INTERAGENCY WORKING GROUP

TRANSFER OF FUNCTIONS
FROM VARIOUS DEPARTMENTS
TO THE DEPARTMENT OF EDUCATION

A REPORT TO THE LEGISLATURE
IN RESPONSE TO SECTION 42 OF ACT 51, SLH 2004

DECEMBER 2004
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- **A** DOE-DAGS Chairs' Recommendation (part of the November 15, 2004, IWG agenda)
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INTRODUCTION

Part VIII of Act 51 "Reinventing Education Act of 2004" requires the Interagency Working Group (IWG) created by the Act to submit plans to the Legislature regarding the transfer of rights, powers, functions, duties, and resources, including positions on July 1, 2005, from the Department of Accounting and General Services and the Department of Human Resources Development to the Department of Education.

In meeting this requirement, the IWG has set forth recommendations that meet the intent of Act 51, provided a status report on the transfer of functions that are scheduled for July 1, 2006, and has made additional observations for the Legislature's consideration.

A great deal of time and effort was invested by all concerned in the development of this report. Many of the departments involved produced extended information briefings and reports expressing their specific views and recommendations. While there are some important areas of agreement, in many cases, the IWG was not able to reach consensus on the issues. In order to more effectively communicate its findings to the legislature, this report contains the key elements of the views of the various constituents and captures the essence of the various views, but not all of the massive amount of information that was used in developing the somewhat summarized views expressed herein. If interested, readers of this report may obtain the specific and more voluminous versions of the various briefings and position reports from the participating departments. A contact list is contained in Appendix C.

The IWG is grateful for the support of the Business Round Table in funding the services of the professional facilitator Kathy Bryant, the legal advice and counsel provided by Deputy Attorney General Randall Nishiyama, and the staff support provided by Kate Stanley, consultant for the Department of Education.

I wish to express my personal appreciation to the Directors of the Departments, Union leaders and representatives, and community members--especially Don Horner, President of First Hawaiian Bank, who willingly contributed additional time and expertise as Vice Chair--for their participation in the work of the IWG.

David Carey
President and Chief Executive Officer of Outrigger Enterprises
Chair
Interagency Working Group
EXECUTIVE SUMMARY

The IWG met nine times from July to December 2004. To facilitate the development of recommendations, the IWG created Investigative Committees (ICs) for each department named in Act 51. The ICs were tasked with identifying the functions to be transferred to the Department of Education (DOE), exploring alternatives for the transfer, and providing a recommendation to the IWG. The Department of Accounting and General Services (DAGS) and the Department of Human Resources Development (DHRD) were given the most attention as those functions transfer on July 1, 2005.

After reviewing transfer options, and based on discussion of how best to implement Act 51, the IWG agreed to the following recommendations for the transfer of functions from DAGS and DHRD:

- The DAGS functions and resources as detailed in Act 51, Section 46, relating to the repair and maintenance and capital improvement projects will transfer to the DOE on July 1, 2005.

- The DOE-DAGS transition team, as defined in Chapter III, will resolve the actual number of DAGS personnel and resources that transfer to DOE by February 1, 2005.

- The DOE will establish a Service Bureau as a one-stop shop for repair and maintenance and capital improvement projects for the schools. The Bureau will be comprised of DOE and the transferred DAGS functions and resources under a restructured organizational chart to be developed by March 1, 2005.

- The DHRD functions as detailed in Act 51, Section 46, including the recruitment, examination, and classification of civil service personnel will transfer to the DOE on July 1, 2005.

- The DOE will automate and restructure their Office of Human Resources (OHR) to create an integrated personnel system. In addition, DOE will propose the establishment a civil service system that will retain the rights and benefits of the civil service employees and insure that DOE civil service personnel will be treated as Executive Branch employees as of July 1, 2005.

- DOE and DHRD have different positions on both the resources required to assume the transferred functions and the type of civil service system to be established by DOE. The positions are articulated in Chapter II.

Transition Teams for the DHRD and DAGS transfers have been convened. They are comprised of representatives of the two departments, unions, and IWG community members, and have been tasked to carry out the transfer process between December
2004 and July 2005. The Transition Teams will report to the IWG on the progress of the transfer.

The IWG will continue to meet on an ongoing basis to review the Transition Team plans and insure that implementation is progressing. In addition, the IWG will focus on the functions to be transferred in 2006 from the Departments of Health, Human Services, Budget and Finance, and the Attorney General. Status reports are provided in Chapter IV.
CHAPTER I
OVERVIEW OF THE INTERAGENCY WORKING GROUP

Act 51, passed by the 2004 Legislature and known as the "Reinventing Education Act of 2004" included a coordinated package of initiatives to implement comprehensive education reform in Hawaii's public schools.

Part VIII of Act 51 addressed the concern that many state agencies perform services for the DOE and that this may not be the most efficient and effective organizational structure. The Legislature required the transfer of functions from various departments to the DOE in order to improve the responsiveness and service delivery of the DOE. The Legislature established an Interagency Working Group (IWG) charged with the responsibility of developing plans for the transfer of rights, powers, functions, duties and resources, including positions from the various departments to the DOE.

The transfer of functions was set to occur in phases. On July 1, 2005, the functions relating to expending capital improvement funds, contract administration relating to capital improvement projects (CIP) and the repair and maintenance functions that had not been transferred July 1, 2004, are transferred from DARGS to the DOE. Also, the functions relating to the operation of a centralized human resources system including recruitment, certification, examination, management, classification and compensation of DOE employees are to be transferred from DHRD to the DOE. On July 1, 2006, functions from the Departments of Budget and Finance, Attorney General, Human Services, and Health are to be transferred to the DOE.

The membership of the IWG as required by Act 51 include:

Mark Bennett, Attorney General, Department of the Attorney General
Chiyoume L. Fukino, M.D., Director, Department of Health
Patricia Hamamoto, Superintendent, Department of Education
Georgina K. Kawamura, Director, Department of Budget and Finance
Lillian B. Koller, Director, Department of Human Services
Russ K. Saito, Comptroller, Department of Accounting and General Services
Kathleen N. A. Watanabe, Director, Department of Human Resources Development
Dayton Nakanelua, State Director, United Public Workers
Russell Okata, Executive Director, Hawaii Government Employees Association

Act 51 also provided that the Superintendent could appoint community members to the IWG. Superintendent Patricia Hamamoto appointed the following community members:

Joshua Agsalud Ed.D., Former Administrative Director of the State of Hawaii
David Carey, President and Chief Executive Officer, Outrigger Enterprises
Donald Horner, President, First Hawaiian Bank
Alan Oshima, Oshima Chun Fong & Chung
Linda Smith, Senior Policy Advisor, Office of the Governor
On July 22, 2004, Superintendent Hamamoto convened the first meeting of the IWG. At this meeting, the IWG agreed to work in subcommittees or investigative committees to prepare recommendations for the IWG to consider and adopt. Six (6) ICs were created, one for each Department for which Act 51 required a transfer of functions. Agency heads appointed members to the ICs and members of the IWG were encouraged to become active members of one or more of the ICs.

The ICs created for the Department of Accounting and General Services (DOE-DAGS IC) and for the Department of Human Resources Development (DOE-DHRD IC) met frequently as these transfers of functions are set for July 1, 2005. The other ICs met once or twice and their progress is reported in Chapter IV.

The DOE-DAGS IC reviewed the current system for delivering repair and maintenance and capital improvement services at each agency and the relationship between the agencies, developed options for delivering services, reviewed the DOE's proposal to restructure in order to carry out the transferred functions, and developed recommendations for the IWG to consider.

The DOE-DHRD IC reviewed various options, discussed what kind of civil service system DOE could operate, and discussed what resources the DOE would require from each Department's perspective.

The work of each DOE-DAGS IC and the DOE-DHRD IC is reported in Chapter II.

At the September 7, 2004, meeting, the IWG selected David Carey to serve as Chair of the IWG and Donald Horner to serve as Vice-Chair. The IWG adopted a work plan, timeline, and agreed to use the services of a professional facilitator to assist in the work of the ICs and the IWG. Chair Carey and Vice-Chair Horner offered to secure funds from the Business Round Table in order to provide the services of the facilitator.

At the September 23, 2004, meeting of the IWG, the following was adopted as the criteria for the IWG to use in evaluating the various IC recommendations regarding the transfer of functions:

Overall Goal: Improve Student Achievement

1. Minimize the overall costs to State government.
2. Minimize the impact to personnel by maintaining transferred employees' current civil service rights and benefits and ensuring no reductions in force at the time of transfer.
3. Improve accountability by having clear responsibility and standards for service delivery (Service Level Agreements).
4. Reduce the time it takes to deliver services, improve the quality of services, and make it easier to use services.
5. Increase efficiency and effectiveness through improved organizational structure and processes, innovation and uses of products and/or technology.
6. Improve services so that they are "school centered" in order to support student achievement.

At the October 26, 2004, IWG meeting, preliminary action was taken on recommendations for both the DHRD and DAGS transfer of functions. The recommendation for DHRD was to (1) extend the transfer one year, (2) have DHRD through a Service Level Agreement (SLA), continue to provide services for the DOE, and (3) have DHRD assist DOE in developing a personnel system. The recommendation for DAGS was to: (1) have DAGS continue to provide services to the DOE through SLAs and (2) transfer some personnel to assist the DOE to develop the Service Bureau.

Service Level Agreements set forth activities and performance measures to be performed between two parties—in this case, state agencies. Accountability and control, including funds, would be transferred to DOE. A client-vendor relationship would be established between DOE and the other department (DAGS or DHRD) governed by an SLA. A minimum number or no staff would transfer under this arrangement.

At the November 15, 2004, IWG meeting, concerns were raised that the recommendations developed to date would not fully comply with the requirements of Act 51. Therefore, it was recommended that there be a full transfer of functions on July 1, 2005, unless the statutory deadline was changed by the Legislature. The DOE-DAGS and DOE-DHRD ICs were asked to reconvene and clearly state each Department's position given the new direction.

On November 22, 2004, (the continuation of the November 15th IWG meeting), the members agreed with the exception of the United Public Workers' union and one community member of the IWG, to support the full transfer of functions and resources on July 1, 2005. Attorney General Mark Bennett informed the IWG that MOUs and SLAs were agreements that could be entered into by consenting departments. These agreements could be used to provide services beyond the July 1, 2005, date in order for the transition of functions to be completed. The IWG agreed to draft the report reflecting agreements and areas of disagreement between Departments over the full transfer of functions.
CHAPTER II
FINDINGS AND RECOMMENDATIONS

The IWG created ICs to develop recommendations relating to the transfer of functions for each of the departments. The IWG provided the ICs with a timeline and outline for action to be completed by November 2004.

Each IC explored potential transfer options ranging from moving all functions and resources from a department to the DOE to keeping the functions within a department and then creating a very specific Service Level Agreement (SLA) between DOE and the respective department to utilize those functions. By developing alternatives that would transfer the control and authority of the functions without necessarily moving positions addressed concerns by the departments and unions to minimize the impact to staff and avoid potential disruption of services to other state agencies.

Initially, the IC working on the transfer of functions from DARGS favored an option that transferred few staff and established a very specific SLA since that transfer included approximately 319 positions. The IC working on the transfer of functions from DHRD also explored the alternatives of delaying the transfer and/or creating the client/vendor relationship between themselves and the DOE through a Service Level Agreement.

However, at the IWG meeting on November 15, 2004, concerns were raised that the recommendations developed to date would not fully comply with the requirements of Act 51. The IWG asked the ICs to move forward to transfer all functions and resources to the DOE as articulated in Act 51, Section 46, on the date specified.

The IWG, with the exception of the United Public Workers union representative and one community member, in relation to the DARGS transfer, agreed to move forward with the full transfer of functions and resources as specified in Act 51. The ICs reconvened to develop recommendations on how to proceed with the full transfer. While it was the intent of the ICs to prepare a unified position on the transfer plan, both ICs presented separate positions on how best to proceed with the transfer of functions on July 1, 2005.

Transfer of DARGS Functions and Resources

The functions currently provided by DARGS to the DOE are the repair and maintenance and capital improvement projects design and construction for the schools. The DARGS functions are largely divided between the Public Works Division (PWD) and the Central Services Division (CSD). There are currently 642 positions within these divisions and the neighbor islands.

DARGS evaluated staff resources performing functions for the DOE based on estimates of staff time spent and concluded that there are 319 full-time equivalent (FTE) positions providing services to the DOE. This analysis was done by a percentage of staff time devoted to DOE projects and it was noted that some of the personnel divide their time
between DOE and other state projects. In some cases, such as the neighbor islands, it could be difficult to move the position to DOE without creating duplicate positions because of the small number of staff and few supervisory positions. Additionally, a transfer of the staff could create a shortage of personnel making it difficult for DAGS to serve other state agencies.

The functions that transfer to DOE will move into a newly created Service Bureau. The Service Bureau represents a restructuring within DOE to deliver repair and maintenance (R&M) and capital improvement projects (CIP) services to the schools. The Service Bureau will be organized as a “one-stop” center for R&M and CIP within DOE.

The IC discussions emphasized that the personnel within DAGS and DOE are highly skilled and very competent. In addition, the staffs have long worked together and have good working relationships. DOE stressed that the Act 51 effort had multiple objectives: to increase accountability, responsibility, and improve efficiency. The DOE Service Bureau would be able to meet these objectives, in large part based on the quality of the staff in DAGS that would transfer to the DOE and be central to the operation and management of the Bureau.

Memorandums of Understanding (MOUs) or Service Level Agreements (SLAs) may be used to provide for an orderly transition of functions and for the shared use of resources where functions and resources cannot be easily transferred.

Between December 2004 and June 30, 2005, several actions will take place to insure an orderly transfer of functions. The process will be overseen by a Transition Team comprised of representatives from each department, their human resource offices, union representatives, and members of the community currently serving on the IWG. The Transition Team will report back to the IWG on the progress of the transfer preparations. Steps to be taken during this period include:

- Jointly DAGS, DOE, and unions will develop guidelines, process, and selection criteria for transferring positions and personnel in compliance with collective bargaining agreements from DAGS to the DOE by January 10, 2005.

- DOE shall develop complete plans, including position numbers, for how the DOE Service Bureau will initially function on July 1, 2005, detailing the supervisory relationships and responsibilities upon transfer of DAGS positions to the DOE, as well as other DOE positions in the Service Bureau by February 1, 2005.

- After DAGS and DOE identify vacant positions that will be transferred, DOE will re-describe vacant positions to accommodate managerial positions that need to be created for specific requirements of the Service Bureau that differ from functions as performed by DAGS by February 1, 2005.

- DOE and DAGS shall plan for the transfer of non-personnel resources used to support R&M and new construction responsibilities from DAGS to DOE as
defined in Act 51, Section 48, excluding resources required by DAGS to fulfill its mission in providing service to other State agencies. Resources include contracts, databases, records, furniture and equipment that are attached to the positions. The plan shall be completed by March 1, 2005.

- DOE shall develop the long-term Service Bureau mission, strategy, structure (organization chart with job descriptions) and responsibilities, including number of positions, plus managerial and technical progression paths by March 1, 2005. DOE shall develop plans and timelines for establishing the personnel system the DOE will use for the positions that transfer from DAGS to the DOE. DOE shall confirm that the transfer of DAGS positions to the DOE on July 1, 2005, will maintain rights and benefits and will use the executive branch system under the same rules that apply to the 6,000 current DOE employees managed by DHRD.

- DOE will continue (on an ongoing basis) to evaluate their own positions as they become vacant to decide whether or not they should require an education background. This effort will be important to non-education personnel becoming employees of and seeking to be promoted within the DOE.

- DOE shall develop accounting separation and a cost allocation method for services and resources provided that cannot be separated and may have joint use by DOE and DAGS by June 1, 2005.

- DAGS shall develop accounting separation and a cost allocation method for services and resources provided that cannot be separated and transferred from DAGS to DOE by June 1, 2005.

Still unresolved is the reconciliation of the actual number of positions that transfer from DAGS to DOE.

- DOE supports the use of the “Staff Resources Performing Functions for DOE” as provided by DAGS at the November 22, 2004, IWG meeting. The FTE analysis states that based on the amount of time spent on DOE work, 319 positions should transfer to DOE.

- As of December 8, 2004, DAGS recommends the transfer of approximately 263 positions based on DAGS' need to provide services to other Departments and a more detailed analysis of the neighbor island workforce and a reexamination of the data presented in the initial report.

