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# A BILL FOR AN ACT

RELATING TO THE STRUCTURE OF GOVERNMENT.

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

1 PART I

2 SECTION 1. The purpose of this Act is to consolidate the  
3 department of human resources development and the department of  
4 budget and finance into a single department. The legislature  
5 finds that this consolidation will promote the efficiency and  
6 effectiveness of state government by improving the coordination  
7 between the budgeting of state resources and the hiring of  
8 employees for state positions.

9 PART II

10 SECTION 2. Section 26-4, Hawaii Revised Statutes, is  
11 amended to read as follows:

12 "**§26-4 Structure of government.** Under the supervision of  
13 the governor, all executive and administrative offices,  
14 departments, and instrumentalities of the state government and  
15 their respective functions, powers, and duties shall be  
16 allocated among and within the following principal departments  
17 that are hereby established:





- 1        [~~(13)~~] (12) Department of Hawaiian home lands (~~[Section]~~  
2                    section 26-17);
- 3        [~~(14)~~] (13) Department of business, economic development,  
4                    and tourism (~~[Section]~~ section 26-18);
- 5        [~~(15)~~] (14) Department of transportation (~~[Section]~~ section  
6                    26-19);
- 7        [~~(16)~~] (15) Department of labor and industrial relations  
8                    (~~[Section]~~ section 26-20);
- 9        [~~(17)~~] (16) Department of defense (~~[Section]~~ section 26-21);  
10                   and
- 11        [~~(18)~~] (17) Department of public safety (~~[Section]~~ section  
12                    26-14.6)."

13                SECTION 3. Section 26-8, Hawaii Revised Statutes, is  
14 amended to read as follows:

15                "**§26-8 Department of budget [~~and~~], finance[-], and human**  
16 **resources.** (a) The department of budget [~~and~~], finance, and  
17 human resources shall be headed by a single executive to be  
18 known as the director of finance[+] and human resources.

19                (b) The department shall:

- 20                (1) Undertake the preparation and execution of the  
21                executive budget of the state government;



- 1           (2) Conduct a systematic and continuous review of the  
2           finances, organization, and methods of each department  
3           of the State to assist each department in achieving  
4           the most effective expenditure of all public funds and  
5           to determine that [~~such~~] those expenditures are in  
6           accordance with the budget laws and controls in force;
- 7           (3) Have custody of state funds and be responsible for the  
8           safekeeping, management, investment, and disbursement  
9           thereof; [~~and~~]
- 10          (4) Administer state debts[-]; and
- 11          (5) Administer the state human resources program,  
12             including human resources development and training,  
13             and central human resources services such as  
14             recruitment, examination, classification, pay  
15             administration, and payment of any claims as required  
16             under chapter 386.
- 17          (c) The functions and authority heretofore exercised by  
18          the department of human resources development and the bureau of  
19          the budget (except for insurance management, surplus property  
20          management, and central purchasing transferred to the department  
21          of accounting and general services) and the funds custody, cash



1 management, debt management, and administering of veterans loan  
2 functions of the treasurer as heretofore constituted are  
3 transferred to the department of budget [~~and~~], finance, and  
4 human resources established by this chapter.

5 (d) The employees' retirement system as constituted by  
6 chapter 88 is placed within the department of budget [~~and~~],  
7 finance, and human resources for administrative purposes. The  
8 functions, duties, and powers, subject to the administrative  
9 control of the director of finance[~~7~~] and human resources, and  
10 the composition of the board of trustees of the employees'  
11 retirement system shall be as heretofore provided by law.

12 (e) There shall be within the department of budget,  
13 finance, and human resources a board to be known as the merit  
14 appeals board, which shall sit as an appellate body on matters  
15 set forth in section 76-14. The merit appeals board shall  
16 consist of three members. All members shall have knowledge of  
17 public employment laws and prior experience with public  
18 employment; provided that at least one member's experience was  
19 with an employee organization as a member or an employee of that  
20 organization and at least one member's experience was with  
21 management. The governor shall consider the names of qualified



1 individuals submitted by employee organizations or management  
2 before appointing the members of the board. The chairperson of  
3 the board shall be designated as specified in the rules of the  
4 board.

5 (f) Section 26-34 shall not apply to the merit appeals  
6 board members. The merit appeals board members shall be  
7 appointed by the governor for four-year terms and may be  
8 reappointed without limitation; provided that the initial  
9 appointments shall be for staggered terms, as determined by the  
10 governor. The governor shall fill any vacancy by appointing a  
11 new member for a four-year term. The governor may remove for  
12 cause any member after due notice and public hearing.

13 (g) Nothing in subsections (e) and (f) shall be construed  
14 as in any manner affecting the civil service laws applicable to  
15 the several counties, the judiciary, or the Hawaii health  
16 systems corporation or its regional system boards.

