INTERAGENCY WORKING GROUP

TRANSFER OF FUNCTIONS
FROM VARIOUS DEPARTMENTS
TO THE DEPARTMENT OF EDUCATION

APPENDICES TO THE
REPORT TO THE LEGISLATURE
IN RESPONSE TO SECTION 42 OF ACT 51,
SESSION LAWS OF HAWAII 2004

DECEMBER 2006
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INTRODUCTION

Part VIII of Act 51 "Reinventing Education Act of 2004" (Act 51) was enacted with the purpose of scrutinizing the services performed by specified state agencies for the Department of Education (DOE), with the objective of reducing bureaucracy and improving responsiveness and service delivery. Act 51 created the Interagency Working Group (IWG), whose objective is to submit plans to the Legislature regarding the transfer of rights, powers, functions, duties, and resources, including positions, from the Department of Accounting and General Services (DAGS), the Department of Human Resources Development (DHRD), the Department of Budget and Finance (B&F), the Department of the Attorney General (AG), the Department of Human Services (DHS), and the Department of Health (DOH) to the DOE.

In meeting this requirement, this report provides:

• an update on the successful transfers of functions from DAGS and DHRD in 2005;
• actions taken with respect to improving operations between the AG and the DOE since Act 51 was amended by the 2006 legislature to repeal the transfer from the AG, and repealing the transfer from DHS as the DOE has taken on its statutory responsibilities; and
• recommendations for the transfers of functions from B&F and DOH in 2007.

Thanks to the on-going efforts at DAGS, DHRD, AG, DHS, and the DOE, improvements continue to be made in the areas identified by Act 51. What is especially heartening is that these advances have expanded and continue to build on the efforts started by the Investigative Committees (ICs) created by the IWG.

A great deal of time and effort has been invested by the ICs to develop recommendations regarding the functions at B&F and DOH identified in Act 51. The ICs' recommendations are the product of the work of the ICs and their respective transition teams, discussion groups, or work groups. If interested, readers of this report may obtain information from the participating departments; the DOE has the working papers of all the ICs. A contact list is contained in Appendix D.

The IWG is grateful for the legal advice and counsel provided by Deputy Attorney General Randall Nishiyama and the staff support provided by Kate Stanley of the DOE, and Kathryn Matayoshi, consultant for the DOE.

I wish to express my personal appreciation to the Directors of the Departments, Union leaders and representatives, and community members 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 four times in 2006 to review progress made and focus discussion and action towards the objective set forth by Act 51 for the IWG, namely the reduction of bureaucracy through analysis and focus on responsiveness and service delivery. The continued utilization of the ICs has been critical to accomplishing the work required in Act 51. The ICs were tasked with reviewing the functions to be transferred to the DOE, exploring alternatives for the transfer, and providing recommendations to the IWG.

A. Progress Since the 2005 Transfers of Functions - DAGS, DHRD

The ICs for DAGS and DHRD formed Transition Teams in December of 2004 to plan and implement the transfer of functions.

The DAGS functions were transferred on July 1, 2005. This resulted in 207 positions moving to the DOE, along with all construction projects and repair and maintenance work for the island of Oahu. On the Neighbor Islands, DAGS provides repair and maintenance work to the DOE under a Service Level Agreement (SLA). The initial SLA defined roles and responsibilities, expectations and accountability for the DAGS and the DOE personnel. The SLA has since been revised to improve the work flow and communication between DAGS, the DOE, and the schools they serve. Maximo, the work flow information system started at DAGS and further developed and implemented by the DOE for Oahu schools in 2005, was implemented on the Neighbor Islands, and the work flow processes have been standardized across the state. The DOE's Facttrak information system for capital improvements and major repairs and maintenance has also been implemented on the Neighbor Islands.