- The Transition Team will resolve how best to manage staff resources with overlapping responsibilities for DOE and other agencies. This applies particularly to neighbor island staff and resources. One option under consideration is to use an SLA between the agencies detailing how the staff and resources would be shared.
Separate Recommendation

It is important to note that the United Public Workers (UPW) union and one community member did not support the recommendation above. The UPW recommends that the IWG support the recommendation developed and presented to the IWG on November 15, 2004. They favor this recommendation principally because it minimizes the impact to personnel and because it was the work product of the IC after several meetings of discussion. The complete recommendation is attached in Appendix A.

Transfer of DHRD Functions

Act 51 requires that all rights, powers, functions, duties, and resources of DHRD relating to the operation of a centralized human resources system and recruitment, certification, examination, management, classification and compensation of DOE employees, including labor relations be transferred to the DOE effective July 1, 2005.

DHRD provides the policy guidance and management services for the 24,000 civil service personnel in the State. These services include the recruitment, certification, examination, classification and compensation of potential and existing personnel. They provide services to all state agencies. DHRD has a staff of 111 persons providing these services statewide. DHRD was not able to provide the IWG with a specified amount of time their staff allocates to DOE services. DHRD’s staff allocation is not tracked on a per department basis but is managed by type of classification and service area. As such, the IWG could not ascertain exactly what resources are allocated to DOE by DHRD.

DOE OHR manages four (4) personnel areas: certificated, classified, support services personnel (SSP), and casual hires. The DOE presented the following employment figures on October 9, 2004:

<table>
<thead>
<tr>
<th>Personnel Area</th>
<th>Description</th>
<th>Number of Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Certificated</td>
<td>Administration, Teachers, Principals</td>
<td>14,361</td>
</tr>
<tr>
<td>Classified</td>
<td>Civil Service Personnel: clerks, cooks, secretaries, etc.</td>
<td>5,266</td>
</tr>
<tr>
<td>Support Services (SSPs)</td>
<td>Specialized personnel (Felix related): psychologists, speech pathologists, classroom assistants, etc.</td>
<td>3,019</td>
</tr>
<tr>
<td>Casual Hire</td>
<td>Part-time teachers, special education assistants, coaches, substitutes, etc.</td>
<td>94,083</td>
</tr>
<tr>
<td>Total DOE employees</td>
<td></td>
<td>116,729</td>
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</table>

DOE OHR June, 2004

The DOE OHR has 190. Of the 190 employees, 90 employees are trainers for the Felix Consent Decree. The remaining 100 provide services to the DOE personnel. Act 51 addresses the personnel functions for the classified (civil service) personnel only. Those functions relating to the classified personnel are carried out in part by DHRD and in part by DOE.
Based on the reports from the DOE-DHRD IC, reports submitted to the IWG from each Department, and discussion at the IWG meetings, the IWG agreed to the following:

- The functions will transfer on July 1, 2005.
- DHRD will assist the DOE by providing consultation and training.
- The DOE will automate the human resources system and restructure the DOE OHR by July 1, 2005. When completed, DOE will have merged four (4) personnel systems into one unified, integrated system with control over the recruitment process across all personnel and increased efficiency in recruitment and placement.
- After July 1, 2005, if the DOE requires further support or if DHRD continues to provide services related to the transferred functions, this might be accomplished through Memorandums of Understanding, Memorandums of Agreement or Service Level Agreements.

Between December 2004 and June 30, 2005, actions will take place to insure an orderly transfer of functions. The process will be overseen by a Transition Team comprised of representatives from each department, union representatives and members of the community currently serving on the IWG. The Transition Team will report back to the IWG on the progress of the transfer preparations. Steps to be taken during this period include:

- Move forward with the DOE OHR automation of records and processes.
- Work with DHRD to complete the “checklist” of tasks needed for transfer provided by DHRD on October 12, 2004.

**Department Positions**

DOE and DHRD have different positions regarding resource requirements and the establishment of a civil service system within DOE.

DHRD has agreed to support and has provided information and assistance to the DOE in the transfer process. DHRD does not support the transfer of DHRD personnel nor does it unconditionally support the creation of a civil service system within DOE for the following reasons:

- DHRD must service the entire state and any reduction of its personnel will have a negative impact on the services that DHRD can provide to other state Departments and agencies.
- DHRD strongly maintains that there are sufficient personnel within the DOE to perform the transferred functions since DOE already provides similar services for
other DOE employees. In particular, they argued that DOE has vacant positions that should be filled prior to requesting additional resources and that the DOE restructuring should result in efficiencies that would require less staff, not more.

- DHRD is opposed to the creation of a DOE civil service system, where DOE civil service employees would retain the right to transfer in and out of the DHRD civil service system or where they would otherwise be entitled to benefits under the DHRD civil service system. The DHRD position is that the DOE civil service system must be separate and apart from the DHRD civil service system. DHRD's position is that there cannot be an interchange between the two civil service systems, as this is not allowed in other civil service systems such as the Judiciary, Hawaii Health Systems Corporation, and the Counties. DHRD cannot support an exception to this practice just for DOE civil service employees.

The DOE's position is as follows:

- DOE's position relating to its resource needs is that during the next six months DOE will look from within to accomplish the task of restructuring their Office of Human Resources. The objective is to create an integrated personnel system for all employees including civil service personnel. However, since the services provided by DHRD are not ones currently carried out by DOE staff, preliminary estimates for resource requirements to carry out the functions transferred from DHRD are an additional 22 full-time equivalent (FTE) positions.

- DOE's position is that DOE can operate a civil service system under Chapter 76, HRS. DOE will need to amend Chapter 78 to allow DOE employees to retain civil service benefits and to insure that DOE classified employees will be treated as executive branch employees.
CHAPTER III
IWG OBSERVATIONS

Throughout the work of the IWG and the ICs, other issues and concerns regarding the effort to improve the responsibility and accountability of the DOE were identified and discussed. While not part of the actual transfer of functions, these issues and concerns will affect the performance of the DOE. The IWG has identified three issues to bring to the Legislature’s attention.

Repair and Maintenance Funding

During both the DOE-DAGS IC meetings and at the IWG meetings, there was considerable discussion relating to the current repair and maintenance (R&M) funding available for DOE facilities.

Using the American Public Works Association’s recommendation that between 2% to 4% of the aggregate current replacement value of public school facilities be budgeted for routine repair and maintenance, approximately $100 million would be needed each fiscal year. Also, an additional $88 million would be needed to address the current backlog. For the DOE to reduce the backlog and keep current with emergency, routine, and cycle maintenance, approximately $188 million is needed in each of the next six fiscal years.

For the most recent fiscal years, the repair and maintenance budget for general funds (cash) and bond funds has been as follows:

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>General Funds</th>
<th>Bond Funds</th>
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<tbody>
<tr>
<td>FY 00-01</td>
<td>$52,761,553</td>
<td>$15,000,000</td>
</tr>
<tr>
<td>FY 01-02</td>
<td>$23,259,540</td>
<td>$125,000,000</td>
</tr>
<tr>
<td>FY 02-03</td>
<td>$22,722,767</td>
<td>$120,000,000</td>
</tr>
<tr>
<td>FY 03-04</td>
<td>$22,841,005</td>
<td>$35,000,000</td>
</tr>
<tr>
<td>FY 04-05</td>
<td>$23,301,511</td>
<td>$100,000,000</td>
</tr>
</tbody>
</table>

Currently, funding repair and maintenance through bond funds limits the ability of DAGS and the DOE to adequately provide emergency, routine, and cycle maintenance for the schools. Bond funded R&M projects must have a life of 20 years. This creates the situation where repair and maintenance work is deferred until the work requires a major
project; for example, delaying the repair of a roof until such time that the whole roof is replaced.

School facilities repair and maintenance would improve if an appropriate balance between general funds and bond funds were provided and if the funds provided were stable across a number of fiscal years.

Financial Reporting Systems

As the DOE becomes accountable for more of its operations, it becomes necessary for the DOE to account for all of the department’s expenditures. The financial and accounting systems of the DOE need to be restructured so that budget and expenditures are timely, effective and understandable to the Board of Education, the State Administration, the Legislature and the public at large.

Baseline Measures

Baseline measures need to be developed jointly by DAGS and DOE by June 30, 2005. The baseline measures will articulate the current asset conditions and service standards such as:

- Frequency of time schools are painted and re-roofed
- Response time for service calls to be completed
- Construction timeframe for new school construction and repair and maintenance
- And other appropriate measures.

In addition, DOE should establish their ideal performance goals such as:

- Schools are painted every five years
- Schools work orders are responded to within 48 hours
- Every school facility has functional/operational restrooms
- And other appropriate measures.

It is important to note that performance standards are directly linked to resource allocation. Also, Service Level Agreements (SLAs) developed between the Service Bureau and principals and complex area superintendents should include specific performance measures linked to the baseline measures.
CHAPTER IV
STATUS AND RECOMMENDATIONS FOR THE 2006 TRANSFERS

DEPARTMENT OF BUDGET AND FINANCE

The Investigative Committee (IC) for the transfer of functions from the Department of Budget and Finance met on August 17, 2004. Members from the DOE included: Superintendent Patricia Hamamoto, Edwin Koyama, Fay Iketi, Linda Shinsato, and Sanford Beppu and members from the Department of Budget and Finance included: Director of Finance Georgina Kawamura, Deputy Director of Finance Stanley Shiraki, Neal Miyahira, Scott Kami, Dan Manabe, Jeff Tsuda, and Ed Rogoff. Lei Desha from the Hawaii Government Employees Association was also a member.

The IC agreed to create working groups to discuss the capital improvement allotment process, funding of collective bargaining agreement increases, determination of retirement and other employee benefits and the securing, administering and use of federal funds and other aid. The DOE also stated that there was no interest in assuming custodial supervision of funds. The DOE agreed to prepare a statement explaining the issues and concerns relating to the functions that are to be transferred.

Superintendent Hamamoto and Director Kawamura agreed that the work of the IC would continue in 2005.

DEPARTMENT OF THE ATTORNEY GENERAL

The Investigative Committee (IC) for the transfer of functions from the Department of the Attorney General met on August 18, 2004. Members from the DOE included: Superintendent Patricia Hamamoto, Solette Perry, Fay Iketi, and Linda Shinsato; members from the Department of the Attorney General included: Attorney General Mark Bennett, and Deputy Attorney Generals James Halvorson, Holly Shikada, and Randall Nishiyama; and members from the Department of Budget and Finance included: Jeff Tsuda and Dave Moore. Lei Desha from the Hawaii Government Employees Association was also a member.

Attorney General Bennett offered to prepare data on the number of service hours the Department of the Attorney General provides to the DOE including the service hours provided for labor relations matters and worker's compensation claims. The two Departments will form working groups to review the services provided, discuss what the DOE needs and wants in services from the Department of the Attorney General and then how best to structure those services.

Superintendent Hamamoto and Attorney General Bennett agreed that the work of the IC would continue in 2005.
DEPARTMENT OF HUMAN SERVICES

The Investigative Committee (IC) for the transfer of functions from the Department of Human Services met on September 30, 2004. Members from the DOE included: Superintendent Patricia Hamamoto, Chris Butt, Glenn Nakamoto, Joanne Swearingen, Fay Ikei, and Linda Shinsato; members from the Department of Human Services included: Deputy Director Henry Oliva and Gary Kemp; and members from the Department of Budget and Finance included: Ed Rogoff and Dean Mizusawa. Lei Desha from the Hawaii Government Employees Association was also a member.

The IC discussed the function of performing background checks for DOE employees including A+ employees. Currently, the DOE performs background checks for employees and the Department of Human Services has agreed to perform background checks for A+ employees. The DOE expressed appreciation for the Department of Human Services willingness to provide this service.

The IC made the following recommendation to the IWG, which adopted this recommendation at the October 26, 2004, IWG meeting:

- The Department of Human Services continue to provide A+ employee background checks for the current school year 2004-2005 and the next school year 2005-2006. The Memorandum of Understanding (MOU) that governs the agreements between the DOE and the Department of Human Services with regards to the A+ program will contain this provision.

- The DOE do an analysis of the resources required to do all background checks including the A+ background checks and examine various options for performing this function.

- No positions will be moved from the Department of Human Services.

- The IC will convene during the first half of 2005 to review the status of the MOU and the analysis being done by the DOE.

DEPARTMENT OF HEALTH

The Investigative Committee (IC) for the transfer of functions from the Department of Health met August 17, 2004, and October 11, 2004. Members from the DOE included: Superintendent Patricia Hamamoto, Kathy Kawaguchi, Glenn Tatsuno, Dee Helber, Fay Ikei, and Linda Shinsato; members from the Department of Health included: Director Chiyoue Fukino and Deputy Director Linda Rosen; and members from the Department of Budget and Finance included: Dan Manabe and Susan Inouye. Lei Desha from the Hawaii Government Employees Association was also a member.
The IC created a transition team comprised of representatives from the DOE and the Department of Health to plan for the transition of the school health aides and the supervisory public health nurses. The transition team has met four (4) times.

The Department of Health asked the transition team to look at the possibility of moving the transfer date of the school health aides to July 1, 2005.

The transition team recommended to the IC that the transfer date remain July 1, 2006, in order to provide sufficient time to accomplish the following:

- Assess and provide for substitute school health aide services in the DOE;
- Clarify the civil service status of DOE employees;
- Ensure a proper and timely continuation of employee compensation;
- Meet and confer with the Hawaii Government Employees Association; and
- Communicate with and inform not only the affected employees but also all DOE personnel.

The Transition Team also recommended that the supervising public health nurses remain at the DOH and continue to provide professional and technical supervision through a Service Level Agreement between the Departments.

The Department of Health stated that the supervisory public health nurses should transfer with the school health aides and asked that the transition team meet to discuss the simultaneous transfer of the supervisory public health nurses along with the school health aides on July 1, 2006.

The IC agreed that:

- The school health aides will transfer from the Department of Health to the DOE on July 1, 2006.
- The Transition Team will meet and discuss the transfer of the supervisory public health nurses and continue to plan for the school health aides transfer.
- The IC will meet again during the first quarter of 2005.

The IC has not agreed on the best approach for providing public health nurse supervision for the school health aides: either through the transfer of some public health nurses or through a Service Level Agreement between the Departments.
DOE- DARGS Chair's Recommendation

1. DOE establishes a Service Bureau. The Service Bureau will be implemented on July 1, 2005. The Service Bureau would:
   - Create a “one stop shop” (a clearinghouse for client services for the individual schools), to receive, prioritize, and assign projects, work orders and other requests which will include a “call center”
   - Provide Client-Principals with a “Service Bureau” Report Card that will document all facilities costs, R&M, CIP projects inclusive of labor
   - Facilitate DOE development and control of the scope, budget, and schedule for R&M and CIP
   - Establish Client-Vendor relationships with DARGS to develop specific performance standards and improve accountability to the schools for the delivery of services

2. In order to successfully implement the Service Bureau, the following actions will take place as of July 1, 2005:
   - DOE will be the expending agency for CIP
   - Budget provisions will allow DARGS delegated expending agency status for all project funds transferred from the DOE.
   - DARGS controls personnel costs and resources required to carry out its program functions
   - DOE will be the expending agency for maintenance contracts and furniture refurbishment

3. Staffing: 12 existing (2 planners, 5 Building Inspectors (BIPS), 3 Engineers, 1 program services staff, and 1 clerk/secretary) and 2 vacant (1 drafting tech/planner, 1 procurement) positions and resources will be moved from DARGS in order to establish a service bureau at the DOE on July 1, 2005. The functions of the existing positions will remain the same within DOE. DOE and DARGS agree that the positions should transfer from DARGS to DOE to implement the Service Bureau. The concern to be addressed is to insure that the rights and benefits of the personnel are retained in the move. As such, it is recommended that:
   - The vacant positions transfer from DARGS to DOE on or before July 1, 2005.
   - Legislative action be taken in 2005 to insure that all rights and benefits are maintained for personnel transferred as part of ACT 51 and that the ability to apply for DARGS internal non-competitive recruitment be retained by those personnel transferred until such
time as DOE establishes a personnel system for civil service employees.

- If legislative action is not taken, incumbents of the identified positions would be "detailed" meaning "on loan" to DOE effective July 1, 2005, and would still be DAGS employees paid by DAGS, but supervised by DOE. If the identified positions on loan to DOE become vacant, the positions will be permanently transferred to DOE.

- DAGS will create "dedicated DOE" staff within DAGS with the understanding that the process must create sufficient flexibility to address the peaks and valleys of DOE project timelines.