17 (h) There is established in the state treasury the human  
18 resources development special fund, to be administered by the  
19 department of budget, finance, and human resources, which shall  
20 consist of: all revenues received by the department as a result  
21 of entrepreneurial efforts in securing new sources of funds not



1 provided for in the department's budget for services rendered by  
2 the department, all revenues received by the department from the  
3 charging of participant fees for in-service training that are in  
4 addition to general fund appropriations in the department's  
5 budget for developing and operating in-service training  
6 programs, appropriations made by the legislature to the fund,  
7 and moneys directed to the department from any other source,  
8 including gifts, grants, and awards.

9 Moneys in the human resources development special fund  
10 shall be used for the following purposes:

- 11 (1) Supporting the department's entrepreneurial  
12 initiatives, training activities, and programs;  
13 (2) Administrative costs of the department's  
14 entrepreneurial initiatives, training activities, and  
15 programs; and  
16 (3) Any other purpose deemed necessary by the director for  
17 the purpose of facilitating the department's  
18 entrepreneurial initiatives, training activities, and  
19 programs.

20 (i) The department of budget, finance, and human resources  
21 shall submit, no later than twenty days prior to the convening



1 of each regular session, a report of the number of exempt  
2 positions that were converted to civil service positions during  
3 the previous twelve months. The report shall include but not be  
4 limited to:

- 5 (1) The date that each exempt position was established;  
6 (2) The purpose of the exempt position;  
7 (3) Rationale for the conversion; and  
8 (4) The number of exempt positions remaining in each state  
9 department after the conversions."

10 SECTION 4. Section 76-47, Hawaii Revised Statutes, is  
11 amended by amending subsection (b) to read as follows:

12 "(b) Members of the merit appeals board shall be persons  
13 that can objectively apply the merit principle to public  
14 employment. Other qualifications of board members and other  
15 matters pertaining to the establishment of the merit appeals  
16 board, whether composition of the board, manner of appointment,  
17 term of office, limitation on terms, chairperson, removal of  
18 members, and name for its merit appeals board, shall be left to  
19 the determination of each jurisdiction based on its own  
20 preferences and needs. A jurisdiction may continue to use its  
21 civil service commission or appeals board, with or without





1 modification, as its merit appeals board to assume all of the  
2 functions and responsibilities under section 76-14; provided  
3 that the merit appeals board for the State shall be as provided  
4 in section ~~[26-5.]~~ 26-8."

5 SECTION 5. Section 26-5, Hawaii Revised Statutes, is  
6 repealed.

7 [~~§26-5 Department of human resources development.~~ (a)  
8 ~~The department of human resources development shall be headed by~~  
9 ~~a single executive to be known as the director of human~~  
10 ~~resources development.~~

11 ~~(b) The department shall administer the state human~~  
12 ~~resources program, including human resources development and~~  
13 ~~training, and central human resources services such as~~  
14 ~~recruitment, examination, classification, pay administration,~~  
15 ~~and payment of any claims as required under chapter 386.~~

16 ~~(c) There shall be within the department of human~~  
17 ~~resources development a board to be known as the merit appeals~~  
18 ~~board which shall sit as an appellate body on matters set forth~~  
19 ~~in section 76-14. The board shall consist of three members.~~  
20 ~~All members shall have knowledge of public employment laws and~~  
21 ~~prior experience with public employment; provided that at least~~



1 ~~one member's experience was with an employee organization as a~~  
2 ~~member or an employee of that organization and at least one~~  
3 ~~member's experience was with management. The governor shall~~  
4 ~~consider the names of qualified individuals submitted by~~  
5 ~~employee organizations or management before appointing the~~  
6 ~~members of the board. The chairperson of the board shall be~~  
7 ~~designated as specified in the rules of the board.~~

8 ~~(d) The provisions of section 26-34 shall not apply and~~  
9 ~~the board members shall be appointed by the governor for four-~~  
10 ~~year terms and may be re-appointed without limitation; provided~~  
11 ~~that the initial appointments shall be for staggered terms, as~~  
12 ~~determined by the governor. The governor shall fill any vacancy~~  
13 ~~by appointing a new member for a four-year term. The governor~~  
14 ~~may remove for cause any member after due notice and public~~  
15 ~~hearing.~~

16 ~~(e) Nothing in this section shall be construed as in any~~  
17 ~~manner affecting the civil service laws applicable to the~~  
18 ~~several counties, the judiciary, or the Hawaii health systems~~  
19 ~~corporation or its regional system boards, which shall remain~~  
20 ~~the same as if this chapter had not been enacted.~~