The transfer has resulted in significant improvement in the work and support for facilities at the school level. Among the measures of success:

- the repair and maintenance work order backlog on Oahu was reduced from 2,949 in July 2005 to 1,120 in January 2006 and has been maintained at the target level of approximately 1,000 (or two weeks of work).
- Metrics have been established and are being met for completing work orders, emergency requests and trouble calls.
- Maximo, an on-line work flow system, has streamlined the processing of work, handling Oahu work orders in Fiscal Year 2005-2006 and enabling schools to request and monitor work orders on-line.
- Red tape has been reduced at schools, including consolidating five request forms (work order requests, repair and maintenance projects, and CIP projects) to one.
- Productivity of crews has improved through more accurate scoping of work, efficiency in scheduling jobs, and decreasing paperwork - all resulting in faster response to schools.
• Facilities condition assessments were conducted to improve accuracy of replacement schedules, identify potential problems, and to more accurately budget and plan for major repairs.
• The Factrak information system has been implemented which allows all stakeholders to see and monitor progress on capital improvement projects.
• Major project processes were streamlined and facilitated while alternative procurement methods such as design/build were also explored.

None of this would have been possible without leadership and commitment from all the individuals involved, from the DOE, DAGS, the Hawaii Government Employees Association (HGEA), and the United Public Workers (UPW).

Indeed, the groundwork for positive change began in numerous instances with DAGS’ recognition of issues and potential solutions. For example, the focus on work orders versus repair and maintenance capital improvement work began at DAGS prior to the transition.

The DHRD functions were also transferred on July 1, 2005. Seven Memoranda of Understanding (MOU), covering the range of human resource functions, aided in the smooth transition. All seven MOUs have ended, but there continues to be cooperation and communication between the DOE Office of Human Resources (OHR) and DHRD. The departments have entered into a Letter of Agreement for specific services to be provided by DHRD to the DOE in areas where DHRD provides services to other state departments: training services, benefit administration services, and labor relations services.

B. Status of the 2006 Transfers of Functions - AG, DHS

Four departments had functions scheduled to transfer to the DOE on July 1, 2006: B&F, AG, DHS, and DOH. Based upon the recommendations of the ICs, as reviewed and adopted by the IWG, legislation was introduced to repeal the transfer from the AG, DHS, and B&F, and delay the transfer from DOH by one year. Act 225, Session Laws of Hawaii 2006, repealed the provisions relating to the transfer from the AG and DHS to the DOE, and delayed the transfers scheduled for B&F and DOH to July 1, 2007.

With respect to transfer from the AG to the DOE, the discussions proved to be valuable in and of themselves. The candid and open discussion resulted in increased understanding and appreciation of the role and responsibilities of each department, as well as the barriers and burdens each can impose on the other in the areas of workers’ compensation, labor relations, and employee relations. The departments have signed a Service Level Agreement (SLA) that further clarifies roles and responsibilities, and describes accountability measures, protocols, and procedures.
The oversight of the IWG in keeping the departments focused on performance measures, objectives, and improvement was critical to the on-going improvement in communication, accountability, and understanding. The SLA that the DOE and AG have developed will serve as the foundation for on-going improvement started by Act 51, as amended.

The work of the AG and the DOE will continue through June 2007, focusing on imbedding in the departments, through the SLA, the importance of continuing this process of improving communication, accountability, and responsibility. The function of Act 51, as amended, as a critical catalyst for analysis and discussion of functions, responsibilities, roles, and procedures, has been and continues to be fulfilled.

The IC for the DHS transfer clarified that the statutory responsibilities of the DOE include responsibilities for employment background checks for all the DOE employees. This clarification also resulted in the recommendation to repeal the portion of Act 51 relating to the transfer of the DHS function.

Both of these recommendations (repeal of the provisions as it relates to DHS and AG) were embodied in Act 225, Session Laws of Hawaii 2006.

C. FINDINGS AND RECOMMENDATIONS FOR THE 2007 TRANSFER OF FUNCTIONS TO THE DOE - B&F, DOH

Act 225, SLH 2006, which amended Act 51, delayed the transfer of functions from B&F and DOH to the DOE to July 1, 2007.

With respect to the transfer of functions (the allotment process and other fiscal functions) from B&F to the DOE, the Legislature wanted the transfer to be considered further.

The departments actually practiced the allotment processes agreed upon, to test the efficacy of the process improvements during the 2006 fiscal year. The year of testing and clarifying proved useful, and the MOU that was signed between B&F and the DOE on June 28, 2006 embodies the basic concepts agreed to previously with regard to the allotment process and operations of other fiscal functions. In fact, B&F and the DOE have gone beyond the specific areas in Act 51, as amended, to other areas (such as debt service) where clarity in roles and responsibilities has aided both departments in the performance and understanding of their respective duties.