4. Service Level Agreements (SLA): SLAs are a critical piece of fulfilling the requirements of Act 51. Both DOE and DAGS agree that there are strong assets and strengths within each organization and there is benefit to the state in keeping those assets together. Therefore, in lieu of transferring a large portion of DAGS personnel to DOE, an SLA will establish a client-vendor relationship between DOE and DAGS. SLAs will also be established between the DOE Service Bureau and the schools. The SLA is the mechanism that holds both DAGS and DOE accountable for the performance of activities that serve the schools. The SLAs would:

- Specify a time period for the SLA
- Clearly articulate the responsibilities and accountability of all parties: DAGS and DOE (including the Service Bureau and schools) and the services to be provided
- Specify performance measure that would evaluate the success of the vendor in meeting service benchmarks and outcomes
- Staff money for remaining DAGS positions and associated general fund resources will continue to be appropriated to DAGS. The SLAs will govern the resources including positions that will be committed for DOE work.
- Identify methods for ongoing evaluation and conflict resolution if problems arise
- Articulate the remedies if performance measures are not met, for example if it becomes clear that DOE would not renew the SLA, then DOE revisits the other options for implementing the transfer of functions to meet the intent of Act 51. DOE does so in a timely way so that changes could be implemented.

5. SLA Advisory Committee: Creating strong SLAs are vital to the success of Act 51. As such DOE and DAGS have agreed to the establishment of an Advisory Committee that would assist in development, monitoring and evaluation of the service level agreements. The Advisory Committee will include representatives from the business, labor, community and others to effectively work with DOE and DAGS to make the SLAs work.
6. Service Bureau Pilot Project: DOE in consultation with DAGS will establish a pilot project in fiscal year 2005-2006 in one school district to implement and evaluate all aspects of the DOE plan, including the call center and service bureau for R&M and CIP, and temporary detailing of one architect/engineer to DOE from DAGS. The Pilot Project will be detailed out as part of the Transition Plan. The pilot will run for a year at which time the project will be evaluated, including options of continuing the pilot for additional time, adequacy of resources, training requirements, project modifications if any, and any other agreed upon criteria.

Transition Plan and Team

1. The Transition Plan covers the tasks that need to be completed in order to implement Act 51 by July 1, 2005 as described above. Most of these tasks will need to be completed prior to the completion of the legislative session.

2. Detail, functional and organizational charts for the Service Bureau (complete by Feb. 2005)

3. Draft the SLA/MOU between DOE-DAGS, and DOE (Service Bureau) - Schools (complete by March 2005)

4. Detail Pilot Program including selecting a district, identifying the R&M and CIP projects, coordination with the district schools (complete by March 2005)

5. Implement the move of the DAGS vacant positions and personnel and address the staff questions and concerns (legislative action, January 2005)

6. Detail the support services, physical location of staff and equipment for the pilot and transferred and detailed personnel (complete January 2005)

7. Develop and execute an internal and external communication plan to DAGS, DOE admin, schools, and community about the Service Bureau, the pilot and Act 51. (develop and execute Spring 2005)

8. Transition Team Core Team Members: DAGS (Kerry Yoneshige, James Richardson and Ernie Lau); DOE (Rae Loui, Human Resources person); school representative; Union representative; community representatives such as David Carey and Don Horner. Other members would be added for issue specific discussions

IWG recommendations that are not related to the transfer of functions:

1. The General Fund appropriation for repair and maintenance needs to be increased in DOE (EDN 400) and in DAGS (AGS 807). Currently funding repair and maintenance through bond funds limits the ability of both agencies to adequately provide emergency, routine, and cycle maintenance for the schools. The IWG recommends changing the methodology for calculating the R&M budget to reflect the quantity and
age of the facilities. The IWG proposes the creation of a Maintenance Factor, which reflects maintenance needs of the facilities.

The IWG suggests following the Building Research Board, National Research Council of the American Public Works Association's (APWA's) "Commitment to the Cost of Ownership - Maintenance and Repair of Public Buildings" report recommendation (or equivalent) as a basis for the following Repair and Maintenance (R&M) Factor:

Establish a minimum, routine repair and maintenance (R&M) general fund budget for public school facilities of between "2% to 4% of the aggregate current replacement value of those facilities...".

The American Public Works Association recognizes the problem that public schools have experienced, and states, in its report, that "Where neglect of maintenance has caused a backlog of needed repairs to accumulate, this funding level must exceed this minimum level until the backlog has been eliminated."

Given this formula, the annual budget for repair and maintenance for Hawaii public schools would be:

- At 2% of the replacement value: 100 million
- Recommended to reduce backlog: 88 million
- Total each year for six years: 188 million

2. The R&M budget priorities must be based upon a standardized set of facilities evaluation measures, and baseline assessments for all schools to better measure needs and progress.

DOE needs the following:

1. A statutory statement of DOE's general powers to include responsibility for the repair and maintenance and CIP functions for educational facilities of the DOE.

2. Placing CIP and R&M monies in EDN 400.

3. Merging the present two facilities accounts into one while maintaining the ability to report on the backlog, prior to 2000.
APPENDIX B

Interagency Working Group

Thursday, July 22, 2004
3 to 5 p.m.
House Conference Room
State Capitol, Room 312

Agenda

1. Introductions
   Patricia Hamamoto (5 minutes)

2. Purpose of Streamlining/Reduction of Bureaucracy and Interagency Working Group
   Patricia Hamamoto (15 minutes)

3. Review of Act 51 Requirements
   Randall Nishiyama (15 minutes)

4. Proposed Action Plan and Schedule
   Rae Loui/Kate Stanley (30 minutes)

5. Discussion
STATE OF HAWAII
INTERAGENCY WORKING GROUP

Thursday, July 22, 2004
State Capitol, Room 309

ATTENDANCE

MEMBERS

Patricia Hamamoto, Superintendent, Department of Education
Russ K. Saito, Comptroller, Department of Accounting and General Services
Kathleen N. A. Watanabe, Director, Department of Human Resources
  Development
Henry Oliva, Deputy Director, for Lillian B. Koller, Director, Department of Human
  Services
Chiyome Leinaala Fukino, M.D., Director, Department of Health
Georgina K. Kawamura, Director of Finance, Department of Budget and Finance
Randall Nishiyama, Deputy Attorney General, for Mark Bennett, Attorney
  General, Department of the Attorney General
Lei Desha, Field Services Officer, for Russell Okata, Executive Director, Hawaii
  Government Employees Association
David Carey, President & CEO, Outrigger Enterprises, Inc.
Donald Horner, President & COO, First Hawaiian Bank
Alan Oshima, Oshima Chun Fong & Chung, Attorneys at Law
Joshua Agsalud, Ed.D., Former Administrative Director of the State
Melanie Chinen, Deputy, for Linda Smith, Senior Policy Advisor, Office of the
  Governor

DEPARTMENT OF EDUCATION

Clayton Fujie, Deputy Superintendent
Stafford Nagatani, Executive Assistant to the Superintendent
Rae Loui, Assistant Superintendent, Office of Business Services
Ray Minami, Director, Facilities and Support Services Branch
Nick Nichols, Facilities Planner
Rodney Moriyama, Assistant Superintendent, Office of Information Technology
  Services
Fay Ikei, Recruitment & Retention Support Center Office, Office of Human
  Resources
Douglas Rattley, Classified Personnel Specialist
Ed Koyama, Budget Director
Ann Mahi, Director, School and Community Leadership Branch
Kate Stanley
Eugene Hamamoto
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES

Dean Seki
Glenn Nishimoto
Greg Tanaka
Ralph Morita
Ricky Sasaki
Kerry Yoneshige
Glenn Segawa
Ernie Lau
Glenn Okada
Francis Cheung

OTHERS

Rep. Roy Takumi
Peter Caderas
Alan Morakami
Marin Bogema

I. Introductions

The first meeting of the Interagency Working Group (IWG) started at 3:00 p.m.
with opening remarks by Superintendent Patricia Hamamoto. The
Superintendent asked that members, participants and observers introduce
themselves and identify their respective agency or organization.

The Superintendent referred members to the agenda and package of materials.

II. Purpose of Streamlining/Reduction of Bureaucracy and Interagency Working
Group

A. The Superintendent presented a powerpoint presentation "Overview of Act
51."

➢ The Reinventing Education Act of 2004 enables the transformation of
public education.

➢ Three principles of the transformation are: empowerment, accountability, and streamlining.

➢ The focus of the IWG is the reduction of bureaucracy.

B. The Superintendent then reviewed guiding principles for delinking which
included:

➢ The goal is to improve the efficiency of the State's public educational
system by improving services that support the operation of individual
schools.
➢ Our charge is to move certain functions from various Departments to the Department of Education.

C. The Superintendent proposed creating three subcommittees.
➢ One to discuss and propose the plan for the transfer of Department of Accounting and General Services functions.
➢ One to discuss and propose the plan for the transfer of Department of Human Resources Development functions.
➢ One to discuss the transfer of functions scheduled for transfer in July of 2006 in order to prepare any recommendations for the delegation or addition of any of these functions for the 2005 legislative session.

D. Discussion. Comptroller Russ Saito agreed to the proposal of creating three subcommittees (Investigative Committees) and recommended that the Interagency Working Group meet more often. Subsequently, hearing no disagreement, two more meetings were added.

III. Review of Act 51 Requirements

A. The Superintendent asked Randall Nishiyama, the Deputy Attorney General assigned to the Superintendent to assist with the IWG, to review Act 51 requirements.

B. Randall Nishiyama reviewed Act 51 Delinking requirements as contained in the handout "Summary of act 51, Session Laws of Hawaii (SLH) 2004."

C. Discussion.
➢ Comptroller Saito asked about how the transfer will be enacted by the Legislature. Mr. Nishiyama responded that the Legislature will take affirmative action through statutory change and adjusting budget items contained in the recommendations and plans submitted by the Interagency Working Group.
➢ Director Kawamura requested that the IWG consider moving the scheduled '06 transfers to earlier dates. Superintendent Hamamoto pointed out that the proposal for subcommittees (investigative committees) to review the '06 scheduled transfers could include in their discussion the earlier transfer of functions.
➢ Mr. Carey stated that the purpose of transferring functions is to have a proper delivery design, solve systemic problems, and not transfer functions that only are relabeled.
➢ Director Fukino said that she would like to consider moving the health aid functions earlier than required by Act 51 as she felt that this would be an easier transfer than the others required by Act 51.
➢ Comptroller Saito suggested that as the subcommittees (investigative committees) do their work, they should be reporting regularly to the IWG.
IV. Proposed Action Plan and Schedule

A. The Superintendent asked Rae Loui, Assistant Superintendent of the Office of Business Services, to review the proposed timeline for the Interagency Working Group, the structure of the subcommittees, and outline of the Report to the Legislature.

B. Discussion.
- Director Kawamura asked that B&F budget analysts be able to attend each subcommittee (investigative committee) meetings. Superintendent Hamamoto indicated that this would be appropriate.
- Comptroller Saito suggested that all subcommittees (investigative committees) (one for each agency that has functions and resources scheduled for transfer) should start work now and if work can be completed, the statutory and budget transfers could be made in the '05 legislative session.
- Superintendent Hamamoto stated that in order to accomplish all the transfers by the '05 session would require a good deal of detail.
- Mr. Carey commented that collective bargaining and civil service issues could complicate the transfer process.
- Director Watanabe suggested that the IWG consider delaying the DHRD functions and resources.
- Mr. Carey commented that the business community would find such a delay unacceptable.
- Comptroller Saito commented that transfers required by Act 51 for July 1, 2004, have been accomplished and that a Memorandum of Understanding governs the relations between DABS and DOE.
- Comptroller Saito suggested that communication for IWG be accomplished by e-mail and that IWG review all recommendations from the subcommittees (investigative committees). Hearing no disagreement, this was agreed to.
- Comptroller Saito suggested that a community member chair the IWG. No discussion or decision was made with regards to this suggestion.
- Ms. Chinen commented that Act 51 requires a plan and recommendation be developed by the IWG and that using the subcommittees (investigative committees) to bring to the IWG plans and recommendations and plans would work well to accomplish the task set forth by Act 51.
- Comptroller Saito expressed his concern about the report passing through the Board of Education. Ms. Desha explained that from her years of attending Board of Education meetings this is the DOE protocol, which requires legislative reports to be reviewed by the BOE, and is for information purposes only.
- Mr. Oshima and Director Watanabe expressed concerns about what the Legislature would do in the next session. Mr. Agsalud said that the
IWG should proceed with the tasks requested by Act 51 and not concern itself with what the Legislature may or may not do as the Legislature can always act in the manner they choose.

- Mr. Horner said that it would be helpful if the DOE could describe what the DOE's organization would be after the transfer of functions and resources. He further stated that the question would be—"Will the DOE be effective when changed?"
- Mr. Horner suggested that additional resources might be necessary for the DOE to create a new organization and infrastructure.
- Mr. Oshima suggested that hiring a consultant to assist in the DOE's re-organization might be desirable. However, there probably aren't the resources to do that.
- Mr. Carey said that centering activities at DOE is necessary which offers the DOE opportunities to invent new delivery systems and ways of doing things.
- Director Fukino said that in order to do business differently it is necessary to see through a different lens.
- Mr. Horner offered the possibility of having the business community provide consultants and resources to assist in DOE's re-design and re-organization.
- Mr. Carey said that his understanding of Act 51 is to transfer functions and resources to improve efficiency by placing functions and resources where they belong.
- Comptroller Saito suggested that the subcommittees (investigative committees) be open to any member of the IWG. Hearing no objectives, that was agreed to.
- Comptroller Saito suggested that the first DOE-DAGS subcommittee (investigative committee) be informational and that DAGS could bring additional appropriate personnel.
- Superintendent Hamamoto asked Randall Nishiyama to research and report back to her if the subcommittees can act as investigative committees. Director Watanabe commented that she felt that the subcommittee could act as investigative committees under the law as long as the investigative committees only made recommendations, reported them to the IWG, and that the IWG take action. Mr. Nishiyama agreed to research this item and report his findings to Superintendent Hamamoto.

V. Adjournment. At 4:45 p.m., Superintendent Hamamoto adjourned the meeting.

Minutes reported by:

Kate Stanley
Interagency Working Group

Monday, August 30, 2004
2 to 3:30 p.m.
House Conference Room
State Capitol, Room 309

Agenda

1. Welcome Review of Minutes
   Patrícia Hamamoto
   (5 minutes)

2. Items from July 22, 2004, Meeting
   • Creation of Investigative Committees Required Report
     Randall Nishiyama
     (10 minutes)

3. Items from Investigative Committees
   • Protocol for Review of IWG Report
     Randall Nishiyama
     (5 minutes)
   • Civil Service Status and the Transfer of Positions
     Lei Desha
     (5 minutes)

4. Progress Reports from Investigative Committees
   • DOE – DHS
     Patrícia Hamamoto
     (1 minute)
   • DOE – DOH
     Patrícia Hamamoto and Chiyyome Fukino
     (5 minutes)
   • DOE – AG
     Patrícia Hamamoto and Mark Bennett
     (5 minutes)
   • DOE – B&F
     Patrícia Hamamoto and Georgina Kawamura
     (5 minutes)
   • DOE – DAGS
     Rae Loui and Russ Saito
     (15 minutes)
   • DOE – DHRD
     Claudia Chun and Kathleen Watanabe
     (15 minutes)

5. Other Items
   Patrícia Hamamoto
   (10 minutes)

Next Meetings:
September 23, 2004, 3:00 p.m. - 5:00 p.m., State Capitol, Room 309
Progress Reports
October 19, 2004, 3:00 p.m. - 5:00 p.m., State Capitol, Room 309
Review Draft Plans and Recommendations
November 12, 2004, 3:00 p.m. - 5:00 p.m., State Capitol, Room 309
Finalize Plans and Recommendations
STATE OF HAWAII
INTERAGENCY WORKING GROUP

Monday, August 30, 2004
State Capitol, Room 309

ATTENDANCE

MEMBERS

Patricia Hamamoto, Superintendent, Department of Education
Russ K. Saito, Comptroller, Department of Accounting and General Services
Kathleen N. A. Watanabe, Director, Department of Human Resources Development
Henry Oliva, Deputy Director, for Lillian B. Koller, Director, Department of Human Services
Chiyome Leinaala Fukino, M.D., Director, Department of Health
Georgina K. Kawamura, Director of Finance, Department of Budget and Finance
Holly Shikada, Deputy Attorney General, for Mark Bennett, Attorney General,
Department of the Attorney General
Lei Desha, Field Services Officer, for Russell Okata, Executive Director, Hawaii Government Employees Association
David Carey, President & CEO, President & CEO, Outrigger Enterprises, Inc.
Donald Horner, President & COO, First Hawaiian Bank
Joshua Agsalud, Ed.D., Former Administrative Director of the State
Melanie Chinen, Deputy, for Linda Smith, Senior Policy Advisor, Office of the Governor

DEPARTMENT OF EDUCATION

Clayton Fujie, Deputy Superintendent
Rae Loui, Assistant Superintendent, Office of Business Services
Ray Minami, Director, Facilities and Support Services Branch
Nick Nichols, Facilities Planner III
Sanford Beppu, CIP Planner III
Gilbert Chun, Operations and Maintenance Specialist III
Claudia Chun, Assistant Superintendent, Office of Human Resources
Fay Ikee, Recruitment & Retention Support Center Office, Office of Human Resources
Douglas Rattley, Classified Personnel Specialist
Kate Stanley
Eugene Hamamoto

DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES

Glenn Okada, Hawaii District
Stanley Takemura, Hawaii District
Carl Murai, Central Services Division
Clyde Kumabe, Public Works Division
Ralph Morita, Public Works Division
Dianne Matsuura
Alvin Tamashiro
Glenn Nishimoto
Eric Nishimoto, Public Works Division
Don Inouye, Public Works Division

OTHERS

Randall Nishiyama, Department of the Attorney General
Don Clifford, Clifford Projects
Marin Bogema, Rep. Roy Takumi’s office

I. Welcome. Superintendent Hamamoto welcomed the members to the second meeting of the Interagency Working Group.

II. Minutes. Superintendent Hamamoto asked that any additions or corrections to the minutes be sent to her.

III. Items from July 22, 2004, Meeting

A. Creation of Investigative Committees. Mr. Nishiyama presented the following:

"Section 92-2.5, Hawaii Revised Statutes, allows a board to designate two or more board members, but less than the number of board members that would constitute a quorum of the board (7) to investigate matters relating to board business.

