

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 LAWELAWE 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 LABOR

FEBRUARY 10, 2026, 9:30 A.M.
CONFERENCE ROOM 309 AND VIA VIDEOCONFERENCE, STATE CAPITOL

H.B. 1656

RELATING TO INDEBTEDNESS TO THE STATE.

Chair Sayama, Vice Chair Lee, 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. 1656 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.

We are concerned that limiting the per pay period deduction to five percent of an employee's gross income will significantly increase the amount of time necessary for a department to track and collect overpayments. The impact of this change may place undue administrative burden because of the extended amount of time necessary to

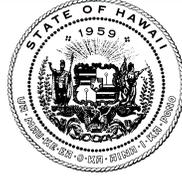
collect the overpayment. It is likely that departmental resources will need to be re-directed to manage the extended recovery period. As an example, based on the proposed legislation, a department tasked with collecting an overpayment to an employee in the amount of \$1,000 would be allowed to collect up to \$50 ($\$1,000 \times .05 = \50) per pay period. This would require approximately 20 pay periods or 10 months to recoup the overpayment. Departmental resources will need to track and record the deduction over the 10-month period instead of a much shorter period under the current statute. The current statute allows for a minimum amount of \$100 per pay period which, using the above example, would result in a much shorter 5-month administrative impact.

As it relates to the notification by the disbursing officer to the employee, we have no objection to providing a written statement to the employee at least thirty (30) calendar days before the deduction.

Thank you for the opportunity to testify on this matter.

JOSH B. GREEN, M.D.
GOVERNOR

SYLVIA LUKE
LIEUTENANT GOVERNOR



STACEY A. ALDRICH
STATE LIBRARIAN
Ke Po'o Hale Waihona Puke Moku'aina

STATE OF HAWAII
HAWAII STATE PUBLIC LIBRARY SYSTEM
'OIHANA HALE WAIHONA PUKE AUPUNI O KA MOKU'AINA O HAWAII
OFFICE OF THE STATE LIBRARIAN
44 MERCHANT STREET
HONOLULU, HAWAII 96813
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House Committee on Labor
February 10, 2026, 9:30 a.m.
State Capitol, Room 309

HB 1656 – Relating to Indebtedness to the State

To: Rep. Jackson D. Sayama, Chair
Rep. Mike Lee, Vice Chair
Members of the House Committee on Labor

The Hawai'i State Public Library System (HSPLS) **supports the intent and provides comments** on HB1656 which 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 process to identify, calculate and collect overpayments from State employees is difficult to administer. In many cases, overpayments are due to employees on leave without pay whose absences are due to unpredictable situations such as personal or health issues, and they do not have sufficient paid leave hours available.

With LAG employees without sufficient leave, if the employee is not at work during the last few days of a payroll period, there is no way for fiscal office staff to stop an overpayment from being created. Therefore, the HSPLS respectfully requests that the Committee consider language that would allow departments to convert LAG employees with limited paid leave hours to After-the-Fact (ATF) employees. This would provide sufficient time to prevent overpayments from being created for LAG employees.

The HSPLS also suggests including language that would allow for alternative methods to notify the employees. It has been our experience that when certified mail is sent to employees, most of them will not accept it.

Thank you for the opportunity to testify on HB1656 and for your continued support of the Hawai'i State Public Library System.

DEPARTMENT OF BUDGET AND FISCAL SERVICES
KA 'OIHANA MĀLAMA MO'OHĒLU A KĀLĀ
CITY AND COUNTY OF HONOLULU

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DEPUTY DIRECTOR
HOPE PO'O

February 10, 2026

The Honorable Jackson D. Sayama, Chair
The Honorable Mike Lee, Vice-Chair
and Members of the House Committee on Labor
State Capitol
415 South Beretania Street
Honolulu, Hawaii 96813

Dear Chair Sayama, Vice-Chair Lee and Committee Members:

SUBJECT: Testimony on House Bill 1656, Relating to Indebtedness to the State
Hearing: February 10, 2026, 9:30 a.m., Conference Room 309 and
via Videoconference

The Department of Budget and Fiscal Services, City and County of Honolulu ("City"), offers **comments** to House Bill ("HB") 1656, Relating to Indebtedness to the State. Our primary concern is that Section 1, second paragraph, be amended to the following:

The appointing authority may 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; provided that 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.