With respect to the transfer of functions from DOH to the DOE, the departments spent significant time reviewing the issues of oversight and support for the school health aides. The DOE and DOH have agreed to transfer the health aides and to recommend the repeal of the provisions related to the transfer of public health nurses. However, the DOE has stated that it will withdraw support of the transfer
of the health aides if the pending issues surrounding the employees’ ability to transfer are not resolved. The HGEA opposed the transfer because of the possibility that the positions would be subject to allocation to the schools through the weighted student formula.

Based upon the recommendations of the ICs, as reviewed and adopted by the IWG, recommended legislation is attached to this report to repeal the transfer of functions from B&F and the transfer of the public health nurses who supervise the health aides from DOH to the DOE. See Appendix A.

One aspect of the transfers that deserves mention is how the improvements in one area positively affected others, and vice versa. The improvements in the allotment process allowed the Facilities Development Branch, Office of Business Services (OBS), at the DOE to plan projects and expend funds in accordance with Board of Education (BOE) priorities, and to move forward more quickly and in a planned sequence. Similarly, the improvement in the planning of the projects and prioritization of the numerous capital improvement projects and repair and maintenance projects gave stability and support for a scheduled allotment process.

The end result is improved responsiveness, timeliness and efficiency in building and repairing schools, thus improving the learning environment for students.
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 set of initiatives to implement comprehensive education reform in Hawaii's public schools.

Part VIII of Act 51, as amended, 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 the 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, were transferred from DAGS 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 the DOE employees were transferred from DHRD to the DOE. On July 1, 2006, functions from B&F, AG, DHS, and DOH were to be transferred to the DOE.

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

Mark Bennett, Attorney General, Department of the Attorney General
Chiyome 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
Marie C. Laderta, 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 the Superintendent with the authority to appoint community members to the IWG. Superintendent Hamamoto appointed the following community members:

Joshua Agsalud Ed.D., Former Administrative Director of the State of Hawaii (July 2004 through August 2005)
Robert Alm, Senior Vice President, Public Affairs, Hawaiian Electric Company (commencing October 2005)
David Carey, President and Chief Executive Officer, Outrigger Enterprises
Donald Horner, President, First Hawaiian Bank
Alan Oshima, Senior Vice President and General Counsel, Hawaiian Telcom
Linda Smith, Senior Policy Advisor, Office of the Governor

The IWG met four times in 2006, and continued the use of the ICs as an effective organization approach to accomplish its work. The ICs for the remaining functions to be transferred (B&F and DOH) met and as needed, established working groups, discussion groups and transition teams to review the transfer of functions and develop recommendations for the IWG. The recommendations regarding the functions to be transferred July 1, 2007 are contained in Chapter IV of this report. During the year, the IWG also received status reports from DARGS, DHRD, the DOE, and AG. A review of these transfers is contained in Chapters II and III.

The IWG developed a work plan that sets forth the work from December 2005 through June 2007 when the IWG, as provided by Act 51, as amended, ceases to exist. The work plan is contained in Appendix B.

As the recommendations adopted by the IWG require amendments to Act 51, this report contains the proposed legislation that would accomplish this by June 2007, when the IWG ends, in Appendix A.

The IWG has worked diligently to fulfill the requirements of Act 51, as amended. In the process, communication and understanding between departments, unions and the community have improved. The structure of State government has been realigned, requiring internal improvements within the DOE. The stage has been set for continuous improvements in responsiveness and service delivery of the DOE.
CHAPTER II
Progress Since the 2005 Transfers of Functions to the Department of Education

Act 51, as amended, called on the IWG to oversee the transfer of various functions from DARGS and DHRD to the DOE effective July 1, 2005, with the objective of improving the responsiveness and service delivery of the DOE. The resulting reorganization of State government moved responsibility and improved accountability for the capital improvement and repair and maintenance functions and the personnel functions to the DOE. Through the hard work of the many individuals involved and with the focus and support of the IWG, the transfers made in 2005 have succeeded in improving the level of service to the schools and students.

A. DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES

Act 51, as amended, called for the transfer of repair and maintenance and the design and construction for all schools from DARGS to the DOE. This function at DARGS was largely divided between the Public Works Division (PWD) and the Central Services Division (CSD). The overall Fiscal Year (FY) 2005-2006 budget for capital improvement projects and major repair and maintenance was approximately $215.6 million. In addition, capital improvement projects at DARGS of approximately $155.4 million appropriated in prior years were transferred from DARGS Public Works Division to the DOE. The FY 2005-2006 operating budget for personnel and operational expenses was approximately $16.2 million. The monumental task of transferring the functions, personnel and operations took the cooperation, open-mindedness, and hard work of many individuals in both departments.

This section is divided into two segments: progress and outcomes in the first year following the transfer, and progress and outcomes in the second year following the transfer.

1. Year One (July 1, 2005 - June 30, 2006)

In the year following the July 1, 2005 transfer date, progress was made on many fronts.

DOE-OBS Facilities Maintenance Branch continued DARGS’ shift in focus to work orders, resulting in a reduced backlog of work orders from 2,949 on July 1, 2005 to its goal of two weeks of incoming work orders, or approximately 1,000 work orders. This was accomplished through collaborative teaming with district managers and work crew foremen, and additional appropriations requested by the Governor and appropriated by the Legislature for repair and maintenance.
More efficient work order scheduling arising from this collaboration resulted in the backlog being reduced to the goal one month ahead of schedule.

DOE-OBS Facilities Maintenance Branch also initiated and completed rollout of the Maximo work management system to all 160 schools on Oahu. This web-based system allows schools to directly initiate work orders and emergency requests on-line via a single Response Center. It provides schools with on-line status reports; tracks work flow, and tracks labor and material costs. It has helped the DOE-OBS Facilities Maintenance Branch achieve its goal of emergency call response time of two hours or less, and trouble call response time of 48 hours or less.

All Oahu schools are now on cycle maintenance (an eight week cycle for repair and maintenance that is not of an emergency or urgent nature), and because the Response Center is in place, the schools now have one point of contact and a single form for work requests.

As part of the DOE, the OBS Facilities Development Branch works directly with the schools and involves them in the capital improvement projects. The direct link to their customers is exemplified in how federal funds for Americans with Disabilities Act improvements have been managed. The funding goes directly to the school, but the design, construction and contracting is handled by Facilities Development Branch. These steps provide support to the schools, allowing the school staff more time to focus on students, not buildings.

The DOE’s Capital Improvement Projects also weathered its initial transition period after July 1, 2005, and is back at the level of output previously maintained at DAGS. In FY 2005-2006, the OBS-Facilities Development Branch initiated 558 new projects, selected design firms for 141 projects, sent 278 projects out to bid, accepted 240 construction projects, and closed out 202 projects.

The DOE is now looking to accelerate project development. As part of the process, the OBS Facilities Development Branch is connecting with the schools – moving projects at an accelerated pace with the involvement of personnel from the school complex and the individual schools.

At the same time, the DOE-OBS developed and implemented Factrak, an information system that is used to track milestone events and projects. This will allow OBS Facilities Development Branch to not only get the projects out, but monitor quality, cost, timelines and overall progress on any given capital improvement project. School personnel and the general public have read-only access to Factrak.

As part of the overall system approach, the DOE-OBS developed a baseline assessment of the condition of school facilities, called the Facilities Asset Management System. With the addition of professional engineering staff, the
assessments will be a major foundation for systematic maintenance of facilities. Asset management will allow the DOE-OBS to forecast more accurately future maintenance needs and costs.

Finally, the DOE-OBS Facilities Development Branch has used innovative approaches to delivering projects faster, with higher quality and being more responsive to the needs of their customer. For example, work under $100,000 is being undertaken under a new process that combines design and construction, to integrate the process and expedite getting work out. It is being evaluated for efficiency and cost-effectiveness.

Much of this work is possible because of the smooth transfer of functions from DAGS to the DOE. DAGS’ efforts and cooperation provided a firm foundation for the DOE’s success.

The DAGS Neighbor Island District Offices were kept intact, and personnel were not transferred to the DOE. It was mutually agreed that during the first years of the Act 51 implementation, services on the Neighbor Islands would be handled through a Service Level Agreement (SLA). As anticipated, the SLA has been revisited by both departments as further improvements have been identified and addressed.