"These investigative committee meetings aren’t subject to the Sunshine Law.

"The board members designated by the board to serve on the investigative committee are required to report their findings and recommendations to the entire board at a properly noticed meeting.

"Deliberation and decisionmaking on the matter investigated can only occur at a duly noticed meeting of the board held subsequent to the meeting at which the findings and recommendations of the investigation were presented to the board.

"Consistent with section 92-2.5, the IWG designated various board members to gather information regarding various matters and to report their findings and recommendations back to the IWG."

B. Required Report. Mr. Nishiyama presented the following:

"Section 42 of Act 51 requires the IWG to report to the Legislature its plans, including proposed legislation to implement the transfer of rights, powers, functions, duties, and resources including positions to be transferred from various departments to the DOE.

"The report for the Department of Accounting and General Services and the Department of Human Resources Development is due to the Legislature thirty days prior to the 2005 regular legislative session.

"The report for the Department of Budget an Finance, the Department of the Attorney General, the Department of Health, and the Department of Human Services is due to the Legislature thirty days prior to the 2006 regular legislative session."
"The IWG's Report is to include the IWG's recommendations regarding the delinking.

"If the IWG can't reach a consensus regarding an issue, then the differing viewpoints should be presented in the Report for the Legislature's consideration.

"According to Act 51, the IWG's comprehensive plan in its report shall identify each position to be transferred by position number and the moneys budgeted in support of the transferred position.

"The way Act 51 is set up, unless the Legislature takes affirmative action to amend or repeal the targeted transferred dates of certain rights, powers, functions, duties, and resources from various state agencies to the DOE, the transfers would take place as scheduled:

- July 1, 2005
  - DAGS and DHRD
- July 1, 2006
  - B&F, AG, DHS, and DOH"

IV. Items from Investigative Committees

A. Civil Service Status and the Transfer of Positions.

Ms. Desha explained that HGEA does not believe that Act 51 is clear with regards to the civil service status of transferred employees.

At the first DOE-DHRD Investigative Committee (IC) meeting, there was agreement that the employees should remain in civil service and that Act 51 should be amended to make this clear.

At the subsequent IC meeting, it became clear that while everyone had agreed that transferred employees should remain as civil servants that the question of what civil service rights or benefits might be lost if DOE were a separate jurisdiction had not been answered. Nor had an option to retain these rights and benefits been explored.

Director Watanabe stated that DHRD did not want to diminish any civil service rights and benefits such as transfer between agencies and reduction in force procedures.

Superintendent Hamamoto confirmed that it is not the desire of DOE to have transferred employees lose their civil service rights and benefits that they are entitled to as an employee in an executive agency.

B. Protocol for Review of IWG Report. Mr. Nishiyama presented the following:

"Section 42 of Act 51 requires that the IWG submit its Report to the Legislature. The IWG would not send its Report directly to the Legislature. The process for transmitting the Report involves the Superintendent of Education, the Board of Education, and the Governor.

"The IWG would submit its Report to the Board of Education through the Superintendent. Section 26-35 provides that when a board is placed within a
department, the head of that department shall represent the board in communications with the Governor. In this case, the IWG is formed under the DOE, and under section 302A-1101(a), the DOE is "headed by an elected policy-making board to be known as the board of education." The Superintendent of Education serves as the chief executive office of the public school system. Section 302A-1111(b), provides that reports of this type are to be submitted for the Board of Education's review. Section 302A-1111(b), provides in pertinent part: "The superintendent, as such time as may be prescribed by the board, shall present to the board full annual reports of the principal transactions within the department during the last completed year, which reports together with such recommendations as the board may think proper, shall be presented to the governor and the legislature."

"The Board of Education would review the IWG Report prior to its transmission to the Governor. The Board of Education cannot change the IWG Report. It can, however, comment on the Report. If the Board of Education disagrees with the IWG Report, it would note its comments separately when submitting the Report to the Governor.

"Upon receipt of the IWG Report, the Governor would then transmit the Report to the Legislature."

Director Watanabe questioned the protocol procedure.

Comptroller Saito asked for the protocol procedure explanation given by Attorney General Randall Nishiymama to be provided in writing.

Mr. Nishiymama agreed that he would provide a written explanation of the statutes governing the report to the Legislature. This will be sent by e-mail by Friday, September 3, 2004.

V. Progress Reports from Investigative Committees

A. Department of Education—Department of Human Services

Superintendent Hamamoto reported that the first meeting with the Department of Human Services would be scheduled within the next 2 weeks.

B. Department of Education—Department of Health

Superintendent Hamamoto reported that the first meeting was held August 17. Superintendent Hamamoto and Director Fukino attended along with staff of the Department of Education, Department of Health and Department of Budget and Finance.

The committee agreed upon a process to carry out the transfer of health aides and appropriate Public Health Nurse supervisory positions from the Department of Health to the Department of Education. A transition team composed of Department of Education and Department of Health staff will be created to plan the transfer. Kathy Kawaguchi of the Department of Education and Linda Rosen of the Department of Health will head the team. The transition team’s first working session is scheduled for August 31st. The Department of Education—Department of Health IC will meet once more before the October 19 IWG meeting to discuss progress and prepare any
recommendations for the IWG to consider. A discussion as to whether there is a possibility of moving the transition date to an earlier date than July 2006 will take place after the transition team has worked out the tasks and timetable for the transfer.

Superintendent Hamamoto asked Director Fukino for any additions. There were none.

C. Department of Education—Department of the Attorney General

Superintendent Hamamoto reported that the first meeting was held August 18th. Superintendent Hamamoto and Attorney General Bennett attended along with staff of the Department of Education, Department of the Attorney General, and Department of Budget and Finance.

Attorney General Bennett offered to prepare data on the number of service hours the Department of the Attorney General provides with regards to labor relations, worker's compensation and other services provided to the Department of Education. Upon reviewing the information, the Department of Education and Department of the Attorney General will convene working groups to review the services currently provided, what the Department of Education believes is needed from the Department of the Attorney General and how best to provide these services. The Department of Education—Department of the Attorney General IC will convene once more before October 19th in order to discuss and prepare any recommendations that should be considered by the IWG.

Superintendent Hamamoto asked Deputy Attorney General Shikada for any additions. There were none.

D. Department of Education—Department of Budget and Finance

Superintendent Hamamoto reported that the first meeting was held August 18th. Superintendent Hamamoto and Director Kawamura attended along with staff of the Department of Education and Department of Budget and Finance.

There was agreement that working groups would be formed to discuss the capital improvement allotment process, funding of collective bargaining agreement increases, determination of retirement and other employee benefits and the securing, administering and use of federal funds and other aid. There was also an agreement that the Department of Education was not interested in assuming custodial supervision of funds. Also, the Department of Education agreed to prepare a statement of the concerns that explain the issues surrounding the transfer of functions scheduled for July 2006. Neal Miyahira will be the lead person for Budget and Finance and Sanford Beppu and Ed Koyama will be the lead persons for the Department of Education. The Department of Education—Department of Budget and Finance IC will convene once more before October 19 in order to discuss and prepare any recommendations that should be considered by the IWG.

Superintendent Hamamoto asked Director Kawamura for any additions. There were none.
E. Department of Education—Department of Accounting and General Services

Comptroller Saito made a power point presentation with two handouts. The power point presentation highlighted the:

- Allotment process
- DAGS process for CIP and Repair and Maintenance
- FTE Analysis if employees are transferred to DOE
- Resource Analyses if employees and functions were transferred to DOE
- Reviewed Public Works Division organization chart
- Reviewed DAGS Central Services Division simplified organization chart
- Potential Labor Questions to be addressed
- School Repair and Maintenance Funding History

Assistant Superintendent Loui explained that on July 1, 2004, the funds for bond funded capital improvement projects (CIP) ($100 million) were moved from DAGS to DOE control, i.e., expending agency. Who will perform and how this work will be performed are now governed by an MOU between DAGS and DOE.

Assistant Superintendent Loui, Comptroller Saito, and Director Kawamura explained that major repair and maintenance is funded by bonds as these repairs should have a life of 20 years which means that many repairs are scheduled as whole school renovations.

Mr. Carey stated that there does not appear to be enough money to provide regular cycle maintenance nor enough money to even reduce a never-ending backlog.

Comptroller Saito stated because regular cycle maintenance is not funded, repairs wait until they fall under major repair and maintenance, which is then bond funded.

Assistant Superintendent Loui provided additional information with regards to the work of the DOE-DAGS Investigative Committee.

She stated that the investigative committee has agreed to review four scenarios. DAGS has presented scenario 1—where all functions and positions move to DOE. This was reviewed in Comptroller Saito’s power point presentation.

At the September 9 investigative committee meeting, the DOE will present scenario 3—where all functions and personnel remain at DAGS and that an MOU governs the relationships between the agencies.

The investigative committee will meet five more times and review scenarios that are variations on what and how many positions are transferred. The investigative committee has retained Kathy Bryant as a facilitator.

F. Department of Education—Department of Human Resources Development

Director Watanabe reviewed the report dated and faxed on August 27, 2004. The report entitled, DHRD’s Position Statement on the Need to Transfer Positions to the DOE.
The report states that "It is DHRD's contention that the DOE already has enough resources to receive the 6,000 civil service employees being transferred from DHRD on July 1, 2005 as well as enough existing resources to administer this personnel system."

Director Watanabe stated that DHRD is committed to assisting DOE in its effort in reorganizing and training current DOE staff to carry out the additional functions that will be transferred July 1, 2005.

Assistant Superintendent Chun distributed summary status reports with materials presented at the investigative committee meetings.

Assistant Superintendent Chun expressed the following concerns:

- **Personnel**

  DHRD has expressed the concern that they are currently operating with minimum staff and the transfer of any personnel to the DOE will severely impact their ability to provide services to the remaining State agencies.

  DOE's position at this time is that we need to provide a quantitative estimate of staff time required to carry out the new responsibilities that will be transferred from DHRD to DOE. We have just completed a review of two (2) sections dealing with classification and labor relations. In the following weeks, we hope to get a clear understanding of the different roles, responsibilities, resources and functions of other DHRD divisions that will be transferred. Our final report to the IWG Committee will include the number of personnel necessary to carry out the identified functions and the level of staff required to fulfill these roles.

- **Status of Civil Service Employees**

  DHRD and DOE agree that all employees should maintain their current civil service status, rights, and privileges.

Superintendent Hamamoto relinquished the chair to Deputy Superintendent Clayton Fujie.

There was discussion on the issue of civil service. Comments and questions included:

A need to clarify what in the current system is broken.

It is possible that the IWG may need to go back to the Legislature and seek clarification on some of the language and issues that relate to civil service transfer.

The IWG can make recommendations to the Legislature regarding changes to Act 51 if the IWG agrees that is the right course of action or layout the various positions on the issue for the Legislature to decide.

There is an issue of efficiency in a centralized system.
There may be technology options that can assist in moving a manual system (centralized for efficiency) to a technology-based system that would allow more decentralized activities and be more efficient.

There is a question on the cost savings associated with transferring staff, it may be that moving the management of staff to DOE does not result in any incremental savings to the state. Likewise, it may not cost additional amounts to move the responsibility of 6,000 workers to DOE. On the private sector side, 500 accounts can be added to a system without costing any additional resources or need additional staff because the system has the capacity to manage the additional accounts. That question needs to be looked at by DOE and DHRD.

The DOE stated that they have a staff of 190 in their human resources office; 90 of which are Felix-associated staff doing training. DOE stated that they believe they need an additional 45-50 people to manage the additional 6,000 persons.

DHRD added that they have a staff of 115 managing the needs of the entire state civil service system (24,000 employees).

DOE acknowledged that they are still working on what the workload expectations would be and that is the focus of the next meetings.

DHRD added that there are vacancies at DOE that could be filled to assist in managing the transfer. That should be included in the discussion.

The weighted student formula was mentioned and suggested that the issue be included to determine if that would have an impact on the system.

VI. Other Items

A. Need for a Workplan and Request to Hire a Facilitator

Comptroller Saito suggested that a Facilitator be hired to work with the IWG and the ICs to help manage the meetings, develop agendas and workplans. The DOE-DAGS IC has already agreed to use a facilitator and proposed that the IWG consider the same.

Additionally, there is a question as to the governance of the IWG. It was suggested that the issue of governance and decision-making be clarified at the next meeting.

Mr. Carey and Mr. Horner agreed to serve on an Ad Hoc Committee to work with the proposed facilitator to develop a scope of work and cost. The private sector would consider paying for the Facilitator if the IWG agreed it would be useful. They also agreed to draft a proposed workplan to present to the group at the next meeting to address these issues.

Another issue raised was the question of who drafts the report. Currently it is the understanding that DOE will draft the report for review and comment by the IWG.

The members agreed to add an IWG meeting.
VII. September 7 Meeting and Agenda Setting

The members agreed to add a meeting on September 7, 2004, in Room 309 of the State Capitol to discuss the following:

Presentation by Ad Hoc Committee on:
- an IWG Work Plan
- a governance and decision-making protocol
- the use of a Facilitator

VIII. Adjournment. At 4:23 p.m., Deputy Superintendent Fujie adjourned the meeting.

Minutes reported by:

Kate Stanley
Interagency Working Group

Tuesday, September 7, 2004
2:00 p.m. to 3:30 p.m.
House Conference Room
State Capitol, Room 309

Agenda

2. Determination of the Governance of the IWG.
3. Procedures for operating and decision making for the IWG.
4. Adoption of a work plan and timeline.
5. Discussion and appropriate action regarding procurement of a facilitator and specific services that will be provided.

Persons requiring special assistance or services such as a language interpreter, should call 586-3444 at least three business days before the meeting.
STATE OF HAWAII  
INTERAGENCY WORKING GROUP  
Tuesday, September 7, 2004  
State Capitol, Room 309  

ATTENDANCE  

MEMBERS  
Patricia Hamamoto, Superintendent, Department of Education  
Russ K. Saito, Comptroller, Department of Accounting and General Services  
Kathleen N. A. Watanabe, Director, Department of Human Resources Development  
Henry Oliva, Deputy Director, for Lillian B. Koller, Director, Department of Human Services  
Georgina K. Kawamura, Director of Finance, Department of Budget and Finance  
Holly Shikada, Deputy Attorney General, for Mark Bennett, Attorney General, Department of the Attorney General  
Lei Desha, Field Services Officer, for Russell Okata, Executive Director, Hawaii Government Employees Association  
David Carey, President & CEO, President & CEO, Outrigger Enterprises, Inc.  
Donald Horner, President & COO, First Hawaiian Bank  
Joshua Agsalud, Ed.D., Former Administrative Director of the State  
Melanie Chinen, Deputy, for Linda Smith, Senior Policy Advisor, Office of the Governor  

DEPARTMENT OF EDUCATION  
Rae Loui, Assistant Superintendent, Office of Business Services  
Ray Minami, Director, Facilities and Support Services Branch  
Nick Nichols, Facilities Planner III  
Sanford Beppu, CIP Planner III  
Gilbert Chun, Operations and Maintenance Specialist III  
Fay Ikee, Recruitment & Retention Support Center Office, Office of Human Resources  
Kate Stanley  

DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES  
Clyde Kumathe, Public Works Division  
Eric Nishimoto, Public Works Division  
Dianne Matsuura  
Ralph Morita, Public Works Division  
Emie Lau, Public Works Division  
Cara Kimura, Public Works Division  
Alvin Tamashiro  

OTHERS  
Randall Nishiyama, Department of the Attorney General  
Don Clifford, Clifford Projects  
Lloyd Yonenaka, Department of Hawaiian Home Lands  
Paul Schwind, Land Use Research Foundation  
James Kuroiwa, HI-LECET  

I. Approval of the Minutes of July 22, 2004. Mr. Horner moved that the minutes be approved as circulated. Comptroller Saito seconded. Motion carried.
II. Determination of the Governance of the IWG.

