

Honolulu, Hawaii

MAR 30 2026

RE: H.B. No. 1663
H.D. 2
S.D. 1

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

Sir:

Your Committees on Labor and Technology and Government Operations, to which was referred H.B. No. 1663, H.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO REIMBURSEMENT OF PUBLIC OFFICERS AND EMPLOYEES,"

beg leave to report as follows:

The purpose and intent of this measure is to:

- (1) Require the State or a county to reimburse an officer or employee for work-related travel costs that the officer or employee loaned to the State or a county within thirty calendar days of submitting an approved statement of completed travel;
- (2) Require the State or a county to pay interest on a loan not reimbursed within thirty calendar days until the loan is fully reimbursed;
- (3) Obligate an officer or employee to request a complete refund from the travel vendor for travel not taken; and
- (4) Entitle an officer or employee to reimbursement from the State or a county when a travel vendor offers a partial refund or no refund.



Your Committees received testimony in support of this measure from the United Public Workers, AFSCME Local 646, AFL-CIO; University of Hawaii Professional Assembly; and Hawaii Government Employees Association, AFSCME Local 152, AFL-CIO.

Your Committees received comments on this measure from the State Procurement Office.

Your Committees find that in the course of fulfilling their duties and responsibilities, many public employees partake in work-related travel. To do so, public employees must cover the costs of lodging and transportation, with the expectation that these costs will later be reimbursed by the State or relevant county. Your Committees also find that the costs of lodging and transportation can sometimes exceed \$1,000. Public employees often charge these expenses to their credit cards, the balance of which accrues interest that the employee must pay. Your Committees additionally find that after submitting expenditures and detailed receipts, public employees often wait two to three months to receive reimbursement. This measure will establish a thirty-day reimbursement timeline to ensure that public employees are reimbursed in a timely fashion.

Your Committees acknowledge the concern raised by the State Procurement Office that pursuant to section 103-10, Hawaii Revised Statutes, relating to payment for goods and services, the interest rate for obligations related to goods delivered or services performed that remain unpaid after thirty days is the prime rate for each calendar quarter plus two percent. The Comptroller calculates adjustments to the interest rate quarterly and issues quarterly memoranda that specify the applicable quarterly interest rate for late vendor payments and explains how the interest rate is calculated. For the purposes of consistency, the State Procurement Office believes that payments to employees should follow the same calculation method. Your Committees further acknowledge the concern raised in testimony that this measure, in its current form, specifies that an employee is only eligible for reimbursement if they can no longer participate in approved travel "through no fault of their own". However, because the measure leaves the term "fault" undefined, the burden of proof shifts entirely to the employee. Consequently, under a strict administrative interpretation of the phrase in question, an employee who misses a non-refundable flight due to an emergency or



crisis may be arbitrarily denied reimbursement simply because the employer deems that the cancellation was the fault of the employee. Therefore, amendments to the measure are necessary to address these concerns.

Your Committees have amended this measure by:

- (1) Specifying that the interest rate on an unpaid reimbursement to a state or county officer or employee for approved travel costs shall be determined by the Comptroller pursuant to section 103-10, Hawaii Revised Statutes, relating to payments for goods and services;
- (2) Deleting language that would have required interest on unpaid reimbursement for approved travel costs to compound every thirty days;
- (3) Clarifying that a state or county officer or employee shall attempt to obtain a complete refund from a travel vendor for travel not taken for good cause;
- (4) Clarifying that the State or a county shall not include personal deviation costs when reimbursing an officer or employee for a partial refund or no refund;
- (5) Inserting an effective date of January 1, 2077, to encourage further discussion; and
- (6) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the records of votes of the members of your Committees on Labor and Technology and Government Operations that are attached to this report, your Committees are in accord with the intent and purpose of H.B. No. 1663, H.D. 2, as amended herein, and recommend that it pass Second Reading in the form attached hereto as H.B. No. 1663, H.D. 2, S.D. 1, and be referred to your Committee on Ways and Means.



Respectfully submitted on
behalf of the members of the
Committees on Labor and
Technology and Government
Operations,



ANGUS L.K. MCKELVEY, Chair



BRANDON J.C. ELEFANTE, Chair



