 2029.



Report Title:

DOH; Vacation Payout Pilot Program; Home Purchases; Down Payment Assistance; Reports

Description:

Authorizes the Department of Health to establish a vacation payout pilot program in which eligible Department of Health employees may defer unused vacation leave credits in favor of a pay out to provide home purchase down payment assistance. Requires reports to the Legislature. Sunsets 6/30/2029. (SD1)

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