A. Superintendent Hamamoto moved that in the interest of moving the work of the IWG forward David Carey serve as chair of the IWG. Director Watanabe seconded.

Discussion: Mr. Agsalud asked if the DOE would continue to support the work of the IWG. Superintendent Hamamoto replied that the staff support would continue.

Mr. Carey said that he would serve and in so doing this would allow each Department including the DOE to advocate their particular position.

Mr. Carey stated that Mr. Horner could serve as chair when he was not available.

Motion carried unanimously.

B. Mr. Carey entertained a motion by Mr. Agsalud that Mr. Horner serve as vice chair. The motion was seconded by Comptroller Saito. The motion carried.

III. Procedures for operating and decision making for IWG.

Mr. Horner recommended that the IWG adopt the following procedures:
- Use standard business meeting procedures, i.e., Robert's Rules of Order, for business items such as approval of minutes, and adoption of a work plan.
- The IWG work toward consensus when reviewing, adopting, or asking for revisions of the investigative committee recommendations.
- Where consensus cannot be reached, each agency, organization, or person's view would be reflected in the report.

Mr. Carey asked for a motion to accept these procedures. Comptroller Saito so moved. Mr. Horner seconded.

A question was raised regarding what was a quorum and if proxy's were allowed.

Deputy Attorney General Nishiyama explained that a majority of the membership of the Interagency Working Group constituted a quorum (7) and that Act 51 allows members or their designees to represent their respective organizations.

The motion was carried unanimously.

IV. Adoption of a work plan and timeline.

Mr. Horner explained the diagram of the proposed work plan and the written work plan and timeline.

Director Kawamura asked why two meetings were needed to take action.

Deputy Attorney General Nishiyama explained that the law requires when using Investigative Committees the body to which recommendations are made must receive the recommendations at a duly noticed meeting and can then schedule and take action at a subsequent duly noticed meeting.
Director Kawamura suggested that item 6 on proposed work plan be amended to read "Revised DOE, Functional and Organizational Chart."

It was also suggested that the IWG objectives be amended by adding a statement that there be due consideration to minimize the impacts to personnel and overall costs to government.

Another suggested amendment was to include specific language regarding Service Level Agreements (SLAs) in section III. A. 5. iii. A new bullet item should be include to include SLAs, performance standards and process to work through the details. The SLA should also be added to section IV.

In that same section (III. a. 5. iii), an additional amendment was proposed to the second bullet to read: how positions will be identified, transferred and filled.

Director Kawamura suggested that "minimize costs to government" should also be included as part of the IWG objectives.

Director Watanabe expressed concern about the timelines given in the work plan.

Staff noted that the meetings listed were those already scheduled and that the process did not prohibit an Investigative Committee from adding meetings if that became necessary.

Mr. Horner commented that he was looking at the DOE/DAGS IC as a model to be a blueprint for the other agencies.

Director Watanabe reiterated her concern about the BOE review process, and still wanted an opinion from the AG on the submission of the IWG report to the BOE.

Mr. Carey reviewed all the amendments to the work plan.

Mr. Agsalud moved that the work plan and timeline be adopted with amendments. Comptroller Saito seconded. The motion was carried unanimously.

Chair Carey asked that the work plan as amended be circulated to the members.

V. Discussion and appropriate action regarding procurement of a facilitator and specific services that will be provided.

Mr. Carey recommended that the IWG use the services of a facilitator, Kathy Bryant which would be paid for by the business community through the Business Roundtable.

Deputy Attorney General Nishiyama stated the IWG may accept gifts such as Mr. Carey is recommending.

Mr. Carey explained that the facilitator would assist the IWG, in agenda preparation, recording and preparation of minutes, and facilitating the IWG discussions. The facilitator would also assist with the work of the Investigative Committees.
Director Watanabe asked about the services of Bill Brown and Sheila Sumida being offered by Outrigger Hotels and First Hawaiian Bank.

Mr. Horner explained that services could include attending meetings, meditation and assisting both DOE and DHRD in establishing best practices. There would be no charge for their services as it is part of the business community's contribution.

Ms. Chinen asked what were Kathy Bryant's qualifications, what services would be provided, and if other professional facilitators were considered. Ms. Chinen stated that more information was needed to make a decision.

Mr. Carey explained that he had considered a number of facilitators, had previously worked with Ms. Bryant and believed that her services would support the work of the IWG.

Comptroller Saito stated that he had met with Ms. Bryant, reviewed her qualifications and also recommends that the IWG accept the business community's offer to pay for her services.

Director Kawamura asked if the services included drafting the IWG report. Mr. Carey responded that that was a good question. Ms. Bryant's services include supporting the report writing, but not necessarily drafting the report. He suggested that the item be put on the next agenda for further discussion.

Comptroller Saito moved that the IWG accept the services, to be paid for by the business community, of Ms. Bryant as Facilitator.

The motion was seconded by Mr. Agsalud. The Motion carried.

VI. Public Comment.

Mr. Keeno of DHRD stated that he was concerned about the civil service employees who would be transferred to the Department of Education if the DOE wanted a separate civil service jurisdiction. He strongly urged the IWG to take this issue up at their next meeting.

VII. Discussion of items for the next meeting.

Mr. Carey stated that Ms. Bryant would prepare a proposed agenda; it would be circulated to members for comments and then posted by the Department of Education.

Items to be included on the agenda for the next meeting are as follows:

1. Review of a table of contents for the IWG report.
2. Discussion of who will write the report.
3. Procedures for presenting the IWG report to the Legislature and testifying before the Legislature.
4. Discussion of the effects of a separate jurisdiction on the civil service rights and benefits of employees transferred to the DOE.
5. Status reports from the Investigative Committees.
6. Public comment time.

VIII. Adjournment. Ms. Desha moved that the meeting be adjourned. Mr. Horner seconded the motion. Motion carried. The meeting was adjourned at 4:45 p.m.

Minutes reported by:

[Signature]
Kate Stanley
Interagency Working Group (IWG)

Thursday, September 23, 2004
8:00 a.m. – 10:00 a.m.
State Capitol, Room 309

AGENDA

1. Approval of the minutes of August 26 and September 7, 2004 8:00 – 8:05 a.m.

2. Develop a Table of Contents for the IWG Report to the 2005 Legislature and discuss authorship 8:05 – 8:20 a.m.

3. Discuss process and procedures for presenting the IWG report to the 2005 Legislature and testifying during the 2005 legislative session 8:20 – 8:30 a.m.

4. Discussion of evaluation criteria 8:30 – 8:40 a.m.

5. Discuss issues of jurisdiction, rights, benefits, relating to the transfer of civil service employees from various state agencies to the Department of Education 8:40 – 9:10 a.m.

   Presentation by Department of Education, Department of Human Resources Development, and Hawaii Government Employees Association/United Public Workers

6. Investigative Committees of the IWG Status Reports 9:10 – 9:40 a.m.
   a. Department of Education and Department of Human Services
   b. Department of Education and Department of Budget and Finance
   c. Department of Education and Department of the Attorney General
   d. Department of Education and Department of Health
   e. Department of Education and Department of Accounting and General Services
   f. Department of Education and Department of Human Resources Development

7. Public Comment 9:40 – 9:50 a.m.

8. Agenda Setting for October 19, 2004 meeting 9:50 – 10:00 a.m.

Persons requiring special assistance or services such as a language interpreter should call 586-3444 at least three business days before the meeting.
STATE OF HAWAII
INTERAGENCY WORKING GROUP

MINUTES
Thursday, September 23, 2004
State Capitol, Room 309

ATTENDANCE

MEMBERS
Joshua Agsalud, Ed.D., Former Administrative Director of the State
David Carey, President & CEO, Outrigger Enterprises, Inc.
Melanie Chinen, Deputy, for Linda Smith, Senior Policy Advisor, Office of the
Governor
Lei Desha, Field Services Officer, for Russell Okata, Executive Director, Hawaii
Government Employees Association
Chiyoie Fukino, Director, Department of Health
Patricia Hamamoto, Superintendent, Department of Education
Donald Horner, President & COO, First Hawaiian Bank
Georgina K. Kawamura, Director of Finance, Department of Budget and Finance
Henry Oliva, Deputy Director, for Lillian B. Koller, Director, Department of Human
Services
Russ K. Saito, Comptroller, Department of Accounting and General Services
Holly Shikada, Deputy Attorney General, for Mark Bennett, Attorney General,
Department of the Attorney General
Chip Uwaine, for Dayton Nakanelua, State Director, United Public Workers
Kathleen N. A. Watanabe, Director, Department of Human Resources
Development

DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES
David Au, Public Works Division
Carol Ann Chang, Public Works Division
Gina Ichiyama, Public Works Division
Shirley Infante, Public Works Division
Don Inouye, Central Services Division
Duane Kashiwai, Public Works Division
Clyde Kumabe, Public Works Division
Ernie Lau, Public Works Division
Ralph Morita, Public Works Division
Carl Murai, Central Services Division
Eric Nishimoto, Public Works Division
Julie Noji, Personnel
Lloyd Ogata, Public Works Division
Greg Tanaka, Public Works Division
Kerry Yoneshige, Administrative Services Office
DEPARTMENT OF THE ATTORNEY GENERAL
Randall Nishiyama

DEPARTMENT OF EDUCATION
Sanford Beppu, Office of Business Services
Claudia Chun, Office of Human Resources
Gilbert Chun, Office of Business Services
Geri Ichimura, Office of Business Services
Fay Ieki, Office of Human Resources
Kathy Kawaguchi, Office of Curriculum, Instruction and Student Support
Rae Loui, Office of Business Services
Ray Minami, Office of Business Services
Nick Nichols, Office of Business Services
Linda Shinsato, Office of Human Resources
Kate Stanley

DEPARTMENT OF HUMAN RESOURCES DEVELOPMENT
Francis Paul Keeno, Special Assistant

OTHERS
Diann Berndt, United Public Workers
Bill Brown, Outrigger Hotels
Don Clifford, Clifford Projects
Chris Saunders, Clifford Projects
Max Sword, Outrigger Hotels

1. Amendment to the Agenda. Vice-Chair Horner moved that the agenda be amended to reflect the correct date of the minutes that are to be approved, August 30 not August 26 as noted in the posted agenda. Superintendent Hamamoto seconded. Motion carried.

2. Approval of the minutes of August 30 and September 7, 2004

Vice-Chair Horner moved that the minutes of August 30, 2004, be approved as circulated. Mr. Agsalud seconded. Motion carried.

Deputy Attorney General Nishiyama asked that the minutes of September 7, 2004, reflect that the response he prepared relating to the process for submitting the report of the Interagency Work Group to the Legislature was circulated to the members September 2, 2004, via e-mail. Vice-Chair Horner moved that the minutes as amended be approved. Ms. Desha seconded. Motion carried.
3. **Develop a Table of Contents for the Interagency Working Group (IWG) report to the 2005 Legislature and discuss authorship.**

Director Kawamura recommended that the order of the table of contents as it relates to the chapters dealing with the Department of Accounting and General Services (DAGS) and the Department of Human Resources Development (DHRD) be changed. She also suggested that item A be reworded to combine functions, costs and resources into item A which would be retitled, Background. Vice-Chair Horner recommended that re-engineering be stated as re-structuring.

Mr. Agsalud moved that the table of contents be accepted with amendments. Comptroller Saito seconded. Motion carried.

Chair Carey asked the amended table of contents be circulated to the members.

Chair Carey recommended that he and Vice-Chair Horner, with the assistance of the facilitator and the Department of Education (DOE) support staff, prepare the draft of the IWG report to the Legislature. The intent is to have a draft to review at the October 26, 2004, IWG meeting.

4. **Discuss process and procedures for presenting the IWG report to the 2005 Legislature and testifying during the 2005 legislative session.**

Chair Carey recommended that the IWG report be presented to the Legislature by the Chair or Vice-Chair. If neither is available, the Chair will ask another community member of IWG to speak for the committee.

5. **Discussion of evaluation criteria.**

Kathy Bryant explained that the criteria that were circulated prior to the meeting came from the DOE-DAGS criteria and the IWG workplan. The criteria are to be used to evaluate the transfer options presented by the Investigative Committees (IC).

Director Kawamura stated that the criteria should reflect the goal of improving student achievement. It was suggested that the evaluation criteria be amended to include student achievement as a goal.

Vice-Chair Horner asked that it be clearly stated that these criteria are to be used to evaluate transfer options and that this be reflected in the evaluation criteria.

Vice-Chair Horner moved that the circulated criteria be amended to reflect the suggestions above. Mr. Agsalud seconded. Motion carried.

Chair Carey asked the facilitator to revise the evaluation criteria and circulate to the members.
6. Discuss issues of jurisdiction, rights, benefits, relating to the transfer of civil service employees from various state agencies to the Department of Education.

Department of Education – Assistant Superintendent Chun stated that the DOE is proposing that there be no reduction in civil service rights and benefits for employees who are transferred to the DOE as a result of implementing Act 51. The DOE recommends legislation to ensure benefits are not diminished.

There was additional discussion of an issue of a separate jurisdiction.

Chair Carey asked that further discussion of the impact on civil service employees be done at the DOE-DHRD Investigative Committee.

7. Investigative Committees of the IWG Status Reports

a. Department of Education and Department of Human Services

Superintendent Hamamoto reported that the first Investigative Committee meeting is scheduled for September 30, 2004. An update will be provided at the next IWG meeting.

b. Department of Education and Department of Budget and Finance

Superintendent Hamamoto reported that there had been no further discussions with the Department of Budget and Finance. Director Kawamura stated that Budget and Finance is waiting for written clarification and additional information with regards to the functions in Act 51 relating to the Department of Budget and Finance. Superintendent Hamamoto said that further discussions would be scheduled.

c. Department of Education and Department of the Attorney General

Superintendent Hamamoto reported that there had been no further discussions with the Department of the Attorney General. Deputy Attorney General Shikada stated that the Department of the Attorney General was in the process of gathering information on the man hours of service the Department of the Attorney General is providing the Department of Education. When the Department of the Attorney General completes this assessment, discussions relating to the functions in Act 51 will be scheduled.

d. Department of Education and Department of Health

Superintendent Hamamoto reported that the transition team created by the Investigative Committee has met twice and that the Investigative Committee will meet before October 19 and expects to have recommendations to make to the
IWG. Director Fukino stated that the Department of Health would like to move the school health aides July 2005 and then the supervisory public health nurses in July 2006.

e. Department of Education and Department of Accounting and General Services

Comptroller Saito and Assistant Superintendent Loui reported on the current efforts of the Investigative Committee. The IC is still evaluating options. DOE presented their service bureau model for restructuring DOE. DAGS and DOE have presented various options for Scenario 2, which transfers some staff and establishes service level agreements for various functions. They will be looking at the workflow of the system at the next IC meeting. The IC has established a working group that meets more frequently in an effort to move the discussion forward.

f. Department of Education and Department of Human Resources Development

Director Watanabe submitted a written report with the following recommendations:

1. Defer the effective date of transfer for one year, to July 1, 2006; or in the alternative, repeal the transfer of DHRD’s authority to DOE altogether.
2. That legislation is proposed which would expressly create and establish a separate (civil service) personnel system for these 6,000 positions, to be administered exclusively by the DOE.
3. That no DHRD positions be transferred to the DOE.
4. That the Hawaii State Public Library System (HSPLS) not be covered by and subjected to Act 51.
5. That a determination be made as to whether public Charter School employees are to be covered by Act 51, and to amend Act 51 to reflect this determination.

