

STAND. COM. REP. NO.

3119

Honolulu, Hawaii

MAR 23 2026

RE: H.B. No. 1656
H.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Thirty-Third State Legislature
Regular Session of 2026
State of Hawaii

Sir:

Your Committee on Labor and Technology, to which was referred H.B. No. 1656, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO INDEBTEDNESS TO THE STATE,"

begs leave to report as follows:

The purpose and intent of this measure is to amend the process by which a public employer may recover an employee's indebtedness arising from employment, including through salary and wage overpayment, by:

- (1) Repealing the requirement that the disbursing officer immediately begin recovery of the indebtedness regardless of a pending contested case;
- (2) Amending the maximum amount that a disbursing officer may deduct from an employee's salary, wage, or compensation as recovery of an employee's indebtedness to five percent of the employee's gross income per pay period, with exceptions; and
- (3) Requiring a written statement to be provided to the employee at least thirty calendar days before the deduction.

Your Committee received testimony in support of this measure from the United Public Workers, AFSCME Local 646, AFL-CIO; Hawaii



Government Employees Association, AFSCME Local 152, AFL-CIO; and University of Hawaii Professional Assembly.

Your Committee received comments on this measure from the Department of Accounting and General Services, Hawaii State Public Library System, and Department of Budget and Fiscal Services of the City and County of Honolulu.

Your Committee finds that due to the complexity of administrative payrolls, public employers may err in overpaying an employee, causing the employee to be indebted to their employer through no fault of their own. Your Committee also finds that existing law governing the recovery process of these debts allows public employers to deduct up to a quarter of the employee's gross compensation without notice to the employee, which may subject employees to financial hardship. By establishing necessary safeguards of limiting deductions and requiring at least thirty days' written notice before deductions, this measure allows the public employers to recover the indebtedness without financially overburdening their employees.

As affirmed by the record of votes of the members of your Committee on Labor and Technology that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 1656, H.D. 1, and recommends that it pass Second Reading and be referred to your Committee on Ways and Means.

Respectfully submitted on
behalf of the members of the
Committee on Labor and
Technology,



BRANDON J.C. ELEFANTE, Chair