1       ~~(f) There is established in the state treasury the human~~  
2 ~~resources development special fund, to be administered by the~~  
3 ~~department of human resources development, which shall consist~~  
4 ~~of: all revenues received by the department as a result of~~  
5 ~~entrepreneurial efforts in securing new sources of funds not~~  
6 ~~provided for in the department's budget for services rendered by~~  
7 ~~the department, all revenues received by the department from the~~  
8 ~~charging of participant fees for in-service training that are in~~  
9 ~~addition to general fund appropriations in the department's~~  
10 ~~budget for developing and operating in-service training~~  
11 ~~programs, appropriations made by the legislature to the fund,~~  
12 ~~and moneys directed to the department from any other source,~~  
13 ~~including gifts, grants, and awards.~~

14       ~~Moneys in the human resources development special fund~~  
15 ~~shall be used for the following purposes:~~

- 16       ~~(1) Supporting the department's entrepreneurial~~  
17       ~~initiatives, training activities, and programs;~~
- 18       ~~(2) Administrative costs of the department's~~  
19       ~~entrepreneurial initiatives, training activities, and~~  
20       ~~programs; and~~





1 SECTION 7. Transfer of officers and employees. All  
2 officers and employees whose functions are transferred by this  
3 Act shall be transferred with their functions and shall continue  
4 to perform their regular duties upon their transfer, subject to  
5 the state personnel laws and this Act.

6 No officer or employee of the State having tenure shall  
7 suffer any loss of salary, seniority, prior service credit,  
8 vacation, sick leave, or other employee benefit or privilege as  
9 a consequence of this Act, and an officer or employee may be  
10 transferred or appointed to a civil service position without the  
11 necessity of examination; provided that the officer or employee  
12 possesses the minimum qualifications for the position to which  
13 transferred or appointed; and provided further that subsequent  
14 changes in status may be made pursuant to applicable civil  
15 service and compensation laws.

16 An officer or employee of the State who does not have  
17 tenure and who may be transferred or appointed to a civil  
18 service position as a consequence of this Act shall become a  
19 civil service employee without the loss of salary, seniority,  
20 prior service credit, vacation, sick leave, or other employee  
21 benefits or privileges and without the necessity of examination;



1 provided that the officer or employee possesses the minimum  
2 qualifications for the position to which transferred or  
3 appointed.

4 If an office or position held by an officer or employee  
5 having tenure is abolished, the officer or employee shall not  
6 thereby be separated from public employment, but shall remain in  
7 the employment of the State with the same pay and classification  
8 and shall be transferred to some other office or position for  
9 which the officer or employee is eligible under the personnel  
10 laws of the State as determined by the head of the department or  
11 the governor.

12 SECTION 8. Transfer of records, equipment, and other  
13 personal property. All appropriations, records, equipment,  
14 machines, files, supplies, contracts, books, papers, documents,  
15 maps, and other personal property heretofore made, used,  
16 acquired, or held by the department of budget and finance and  
17 the department of human resources development relating to the  
18 functions transferred to the department of budget, finance, and  
19 human resources shall be transferred with the functions to which  
20 they relate.



1 SECTION 9. Transfer of functions; continuity of rules,  
2 policies, and other material. All rules, policies, procedures,  
3 guidelines, and other material adopted or developed by the  
4 department of budget and finance and the department of human  
5 resources development to implement provisions of the Hawaii  
6 Revised Statutes that are made applicable to the department of  
7 budget, finance, and human resources by this Act, shall remain  
8 in full force and effect until amended or repealed by the  
9 department of budget, finance, and human resources, pursuant to  
10 chapter 91, Hawaii Revised Statutes.

11 In the interim, every reference to the department of budget  
12 and finance or department of human resources development, or the  
13 director of finance or director of human resources development  
14 in those rules, policies, procedures, guidelines, and other  
15 material is amended to refer to the department of budget,  
16 finance, and human resources or the director of finance and  
17 human resources, as appropriate.

18 SECTION 10. Transfer of functions; effect on agreements,  
19 contracts, deeds, leases, permits, and other documents. All  
20 agreements, contracts, deeds, leases, permits, or other  
21 documents executed or entered into by or on behalf of the









1 SECTION 14. The revisor of statutes shall replace the  
2 terms:

3 (1) "Department of budget and finance" or "department of  
4 human resources development" or like terms, with  
5 "department of budget, finance, and human resources";  
6 and

7 (2) "Director of finance" or "director of human resources  
8 development" or like terms, with "director of finance  
9 and human resources",

10 as those terms appear in the Hawaii Revised Statutes.

11 SECTION 15. Statutory material to be repealed is bracketed  
12 and stricken. New statutory material is underscored.

13 SECTION 16. This Act shall take effect on January 1, 2050.



**Report Title:**

Government Structure; B&F; DHRD; Consolidation

**Description:**

Consolidates the Department of Budget and Finance and the Department of Human Resources Development into the Department of Budget, Finance, and Human Resources. Transfers functions and duties accordingly. Effective 1/1/2050. (SD1)

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