Assistant Superintendent Chun submitted a report following the IWG workplan outline that:
1. Listed the functions to be transferred.
2. Reviewed options that DOE had considered.
3. Stated the preferred DOE option: creation of a separate jurisdiction with protections for civil service rights and benefits.
4. Evaluated strengths and weaknesses of the options.
5. Identified needed Act 51 clarifications.
6. Outlined a timeline for the transfer.
7. Identified accountability measures.
8. Outlined a transition team.
9. Identified the need for 20 FTEs to perform the functions transferred.
10. Described the elements of and SLA for the transition period.
11. Recommended necessary statutory changes.
12. Attached a restructured Office of Human Resources.

The report also had an attachment that listed Classified Employee jobs, BSSP employee jobs, Certificated Employee jobs, and Casual Employee jobs.

8. Public Comment

Eric Nishimoto stated that the impact to employees that are moved need to be considered.

Mr. Agsalud asked that the Hawaii Government Employees Association (HGEA) and the United Public Workers (UPW) report on employee problems that occurred in prior transfers of employees such as when county employees moved to the State and when the sheriffs moved from the Judiciary to the Department of Public Safety.

9. Agenda setting for October 19, 2004, meeting

Ms. Desha asked that there be a presentation and discussion on the effect of the Weighted Student Formula on employees.

The agenda will include:

1. Approval of the minutes
2. Report and discussion of Weighted Student Formula
3. Report from the DOE-DAGS Investigative Committee
4. Report from the DOE-DHRD Investigative Committee
5. Status Reports from the other Investigative Committees
6. Public comment
7. Agenda setting for the October 26 IWG meeting

Since the reports from the DOE-DAGS and DOE-DHRD IC will require additional time, the meeting start time was set for 1:00 p.m., Room 309, State Capitol.

10. Adjournment. The meeting was adjourned at 10:20 a.m.

Minutes reported by:

Kate Stanley
Interagency Working Group (IWG)

Tuesday, October 19, 2004
1:00 p.m. – 5:00 p.m.
State Capitol, Room 309

AGENDA

1. Approval of the minutes of September 23, 2004 1:00 – 1:05 p.m.

2. Status of the Weighted Student Formula (WSF) Committee 1:05 – 1:10 p.m.
   WSF is to be used to allocate financial resources

3. Status Report and recommendations from Investigative Committees 1:10 – 1:30 p.m.
   Department of Education - Department of Human Services
   Department of Education - Department of the Attorney General
   Department of Education - Department of Budget and Finance
   Department of Education – Department of Health

4. Department of Education (DOE) - Department of Human Resources (DHRD) Investigative Committee Report 1:30 – 2:45 p.m.

   Presentation
   Recommendations
   - DOE Recommendation: DOE become a separate civil service jurisdiction
   - DHRD Recommendation: DHRD maintain jurisdiction over all existing civil service members of the executive branch

   Status
   - DOE preparing details of what a separate jurisdiction would look like
   - DHRD favors a delay in transfer unless details of a separate jurisdiction are provided, DHRD has a list of services and systems that DOE needs to have in place to operate a civil service system

   Options
   - DOE: transfer some functions through a Service Level Agreement (SLA) in July 2005 and develop a separate jurisdiction by 2006
   - DHRD: DOE restructure Office of Human Resources with DHRD providing training

   Issue
   - Whether or not DHRD staff transfer to DOE/OHR to provide transferred functions

   Discussion

   Formulate IWG proposals for future action

BREAK 2:45 – 3:00 p.m.
5. Department of Education (DOE) - Department of Accounting and General Services (DAGS) Investigative Committee Report

3:00 – 4:15 p.m.

Presentation
Recommendations
- DOE Recommendation: DOE manages scope, schedule, and budget for repair and maintenance (R&M) and capital improvements projects (CIP), 66 positions transfer from DAGS to DOE. DOE creates a service bureau.
- DAGS Recommendation: Without more detail of how the service bureau would operate, no staff to transfer and Service Level Agreements (SLAs) govern operations between the agencies

Status
- DOE in the process of detailing work flow and organization chart of the service bureau

Options
- DOE: transfer functions, positions, and funding with SLAs
- DAGS: SLAs with no transfer of positions

Issues
- Whether or not, and how many, DAGS staff transfer to DOE to provide transferred functions
- The level of detail needed in the DOE plan in order for DAGS to comment further on the transfer plan

Discussion

Formulate IWG proposals for future action

6. Public Comment

4:15 – 4:30 p.m.

7. Agenda setting for October 26, 2004, meeting

4:30 – 5:00 p.m.

Proposals for action

Discussion of other Act 51 IWG proposals for action

Persons requiring special assistance or services such as a language interpreter should call 586-3444 at least three business days before the meeting.
STATE OF HAWAII
INTERAGENCY WORKING GROUP

MINUTES
Thursday, October 19, 2004
State Capitol, Room 309

ATTENDANCE

MEMBERS
David Carey, President & CEO, Outrigger Enterprises, Inc.
Lei Desha, Field Services Officer, for Russell Okata, Executive Director, Hawaii
        Government Employees Association
Patricia Hamamoto, Superintendent, Department of Education
Donald Horner, President & COO, First Hawaiian Bank
Georgina K. Kawamura, Director of Finance, Department of Budget and Finance
Lillian B. Koller, Director, Department of Human Services
Nani Medeiros and Sally Harper for Linda Smith, Senior Policy Advisor, Office of the
        Governor
Linda Rosen for Chiyome Fukino, Director, Department of Health
Russ K. Saito, Comptroller, Department of Accounting and General Services
Holly Shikada, Deputy Attorney General, for Mark Bennett, Attorney General,
        Department of the Attorney General
Dayton Nakanelua, State Director, United Public Workers
Kathleen N. A. Watanabe, Director, Department of Human Resources Development

DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES
Nestor Butac, DAGS, Design Branch
Francis Cheung, DAGS
Stanley Doi, DAGS, Kauai
Gina Ichiyama, Public Works Division
Shirley Infante, Public Works Division
Don Inouye, Central Services Division
Duane Kashiwai, Public Works Division
Cara Kimura, DAGS
Clyde Kumabe, Public Works Division
Ernie Lau, Public Works Division
Ralph Morita, Public Works Division
Dianne Matsuura, DAGS
Eric Nishimoto, Public Works Division
Glenn Okada, DAGS, HDO
James Richardson, DAGS

DEPARTMENT OF THE ATTORNEY GENERAL
Jim Halvorson
Randall Nishiyama

DEPARTMENT OF EDUCATION
Sanford Beppu, Office of Business Services
Claudia Chun, Office of Human Resources
Gilbert Chun, Office of Business Services
Sacuma Elliot, Office of Business Services
Gene Hamamoto, Office of Human Resources
Geri Ichimura, Office of Business Services
Fay Ikei, Office of Human Resources
Kathy Kawaguchi, Office of Curriculum, Instruction and Student Support
Rae Loui, Office of Business Services
Brenda Lowrey, Office of Business Services
Ray Minami, Office of Business Services
Randy Moore, Superintendent's Office
Nick Nichols, Office of Business Services
Douglas Rattley, Office of Human Resources
Vivian Richey, Office of Business Services
Ryan Shigetani, Office of Business Services
Linda Shinsato, Office of Human Resources
Kate Stanley
Roy Tsumoto, Office of Business Services

DEPARTMENT OF HUMAN RESOURCES DEVELOPMENT
Francis Paul Keeno, Special Assistant

DEPARTMENT OF HUMAN SERVICES
Henry Oliva, Deputy Director

OTHERS
Diann Berndt, United Public Workers
Bill Brown, Outrigger Hotels
Peter Caderas, PAD
Don Clifford, Clifford Projects
Chris Saunders, Clifford Projects
Ruth Tschumy, HEPC
Clifford Uwaine, United Public Workers

1. Approval of the minutes of September 23, 2004

   Director Watanabe asked that the minutes reflect on page 5 item 9 that where the positions to perform the functions transferred would come from is unknown.

   Director Kawamura moved the minutes as circulated and corrected be approved. Superintendent Hamamoto seconded. Motion carried.

2. Status of the Weighted Student Formula (WSF) Committee.

   Superintendent Hamamoto reported that the Committee on Weights has met, will recommend to the Board of Education a weighted student formula by the end of 2004, and that a Board adopted formula will be used for the 2006-2007 school year.
   
a. Department of Education (DOE) and Department of Human Services (DHS)

   Superintendent Hamamoto reported that the DOE-DHS IC met and makes the following recommendation for Interagency Working Group (IWG) action:

   1. The Department of Human Services will continue to provide A+ employee background checks this school year and the next school year, August 2005 – June 2006. The MOU that governs the agreements between the Department of Education and the Department of Human Services with regards to the A+ program will contain this provision.
   2. The Department of Education will do an analysis of the resources required to do all background checks including the A+ background checks and examine various options for performing this function.
   3. No positions will be moved from the Department of Human Services.
   4. The Investigative Committee will convene during the first half of 2005 to review the status of the MOU and the analysis being done by the Department of Education.

   Deputy Director Henry Oliva stated that the DHS is willing to assist the DOE as the DOE looks at alternatives in assessing the resources needed to perform background checks.

   Chair Carey stated that action on this recommendation would be taken at the next scheduled IWG meeting on October 26, 2004.

b. Department of Education (DOE) and Department of the Attorney General (AG)

   Superintendent Hamamoto reported that the IC would continue their discussions during 2005. Deputy Attorney General Holly Shikada reported that the man-hour information had been compiled and that the AG was prepared to go forward with the discussions.

c. Department of Education (DOE) and Department of Budget and Finance (B&F)

   Director Kawamura reported that she and the Superintendent have agreed to have further discussion after the 2005 legislative session. The DOE is in the process of clarifying the issues relating to the transfer of functions.

d. Department of Education (DOE) and Department of Health (DOH)

   Superintendent Hamamoto reported that the IC will meet in 2005, the transition team will continue to meet to plan for the transfer of the school health aides, July 1, 2006, and that there is no agreement at this time with regards to the transfer of supervisory public health nurses.

4. Department of Education (DOE) and Department of Human Resources Development (DHRD) Investigative Committee Report

   Assistant Superintendent Chun reviewed the report distributed to the members of the IWG.

   Chair Carey noted that it would have been more useful if the report could have been circulated prior to the meeting.
In summary, the DOE report recommends the creation of separate civil service jurisdiction (similar to the Hawaii Health Systems and the Judiciary) by July 1, 2006, a phased-in transfer of the recruitment, examination, and classification functions from DHRD for various classes of positions, the completion of automation and the restructuring for a DOE centralized human resources system, and securing 23 additional positions.

Director Watanabe stated the DHRD position which in summary is that the transfer of functions should be repealed or delayed, positions should not be transferred from DHRD to DOE as the ability of DHRD to serve other state agencies would be severely impacted, and that if the IWG supported a separate jurisdiction for DOE, DHRD would assist the DOE in implementation.

Vice-Chair Horner and Director Kawamura asked for clarification and information with regards to the positions presented by DOE and DHRD.

Director Koller expressed concern about the ability of DHRD to service other departments if positions were transferred.

Chair Carey asked that the IWG consider the pros and cons of DOE becoming a separate jurisdiction. He asked Deputy Attorney General Halvorson to comment.

Deputy Attorney General Halvorson explained that Chapter 76 appears to recognize the DOE as a separate jurisdiction and that further clarity may be needed. Also, that Chapter 89 would need to be amended if the DOE wanted to be a separate jurisdiction for the purposes of being an employer for collective bargaining purposes.

Chair Carey stated that he and the Vice-Chair Horner would work with both DOE and DHRD to see if an IWG recommendation can be developed.

5. Department of Education (DOE) and Department of Accounting and General Services (DAGS) Investigative Committee Report

Assistant Superintendent Loui and Comptroller Saito presented the areas of agreement for a recommendation that include: increasing the repair and maintenance (R&M) and capital improvements project (CIP) budgets; creating a service bureau within the DOE with Service Level Agreements (SLAs) (with participation of an advisory group) with DAGS establishing a client-vendor relationship and having minimal impact on staff at the time of transfer including keeping the neighbor island DAGS structure intact and central services work crews within DAGS.

Assistant Superintendent Loui presented how the DOE would operate a service bureau, the requirement for positions to be transferred from DAGS in order for DOE to manage scope, schedule, and budget for R&M and CIP.

Comptroller Saito presented how DAGS sees the DOE service bureau operating and the point in the process where SLA’s should govern the R&M and CIP work.

After questions and comments from Vice-Chair Horner, Director Kawamura, Mr. Uwaine, Mr. Nakanelua, and Ms. Desha, Chair Carey recommended that DOE and DAGS continue their
discussions in an effort to reach agreement with regards to SLA's and number of positions to be transferred.

Assistant Superintendent Loui asked that the IWG consider adding another meeting date in order to provide sufficient time for DOE and DAGS to reach agreement.

6. Public Comment

Public comments included concerns regarding position descriptions that might change, control of budgets, number of staff to be transferred, impact on DAGS ability to serve other departments, education specs as guidelines, the desire of DAGS to work as a partner, what the remedy will be if service levels are not met, and that the work crews should move to DOE.

7. Agenda setting for October 26, 2004, meeting

The agenda will include:

1. Approval of the minutes
2. Adoption of the DOE-DHS IC recommendation
3. Status report regarding transfer of human resources functions
4. Status report from DOE-DAGS IC

8. Adjournment. The meeting was adjourned at 5:10 p.m.

Minutes reported by:

Kate Stanley
Interagency Working Group (IWG)

Tuesday, October 26, 2004
3:00 p.m. – 5:00 p.m.
State Capitol, Room 309

AGENDA

1. Approval of the minutes of October 19, 2004
   3:00 – 3:05 p.m.

2. Action on recommendation from the Department of Education (DOE) and Department of Human Services (DHS) Investigative Committee (IC) presented at the Interagency Working Group Meeting of October 19, 2004
   The recommendation is that:
   1. The DHS continue to provide A+ employee background checks for the current school year 2004-2005 and the next school year August 2005 – June 2006. The Memorandum of Understanding (MOU) that governs the agreements between the DOE and the DHS with regards to the A+ program will contain this provision.
   2. The DOE do an analysis of the resources required to do all background checks including the A+ background checks and examine various options for performing this function.
   3. No positions will be moved from the DHS.
   4. The IC will convene during the first half of 2005 to review the status of the MOU and the analysis being done by the DOE.
   3:05 – 3:10 p.m.

3. Formulation of IWG recommendation for the Department of Education (DOE) - Department of Human Resources Development (DHRD)
   The Chair's proposed recommendation
   1. DOE become a separate civil service system July 1, 2006, for civil service and collective bargaining subject to:
     ✷ Clarify Chapter 76, HRS, which defines DOE as a separate jurisdiction but does not include implementing language
     ✷ Amend Chapter 89, HRS, to clarify that DOE for the purposes of collective bargaining is an employer
   2. DOE automates and restructures Office of Human Resources (OHR).
   3. Through a Service Level Agreement (SLA) (with participation of an advisory group) for the period of July 1, 2005 through June 30, 2006, DHRD will continue to provide the transferred functions: recruitment, examination, classification, certification and any others as defined in the SLA.
   4. The IWG will work with DOE and DHRD to resolve how best to meet the DOE/OHR resource requirements.
   3:10 – 3:45 p.m.

Formulate an IWG recommendation for action.
4. Department of Education (DOE) - Department of Accounting and General Services (DAGS) Investigative Committee Report: 3:45 – 4:30 p.m.

Recommendation
1. The repair and maintenance and capital improvement budgets for DOE be increased substantially. Capital Improvements Project (CIP) appropriations should have flexibility to be moved among projects.
2. A service bureau be developed within the DOE with SLAs (with participation of an advisory group) with DAGS establishing a client-vendor relationship.
3. Minimal impact on staff at time of transfer including keeping neighbor island DAGS structure intact and central services work crews within DAGS.
4. Creation of a working group of the IC to operationalize the service bureau model, resolve the number of staff positions to be transferred from DAGS to DOE, and develop a timeline for implementation.

Formulate IWG recommendation for action.