The City is also concerned that restricting the deduction to 5% of gross income may extend the collection period, resulting in an increased administrative burden to monitor collections over this extended period, and possibly increasing uncollected amounts should the employee separate from employment before the debt is fully paid. We believe that both the employee and the employer are responsible for ensuring accurate compensation. Therefore, with the understanding that the employee had received the benefit of the indebted funds in advance, we request to remove the concurrence of the employee to use vacation or compensatory time credits.

The Honorable Jackson D. Sayama, Chair
The Honorable Mike Lee, Vice-Chair
and Members of the House Committee on Labor
February 10, 2026
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For the reasons stated above, the City expresses **concerns** with HB 1656 as drafted.

Mahalo for the opportunity to testify on this bill. Should you have any questions or concerns, please feel free to contact the Department of Budget and Fiscal Services at (808) 768-3900 or bfsmail@honolulu.gov.

Sincerely,



Andrew T. Kawano
Director



The House Committee on Labor
February 10, 2026
Room 309
9:30 AM

RE: **HB 1656, Relating to Indebtedness to the State**

Attention: Chair Jackson D. Sayama, Vice Chair Mike Lee, Members of the
Committee

The University of Hawaii Professional Assembly (UHPA), the exclusive bargaining representative for all University of Hawai'i faculty members across Hawai'i's statewide 10-campus system, **supports HB 1656.**

Faculty compensation is uniquely complex due to grant funding, stipend processing, varying contract periods (9-month vs. 11-month), and overload pay. These complexities increase susceptibility to administrative payroll errors through no fault of the employee.

By capping recovery deductions at 5% of gross income and mandating a 30-day written notice, this bill establishes necessary financial safeguards, ensuring faculty can sustain their essential living expenses while affording them the due process needed to verify complex payroll records before their wages are reduced.

UHPA supports the passage of HB 1656.

Respectfully submitted,

Christian L. Fern
Executive Director
University of Hawaii Professional Assembly



UNITED PUBLIC WORKERS

AFSCME Local 646, AFL-CIO

**HOUSE OF REPRESENTATIVES
THE THIRTY-THIRD LEGISLATURE
REGULAR SESSION OF 2026**

COMMITTEE ON LABOR
Rep. Jackson D. Sayama, Chair
Rep. Mike Lee, Vice Chair

Tuesday, February 10, 2026, 9:30 AM
Conference Room 309 & Videoconference

Re: Testimony on HB1656 – RELATING TO INDEBTEDNESS TO THE STATE

Chair Sayama, Vice Chair Lee, 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** HB1656, which 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 cap of five percent of an employee’s gross income per pay period. Additionally, the elimination of the “swipe” provision, which allows DAGS to recover an indebtedness equal to or less than \$1,000 in a single pay period, would further help alleviate the financial burden created by an employer’s payroll error.

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

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HAWAII GOVERNMENT EMPLOYEES ASSOCIATION
AFSCME Local 152, AFL-CIO

RANDY PERREIRA, Executive Director • Tel: 808.543.0011 • Fax: 808.528.0922

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

Testimony by
Hawaii Government Employees Association

February 10, 2026

H.B.1656 — 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. 1656, which 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 stiffed 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. It also doesn't require prior notification to an employee before wages are garnished – which leaves many employees caught by surprise when they receive a reduced paycheck.

By creating a more lenient repayment process, it will help provide financial flexibility to these employees, particularly employees on the lower end of the salary schedule who may fall into financial hardship because they cannot support the additional constraint. It is the employer's responsibility to pay their employees accurately. We understand that mistakes happen, but it is unacceptable to have a strict repayment process that may subject employees to financial hardship due to the employer's inability to properly calculate wages. The statute should be more lenient to repay the balance in the least destructive way possible. Employees are not asking for these overpayments, and they will pay the balance back, but many of them ask for a more tolerable repayment schedule.

Thank you for the opportunity to provide testimony in strong support of H.B. 1656.

Respectfully submitted,

Randy Perreira
Executive Director