5. Public Comment 4:30 – 4:45 p.m.

6. Agenda setting for November 12, 2004, meeting 4:45 – 4:55 p.m.

Proposals for action
Discussion of other Act 51 IWG proposals for action if any

7. Propose and set an additional IWG meeting date. 4:55 – 5:00 p.m.

Persons requiring special assistance or services such as a language interpreter should call 586-3444 at least three business days before the meeting.
STATE OF HAWAII
INTERAGENCY WORKING GROUP

MINUTES
Thursday, October 26, 2004
State Capitol, Room 309

ATTENDANCE

MEMBERS
Joshua Agsalud, Ed.D., Former Administrative Director of the State
Mark Bennett, Attorney General, Department of the Attorney General
David Carey, President & CEO, Outrigger Enterprises, Inc.
Lei Desha, Field Services Officer, for Russell Okata, Executive Director, Hawaii
  Government Employees Association
Chiyome Fukino, Director, Department of Health
Patricia Hamamoto, Superintendent, Department of Education
Donald Horner, President & COO, First Hawaiian Bank
Georgina K. Kawamura, Director of Finance, Department of Budget and Finance
Lillian B. Koller, Director, Department of Human Services
Nani Medeiros and Sally Harper for Linda Smith, Senior Policy Advisor, Office of
  the Governor
Russ K. Saito, Comptroller, Department of Accounting and General Services
Clifford Uwaine for Dayton Nakanelua, State Director, United Public Workers
Kathleen N. A. Watanabe, Director, Department of Human Resources
  Development

DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES
Jana Andow, Public Works Division
David Au, Public Works Division
Francis Cheung, Central Services Division
Claire Cho, Central Services Division
Lauri Fu, Central Services Division
Arnold Fukunaga, Design Branch
Gina Ichiyama, Public Works Division
Shirley Infante, Public Works Division
Don Inouye, Central Services Division
Todd Kaulukukui, Public Works Division
Cara Kimura, Public Works Division
Clyde Kumabe, Public Works Division
Ernie Lau, Public Works Division
Dianne Matsuura, DAGS
Ralph Morita, Public Works Division
Fran Nishida, LSB
Eric Nishimoto, Public Works Division
Nelson Okano, Central Services Division
Noni Panen, Central Services Division
James Richardson, DAGS
Dalbert Segawa, Central Services Division
Greg Tanaka, Central Services Division
Calvin Taniguchi, Public Works Division
Dale Vehemente, Design Branch
Mark Yamabe, Public Works Division

DEPARTMENT OF THE ATTORNEY GENERAL
Randall Nishiyama, Deputy Attorney General
Holly Shikada, Deputy Attorney General

DEPARTMENT OF EDUCATION
Sanford Beppu, Office of Business Services
Claudia Chun, Office of Human Resources
Gilbert Chun, Office of Business Services
Geri Ichimura, Office of Business Services
Roy Ikeda, Office of Business Services
Fay Ihei, Office of Human Resources
Charles Kagawa, Office of Business Services
Rae Loui, Office of Business Services
Brenda Lowrey, Office of Business Services
Ray Minami, Office of Business Services
Randy Moore, Superintendent's Office
Nick Nichols, Office of Business Services
Charlene Ohta
Kate Stanley

DEPARTMENT OF HUMAN RESOURCES DEVELOPMENT
Francis Paul Keeno, Special Assistant
Doreen Kuroda

OTHERS
Peter Caderas, PAD
Don Clifford, Clifford Projects
Chris Saunders, Clifford Projects
Max Sword, Outrigger Hotels
Art Tokin, Price Waterhouse Coopers
Ruth Tschumy, HEPC

1. Approval of the minutes of October 19, 2004

Vice-Chair Horner moved the minutes as circulated be approved. Ms. Desha seconded. Motion carried.
Chair Carey reviewed the agreed upon decision-making process for adopting Interagency Working Group (IWG) recommendations. The IWG will operate by consensus; if consensus cannot be reached, all perspectives will be included in the report. There will be a voice acclamation in favor and a voice vote for cannot live with or would block; and if there is an objection, there will be a chance to change the recommendation; if the objection does not change, then the recommendation moves forward with the objecting organization preparing their statement of objections and submitting it to the chair.

2. **Action on recommendation from the Department of Education (DOE) and Department of Human Services (DHS) Investigative Committee (IC) presented at the Interagency Working Group Meeting of October 19, 2004.**

Comptroller Saito moved that the recommendation be adopted. Mr. Agsalud seconded. The Chair recommended that the motion be tabled until the Director of DHS was present. Upon the arrival of the DHS Director, both she and Superintendent Hamamoto expressed support for the recommendation.

By voice acclamation, the following recommendation was adopted:

a. The DHS continue to provide A+ employee background checks for the current school year 2004-2005 and the next school year 2005-2006. The Memorandum of Understanding (MOU) that governs the agreements between the DOE and the DHS with regards to the A+ program will contain this provision.
b. The DOE do an analysis of the resources required to do all background checks including the A+ background checks and examine various options for performing this function.
c. No positions will be moved from the DHS.
d. The IC will convene during the first half of 2005 to review the status of the MOU and the analysis being done by the DOE.

3. **Recommendation for the Department of Education (DOE) – Department of Human Resources Development (DHRD)**

Mr. Agsalud moved that the Chair's recommendation as stated in the agenda be adopted. Attorney General Bennett seconded the motion.

During discussion, Mr. Uwayne asked that the first recommendation relating to a separate jurisdiction be changed. After discussion, the facilitator formulated a new first recommendation. With the formulation of the new first recommendation, the Chair's fourth recommendation was recommended for deletion.

Mr. Agsalud amended his motion to substitute the new proposed recommendation for the appropriate parts of the Chair's recommendation. Vice-Chair Horner seconded the amended motion.

By voice acclamation the following recommendation was adopted:

a. Extend the transfer of DHRD rights, powers, functions and resources until July 1, 2006, in order to address the following:
   - DOE shall establish a personnel system for the transferred civil service employees
- Union issues relating to personnel matters such as moving civil service personnel between departments and maintaining employee rights and benefits as it relates to a DOE personnel system
- Amending appropriate HRS statutes including chapters 76 and 89 and any others, if needed, to avoid confusion and litigation
- No DHRD staff positions transfer from DHRD to DOE
- DOE commits to assisting DHRD through a transitions team and plan

b. DOE automates and restructures Office of Human Resources (OHR).
c. Through a Service Level Agreement (SLA) (with participation of an advisory group) for the period of July 1, 2005, through June 30, 2006, DHRD will continue to provide the transferred functions: recruitment, examination, classification, certification and any others as defined in the SLA.

4. **Department of Education (DOE) and Department of Accounting and General Services (DAGS) Investigative Committee Report**

Superintendent Hamamoto and Comptroller Saito recommended that the DOE-DAGS IC continue to work in an effort to reach agreement and report at the next meeting.

Director Kawamura expressed concern about the recommendation to increase the repair and maintenance (R&M) budget and the capital improvements project (CIP) budget.

Comptroller Saito explained that the current practice of putting off maintenance until it can be funded through bond funds is not effective. It would be more cost effective to fund repair and maintenance with general funds as part of a regularly scheduled repair and maintenance program.

Director Kawamura suggested that this recommendation not be part of the recommendation regarding the transfer of functions between DOE and DAGS.

5. **Public Comment**

Public comments included concerns regarding delaying the transfer of any DAGS positions until July 1, 2006, whether the DAGS transferred positions will be doing the same work after the transfer to DOE, the issue of the number of DAGS positions to be transferred, how the service bureau will work, and that the work crews are not being transferred to DOE.

Chair Carey stated that he believed that DOE and DAGS have made significant progress in that there has been agreement regarding establishing a service bureau at DOE and that SLAs will govern the relationships between the two departments.

6. **Agenda setting for November 15 meeting**

There was agreement that the meeting date for the next IWG would be changed from November 12 to November 15 from 3:00 p.m. to 5:00 p.m.

If available, the location will be Room 309, State Capitol.

1) Approval of the minutes
2) DOE-DAGS recommendation
3) Definition of service level agreement
4) Clarification of the status of charter schools and public libraries in the new DOE personnel system.
5) Status of the report to the Legislature

7. **Adjournment.** The meeting was adjourned at 5:20 p.m.

Minutes reported by:

Kate Stanley
Interagency Working Group (IWG)
Monday, November 15, 2004
9:00 a.m. – 11:00 a.m.
State Capitol, Room 309

AGENDA

1. Approval of the minutes of October 26, 2004 9:00 – 9:05 a.m.

2. Review of the wording of the IWG recommendation for the
   Department of Education (DOE) and Department of Human
   Resources Development (DHRD) as stated in the Minutes of
   1. Extend the transfer of DHRD rights, powers, functions and
      resources until July 1, 2006 in order to address the following:
      - DOE shall establish a personnel system for the transferred
        civil service employees
      - Union issues relating to personnel matters such as moving
        civil service personnel between departments, and maintaining
        employee rights and benefits as it relates to a DOE personnel
        system
      - Amending the appropriate statutory provisions including
        Chapters 76 and 89, HRS, and any others, if needed, to
        avoid confusion and litigation
      - No DHRD staff positions transfer from DHRD to DOE
      - DHRD commits to assisting DOE through a transition team
        and plan

   9:05 – 9:10 a.m.

3. Formulation of IWG recommendation for the Department of
   Education (DOE) - Department of Accounting and General Services
   (DAGS)
   The Chair’s proposed recommendation of the DOE – DAGS
   transfer. (Chair’s recommendation attached.)
   Discussion of the Chair’s recommendation
   Public comment
   IWG action on the recommendation
   9:10 – 10:15 a.m.

4. Other IWG recommendations for action: 10:15 – 10:30 a.m.
   A. The General Fund appropriation for repair and maintenance
      (R&M) needs to be increased in DOE (EDN 400) and in DAGS
      (AGS 807). Currently, funding repair and maintenance through
      bond funds limits the ability of both agencies to adequately
      provide emergency, routine, and cycle maintenance for the
      schools.
      The IWG recommends changing the methodology for
      calculating the repair and maintenance (R&M) budget to reflect
      the quantity and age of the facilities. The IWG proposes the
      creation of a Maintenance Factor which reflects maintenance
needs of the facilities.

The IWG suggests following the Building Research Board, National Research Council of the American Public Works Association's (APWA's) "Commitment to the Cost of Ownership - Maintenance and Repair of Public Buildings" report recommendation (or equivalent) as a basis for the following Repair and Maintenance (R&M) Factor:

Establish a minimum, routine repair and maintenance (R&M) general fund budget for public school facilities of between "2% to 4% of the aggregate current replacement value of those facilities...."

The American Public Works Association recognizes the problem that public schools have experienced, and states, in its report, that "Where neglect of maintenance has caused a backlog of needed repairs to accumulate, this funding level must exceed this minimum level until the backlog has been eliminated."

Given this formula, the budget for repair and maintenance for Hawaii public schools would be:

1. Deferred maintenance backlog of $400 - $600 million
2. Current maintenance budget
3. Recommended maintenance budget based on formula plus backlog

B. The R&M budget priorities must be based upon a standardized set of facilities evaluation measures, and baseline assessments for all schools to better measure needs and progress.

5. Public Comment 10:30 – 10:45 a.m.

6. Agenda setting for November 29, 2004, meeting 10:45 – 11:00 a.m.

Review the report to the Legislature

Persons requiring special assistance or services such as a language interpreter should call 586-3444 at least three business days before the meeting.
DOE- DAGS Chair's Recommendation

1. DOE establishes a Service Bureau. The Service Bureau will be implemented on July 1, 2005. The Service Bureau would:
   - Create a "one stop shop" (a clearinghouse for client services for the individual schools), to receive, prioritize, and assign projects, work orders and other requests which will include a "call center"
   - Provide Client-Principals with a "Service Bureau" Report Card that will document all facilities costs, R&M, CIP projects inclusive of labor
   - Facilitate DOE development and control of the scope, budget, and schedule for R&M and CIP
   - Establish Client-Vendor relationships with DAGS to develop specific performance standards and improve accountability to the schools for the delivery of services

2. In order to successfully implement the Service Bureau, the following actions will take place as of July 1, 2005:
   - DOE will be the expending agency for CIP
   - Budget provisions will allow DAGS delegated expending agency status for all project funds transferred from the DOE.
   - DAGS controls personnel costs and resources required to carryout its program functions
   - DOE will be the expending agency for maintenance contracts and furniture refurbishment

3. Staffing: 12 existing (2 planners, 5 Building Inspectors (BIPS), 3: Engineers, 1 program services staff, and 1 clerk/secretary) and 2 vacant (1 drafting tech/planner, 1 procurement) positions and resources will be moved from DAGS in order to establish a service bureau at the DOE on July 1, 2005. The functions of the existing positions will remain the same within DOE. DOE and DAGS agree that the positions should transfer from DAGS to DOE to implement the Service Bureau. The concern to be addressed is to insure that the rights and benefits of the personnel are retained in the move. As such, it is recommended that:
   - The vacant positions transfer from DAGS to DOE on or before July 1, 2005.
   - Legislative action be taken in 2005 to insure that all rights and benefits are maintained for personnel transferred as part of ACT 51 and that the ability to apply for DAGS internal non-competitive recruitment be retained by those personnel transferred until such
time as DOE establishes a personnel system for civil service employees.

- If legislative action is not taken, incumbents of the identified positions would be “detailed” meaning “on loan” to DOE effective July 1, 2005, and would still be DAGS employees paid by DAGS, but supervised by DOE. If the identified positions on loan to DOE become vacant, the positions will be permanently transferred to DOE.

- DAGS will create “dedicated DOE” staff within DAGS with the understanding that the process must create sufficient flexibility to address the peaks and valleys of DOE project timelines.

4. Service Level Agreements (SLA): SLAs are a critical piece of fulfilling the requirements of Act 51. Both DOE and DAGS agree that there are strong assets and strengths within each organization and there is benefit to the state in keeping those assets together. Therefore, in lieu of transferring a large portion of DAGS personnel to DOE, an SLA will establish a client-vendor relationship between DOE and DAGS. SLAs will also be established between the DOE Service Bureau and the schools. The SLA is the mechanism that holds both DAGS and DOE accountable for the performance of activities that serve the schools. The SLAs would:

- Specify a time period for the SLA
- Clearly articulate the responsibilities and accountability of all parties: DAGS and DOE (including the Service Bureau and schools) and the services to be provided
- Specify performance measure that would evaluate the success of the vendor in meeting service benchmarks and outcomes
- Staff money for remaining DAGS positions and associated general fund resources will continue to be appropriated to DAGS. The SLAs will govern the resources including positions that will be committed for DOE work.
- Identify methods for ongoing evaluation and conflict resolution if problems arise
- Articulate the remedies if performance measures are not met, for example if it becomes clear that DOE would not renew the SLA, then DOE revisits the other options for implementing the transfer of functions to meet the intent of Act 51. DOE does so in a timely way so that changes could be implemented.

5. SLA Advisory Committee: Creating strong SLAs are vital to the success of Act 51. As such DOE and DAGS have agreed to the establishment of an Advisory Committee that would assist in development, monitoring and evaluation of the service level agreements. The Advisory Committee will include representatives from the business, labor, community and others to effectively work with DOE and DAGS to make the SLAs work.
6. Service Bureau Pilot Project: DOE in consultation with DAGS will establish a pilot project in fiscal year 2005-2006 in one school district to implement and evaluate all aspects of the DOE plan, including the call center and service bureau for R&M and CIP, and temporary detailing of one architect/engineer to DOE from DAGS. The Pilot Project will be detailed out as part of the Transition Plan. The pilot will run for a year at which time the project will be evaluated, including options of continuing the pilot for additional time, adequacy of resources, training requirements, project modifications if any, and any other agreed upon criteria.

Transition Plan and Team
1. The Transition Plan covers the tasks that need to be completed in order to implement Act 51 by July 1, 2005 as described above. Most of these tasks will need to be completed prior to the completion of the legislative session.
3. Draft the SLA/MOU between DOE-DAGS, and DOE (Service Bureau) - Schools (complete by March 2005)
4. Detail Pilot Program including selecting a district, identifying the R&M and CIP projects, coordination with the district schools (complete by March 2005)
5. Implement the move of the DAGS vacant positions and personnel and address the staff questions and concerns (legislative action, January 2005)
6. Detail the support services, physical location of staff and equipment for the pilot and transferred and detailed personnel (complete January 2005)
7. Develop and execute an internal and external communication plan to DAGS, DOE admin, schools, and community about the Service Bureau, the pilot and Act 51 (develop and execute Spring 2005)
8. Transition Team Core Team Members: DAGS (Kerry Yoneshige, James Richardson and Ernie Lau); DOE (Rae Loui, Human Resources person); school representative; Union representative; community representatives such as David Carey and Don Horner. Other members would be added for issue specific discussions

IWG recommendations that are not related to the transfer of functions:

1. The General Fund appropriation for repair and maintenance needs to be increased in DOE (EDN 400) and in DAGS (AGS 807). Currently funding repair and maintenance through bond funds limits the ability of both agencies to adequately provide emergency, routine, and cycle maintenance for the schools. The IWG recommends changing the methodology for calculating the R&M budget to reflect the quantity and
age of the facilities. The IWG proposes the creation of a Maintenance Factor, which reflects maintenance needs of the facilities.

The IWG suggests following the Building Research Board, National Research Council of the American Public Works Association's (APWA's) "Commitment to the Cost of Ownership - Maintenance and Repair of Public Buildings" report recommendation (or equivalent) as a basis for the following Repair and Maintenance (R&M) Factor:

Establish a minimum, routine repair and maintenance (R&M) general fund budget for public school facilities of between "2% to 4% of the aggregate current replacement value of those facilities...".

The American Public Works Association recognizes the problem that public schools have experienced, and states, in its report, that "Where neglect of maintenance has caused a backlog of needed repairs to accumulate, this funding level must exceed this minimum level until the backlog has been eliminated."

Given this formula, the annual budget for repair and maintenance for Hawaii public schools would be:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 2% of the replacement value</td>
<td>100 million</td>
</tr>
<tr>
<td>Recommended to reduce backlog</td>
<td>88 million</td>
</tr>
<tr>
<td>Total each year for six years</td>
<td>188 million</td>
</tr>
</tbody>
</table>

2. The R&M budget priorities must be based upon a standardized set of facilities evaluation measures, and baseline assessments for all schools to better measure needs and progress.

DOE needs the following:

1. A statutory statement of DOE's general powers to include responsibility for the repair and maintenance and CIP functions for educational facilities of the DOE.

2. Placing CIP and R&M monies in EDN 400.

3. Merging the present two facilities accounts into one while maintaining the ability to report on the backlog, prior to 2000.
STATE OF HAWAII
INTERAGENCY WORKING GROUP

MINUTES
Monday, November 15 and Monday November 22, 2004
State Capitol, Room 309

ATTENDANCE

MEMBERS
Joshua Agsalud, Ed.D., Former Administrative Director of the State
Mark Bennett, Attorney General, Department of the Attorney General
David Carey, President & CEO, Outrigger Enterprises, Inc.
Lei Desha, Field Services Officer, for Russell Okata, Executive Director, Hawaii
  Government Employees Association
Linda Rosen and Susan Jackson for Chiyome Fukino, Director, Department of Health
Patricia Hamamoto, Superintendent, Department of Education
Donald Horner, President & COO, First Hawaiian Bank
Georgina K. Kawamura, Director of Finance, Department of Budget and Finance
Henry Oliva for Lillian B. Koller, Director, Department of Human Services
Linda Smith, Senior Policy Advisor, Office of the Governor
Russ K. Saito, Comptroller, Department of Accounting and General Services
Dayton Nakanelua, State Director, United Public Workers
Kathleen N. A. Watanabe, Director, Department of Human Resources Development

DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES
Bruce Bennett, Public Works Division
Francis Cheung, Central Services Division
Craig Chung, DPW
David Chung, DPW
Joseph Earing, Planning
Lauri Fu, Public Works Division
Arnold Fukunaga, Public Works Division
Claire Ganeko, DPW
Clayton Haida, Public Works Division
Cal Hisatake
Wayne Hodges, IB
Stephen Hong, BIPS
Dean Horiuchi, Public Works Division
Gina Ichiyama
Shirley Infante, DPW
Dale Jehemente, Design Branch
Kim Kaneshiro, Public Works Division
Kevin Kato, Public Works Division
Cara Kimura, Public Works Division
Christine Kinimaka, Public Works Division
Joyce Kinoshita, Public Works Division
Clyde Kumabe, Public Works Division
Ernie Lau, Public Works Division
Dianne Matsuura
Eunice Morisaki, Public Works Division
Ralph Morita, Public Works Division
Ivan Nishiki, LSB
Eric Nishimoto, Public Works Division
Nelson Okano, Public Works Division
Glenn Okata, HDO
Noni Panen, Design Branch
James Richardson, Central Services Division
Grace San Juan, Public Works Division
Gary Shimizu, Public Works Division
Dalbert Sugawa, Public Works Division
Greg Tanaka, Public Works Division
James Wataru, Central Services Division
Kerry Yoneshige, ASO

DEPARTMENT OF THE ATTORNEY GENERAL
Randall Nishiyama, Deputy Attorney General
Holly Shikada, Deputy Attorney General

DEPARTMENT OF EDUCATION
Sanford Beppu, Office of Business Services
Gilbert Chun, Office of Business Services
Sucuma Elliot, Office of Business Services
Dolly Gines, Office of Business Services
Fay Ieki, Office of Human Resources
Katherine Kawaguchi, Office of Curriculum, Instruction and Student Support
Rae Loui, Office of Business Services
Jana Mihara, Office of Business Services
Ray Minami, Office of Business Services
Randy Moore, Superintendent's Office
Nick Nichols, Office of Business Services
Geralyn Palalay, Office of Business Services
Doug Rattley, Office of Human Resources
Ryan Shigetani, Office of Business Services
Kate Stanley
Anna Tongson, Office of Business Services
Gary Yasui, Office of Business Services

DEPARTMENT OF HUMAN RESOURCES DEVELOPMENT
Wilma Iwasaki
Francis Paul Keeno, Special Assistant
Doreen Kuroda, ERD
Diane Sumida, ERD
Karen Tom, ERD

OTHERS
Sarah Blane, Building Industry Association - Hawaii
Peter Caderas, PAD
Don Clifford, Clifford Projects
Steven Fernandes
James Kuroiwa, HI Liecet
1. Approval of the minutes of October 26, 2004

Dr. Joshua Agsalud moved the minutes as circulated be approved. Vice-Chair Don Horner seconded.

Mr. Clifford Uwaine asked that the minutes reflect that his understanding of the recommendation relating to the transfer of functions from the Department of Human Resources Development (DHRD) with regards to the establishment of a personnel system within the Department of Education did not mean the creation of a separate jurisdiction like the Judiciary or the Hawaii Health Systems.

Director Kathleen Watanabe asked that the minutes reflect that the recommendation with regards to the use of a Service Level Agreement for the period of July 1, 2005 through June 30, 2006 did not reflect the preference of DHRD. The preference of DHRD is that Act 51 be amended to delay the implementation of the transfer of functions.

The minutes with the addition of the above comments were approved.

2. Review of the wording of the IWG recommendation for the Department of Education (DOE) and Department of Human Resources Development (DHRD) as stated in the Minutes of October 26, 2004.

Ms. Linda Smith presented the following as an alternative wording for the DOE-DHRD recommendation:

1. Extend the transfer of DHRD rights, powers, functions and resources until July 1, 2006 by amending Section 46 of Act 51.

2. Should the Legislature fail to amend the transfer date, the approximately 6000 civil service personnel identified by the working group will transfer to DOE on July 1, 2005, and DHRD will divest itself of any further responsibility over said personnel.

   a. No DHRD staff positions will transfer from DHRD to DOE
   b. DHRD will commit to assisting DOE from January 1 thru June 30, 2005 to expedite the transfer in a manner that minimizes the impacts to personnel and the overall costs to the State.

During discussion of Ms. Smith's proposal and what was really meant by the proposal that was adopted October 26, 2004, the following points were made:

Attorney General Mark Bennett - changing Act 51 would be required if the original proposal remains, there should be a plan for the possibility of Act 51 not being amended, DOE should answer the question of whether or not the Department can operate a
personnel system on July 1, 2005. Memorandums of Understanding (MOU’s) and Service Level Agreements (SLA’s) can be used by departments and could be used for an emergency or short period of time after the July 1, 2005, transfer date.

Superintendent Patricia Hamamoto - using Service Level Agreements as a means to implement Act 51 is agreeable to the DOE and is reflected in the recommendation regarding DAGS. The DOE will require resources including positions if the Department is expected to perform the DHRD functions on July 1, 2005.

Director Watanabe - asked that the record reflect that DHRD is not asking for research regarding what the law states or whether or not MOU’s and SLA’s are allowed, DHRD asks that Act 51 be amended to extend the date of the transfer of functions, DHRD will assist the DOE in any transition.

Chair David Carey - the intent of the work done by the Investigative Committees (ICs) was to develop agreements between departments that would best implement Act 51, the IWG is to recommend to the Legislature how best to structure the transfer of functions, the IC’s and the IWG should now develop alternate plans for the transfer of functions on July 1, 2005, assuming that the Legislature will not amend Act 51.

Mr. Alan Oshima - the IWG could proceed with the DOE-DHRD recommendations adopted, adopt the DOE-DAGS one attached to the agenda and let the Legislature decide whether or not Act 51 required amendment.

After discussion, Chair Carey asked that the DOE-DHRD IC reconvene to clarify the positions of both Departments and reach agreement where possible, in doing this that the DOE answer the following questions: Can the DOE implement the transfer of functions and resources July 1, 2005; for what time period, after July 1, 2005, will DHRD assistance be needed; what resources are needed; what does DOE recommend with regards to the kind of personnel system it will operate and maintain on July 1, 2005; and are there any legal constraints relating to the transfer of functions.

Chair Carey recommended that at the end of the IWG meeting, the meeting be recessed until Monday, November 22, 2004, in order for the DOE-DHRD IC to meet and prepare further clarification of the positions of both Departments and the Union members participating in the IC meetings.

The IWG agreed that action on the DOE-DHRD recommendation for transfer will be deferred.

3. Formulation of IWG recommendation for the Department of Education (DOE) - Department of Accounting and General Services (DAGS)

Comptroller Russ Saito recommended that the DOE-DAGS IC be asked to meet again as a result of the Governor’s policy decision with regards to implementing Act 51. The Governor has asked that MOU’s and SLA’s not be used as a method of implementing Act 51 required transfers, instead that DAGS and DOE should plan to move positions based on the DAGS analysis of the number of positions (319) that perform DOE work. Comptroller Saito recommended that the IC meet to develop the plan for the transfer and report back when the IWG continues the current meeting on November 22, 2004.
The IWG agreed that the DOE-DAGS IC meet and report back on November 22, 2004.

4. Other IWG recommendations for action:

Director Georgina Kawamura stated that she could not support the recommendation for additional funding for repair and maintenance. Vice-Chair Don Horner expressed the concern that the IWG report should reflect the recent history of repair and maintenance funding so that the Legislature could address the consequences of having shifted funding repair and maintenance from cash to funding major repairs with bond funds appropriated as part of the capital improvement budget. Vice-Chair Horner stated that as a community member he is very concerned at the lack of funding for repair and maintenance.

5. Public Comment

Public comments included concerns regarding what the recommendation of the IWG will be with regards to the transfer of DAGS employees, comments about the ability of DOE to make recommendations for changes to Act 51, questions about the Governor’s position that all positions move from DAGS to DOE, concern for how DAGS will function and if DAGS will be able to hire additional personnel to back fill positions transferred to the DOE.

6. Recess. The meeting was recessed at 11:37 a.m. to be reconvened Monday, November 22, 2004, at 1:00 p.m.

The meeting time was moved to 10:00 a.m. and IWG members and attendees were notified by e-mail.

7. Chair Carey reconvened the IWG meeting at 10:08 a.m. November 22, 2004.

8. Continuation of the discussion regarding the DOE-DHRD transfer of functions.

Superintendent Hamamoto reported that the IC met November 17, 2004, and each Department clarified their position.

The DOE in answering the questions asked on November 15, 2004, stated that the position of the Department is as follows:

1. The DOE will be able to perform the functions that are to be transferred July 1, 2005.
2. The DOE and DHRD will create a transition team. In working through the transition, it may become necessary for the DOE to ask DHRD to continue to provide services beyond July 1, 2005, in order to complete the transition. If that should occur, an MOU/SLA will be necessary.
3. The DOE, in order to perform the functions, requires 22 Full Time Equivalent (FTE) positions and the $1.7 million for salaries, supplies, equipment and facilities.
4. The DOE proposes to operate and maintain a civil service system within the DOE that maintains the DOE employees in the executive branch. The system will be the current DHRD civil service system.

Director Watanabe stated the position of DHRD as follows:

1. DHRD will assist the DOE during the transition period.
2. DHRD does not support the transfer of any positions to the DOE.
3. The functions transfer on July 1, 2005, and DOE is responsible for the provision of services.
Attorney General Bennett explained that on July 1, 2005, the functions transfer and that the DOE assumes the responsibility and accountability for the provision of services. As a part of DHRD's assistance in the transition phase, DHRD could, through an MOU, continue to provide services for a brief period of time beyond July 1, 2005. Departments have the ability to contract with one another and DOE and DHRD could agree that DHRD provide services until transition is complete.

During discussion, the following concerns and viewpoints were expressed: that there were different interpretations of what the original position adopted by the IWG meant; resources for the DOE to perform the DHRD functions need to be provided from some source; the DOE intends to have a civil service system that keep the employees in the executive branch civil service; that legislation is required to create the DOE civil service system; and the United Public Workers Union (UPW) does not support a civil service system that is a separate jurisdiction.

Following discussion Ms. Lei Desha moved and Mr. Dayton Nakanelua seconded a motion to ask that staff draft the statement of positions as part of the report to be reviewed by the committee members. The motion was adopted.

9. **Continuation of the discussion regarding the transfer of DOE-DAGS transfer of functions.**

Comptroller Saito reported that the DOE-DAGS IC met November 19 and November 22, 2004, to develop a statement of recommendations.

The UPW stated that they did not support the draft statement, but rather support the position reflected in the October 26, 2004, agenda.

During discussion the following viewpoints and concerns were expressed: when using vacancies for positions that are moved, the bargaining unit should not be changed; whether or not the timelines for accomplishing the transition steps could be met; and whether or not after July 1, 2005, an MOU could be used for DAGS to continue to provide services for a brief period of time in order to complete the transition.

Mr. Nakanelua moved and Vice-Chair Horner seconded a motion to recommend that an MOU/SLA could be entered into between DOE and DAGS to allow DAGS to continue to provide services during the transition period if that period goes beyond July 1, 2005. Comptroller Saito asked for a modification of the motion to allow an MOU to govern the provision of services that cannot be transferred or to address any contingency that the parties mutually agree upon. The motion as amended was adopted.

Mr. Nakanelua asked for the commitment, and was assured by the Departments and the Governor's Office, support for the Department of Education in implementing Act 51 not only through July 1, 2005, but also beyond the date of the transfer of functions.

Chair Carey asked that the staff prepare the DOE-DAGS transfer recommendations including the UPW position as part of the report for the IWG to review. The recommendation and report should identify areas of agreement and disagreement. Mr. Nakanelua made a motion to adopt the Chair's recommendation, seconded by Vice-Chair Horner. The motion was adopted.
Chair Carey also raised other issues that will need to be addressed including: what statutory clarifications will be needed in order for the DOE to implement a personnel system and what kind of financial reporting system will the DOE have to develop. Director Watanabe stated that DHRD would rather use MOU's rather than Service Level Agreements to work with the DOE. Director Kawamura pointed out that costs associated with the transfer of functions are outside the scope of the IWG and could be addressed in the DOE operating budget.

10. **Recommendation regarding repair and maintenance funding.**

Director Kawamura stated that the adequacy of the repair and maintenance budget was outside the scope of the IWG. Vice-Chair Horner stated that he believed the repair and maintenance cash budget of approximately $16 million was inadequate. Chair Carey suggested that while the adequacy of funding was outside the scope of the IWG's work this issue should be brought to the Legislature's attention. Superintendent Hamamoto suggested that information about the repair and maintenance funding could be included in the report.

Mr. Nakanelua stated that there were other areas in addition to repair and maintenance that required investment of funds in order for the DOE to successfully carry out the transferred functions such as information systems.

11. **Public comment.**

Comments included concerns about: adequate staffing for DAGS after the transfer of positions to DOE; what will happen if the Governor does not allow those Departments transferring functions after July 1, to assist the DOE; the need for the administration to assist and cooperate with the transfer of functions; the Act 51 requirement that position numbers be identified; and at the time of transfer of the functions, whether current contracts also transfer.

12. **Agenda setting for the December 14, 2004, meeting.**

Chair Carey asked Attorney General Nishiyama to determine if the IWG needs to reconsider action taken on the DOE-DHRD recommendation prior to adoption of a new recommendation.

Chair Carey also stated that at the next meeting he wished to discuss the role of MOU's and SLA's, advisory groups and methods of monitoring progress.

The agenda will include consideration of the final recommendations and review of the report.

13. **Adjournment.** The meeting was adjourned at 1:20 p.m.

Minutes reported by:

Kate Stanley
APPENDIX C

Department Contacts for Reports and Presentations

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