The SLA has performance measures that are being met. One of the issues that previously hampered progress is the lack of funds for necessary repair and maintenance, equipment maintenance contracts, and capital improvements. Additional funds asked for by the Governor and appropriated by the Legislature have helped to address this problem.

2. Year Two (July 1, 2006 - December 2006)

The IWG and the DOE were interested in seeing how the improvements made in the facilities repair and maintenance processes and procedures were affecting schools. To measure that result, a survey of schools was conducted.

Overall, the responses reflected a high level of satisfaction with the facilities maintenance branch work, performed by the DOE personnel on Oahu and DAGS personnel on the Neighbor Islands. Generally, the responses were positive (over 90%) in all areas surveyed. (See results in IWG September 5, 2006 meeting.) In response to the question "In general, the service provided by the work crews has improved since July 1, 2005", 94% strongly agreed (55%) or agreed (39%). "I don't know" was 2%, and "Disagree" was 4%. No one strongly disagreed.
In 2006, the DOE and DABS amended the Service Level Agreement covering the Neighbor Island schools. The amendments did the following:

1) clarified processes and procedures for 3-quote contracts up to $100,000;
2) revised the "U" (transfer) fund reimbursement policy for DABS Neighbor Island District Offices;
3) agreed to continue to use DABS forms and specifications until the DOE develops its own;
4) outlined construction change order authority for DABS managed projects;
5) extended to the Neighbor Islands the use of the Facttrak project management system previously used for all DOE major R&M and CIP projects on Oahu; and
6) extended to the Neighbor Islands the use of the Maximo work order system.

DABS also focused its efforts on implementing a cycle maintenance program on the Neighbor Islands. Implementation was completed on all neighbor islands in early 2006.

With respect to accountability measures, DABS has implemented Maximo, the software used by the DOE on Oahu, to manage work orders. Procedures for handling repair and maintenance have been standardized with the methods used on Oahu, and overall productivity and efficiency are improving. DABS' Neighbor Island staff has continued to meet work order completion targets. The cooperation, communication and mutual assistance between DABS and DOE employees has been a critical component in making major strides in this area.

B. DEPARTMENT OF HUMAN RESOURCES DEVELOPMENT

Act 51, as amended, 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.

This section is divided into two segments: progress and outcomes in the first year following the transfer, and progress and outcomes in the second year following the transfer.

1. Year One (July 1, 2005 - June 30, 2006)

The year following the transfer date of June 30, 2005 was a transition year. Seven different MOUs were developed to allow for continued support by DHRD in the following areas:

1) Staffing services;
2) Classification and compensation services;
3) Personnel transactions services;
4) Labor relations services;
5) Benefit administration services;
6) Workers’ compensation, medical placement, and safety services; and
7) Training services.

In addition, OHR information systems were updated and integrated to manage effectively and efficiently the volume of documentation that would be generated and managed by the relatively small DOE staff. The DOE was and continues to be in the process of automating its Human Resources Information System, including scanning of all historical information and current personnel files, developing a recruitment system for all classes of employees, and developing a management position and employee data system. The Human Resource Automation Project is described further below.

Existing personnel and functions are housed within the three branches of OHR. Branch Directors focused on (1) realigning roles and responsibilities; (2) advertising and filling vacant positions; (3) assessing the personnel needs of the branches; (4) training of personnel to implement functions; and (5) updating and developing the Standard Practice (School Code).

The Human Resource Automation Project continued to forge ahead in planned increments with the goal of implementing a comprehensive automated system. The scanning of all teacher records and files, and the applicant records for all Support Services Personnel (SSP) was completed. The OHR staff now operates electronically when accessing employee information rather than by hard copy. The result is a reduced turnaround time in obtaining employee and SSP applicant information.

The project also created a new online application and tracking system for Educational Assistant positions. This system is currently being evaluated for future development and efficiency. Staff has used this experience to determine the needs of a recruitment system that will meet the various recruitment needs of the DOE. In addition, the employee transaction section has realized an increase in efficiency and reduced errors in processing of data.

In response to the requirements of the federal No Child Left Behind Act ("NCLB") for DOE employees, a professional development component has been added to the scope of the automation project. Features of this system will include access to various professional development courses, individualized plans for employees and schools, and certification and licensure programs.

2. Year Two (July 1, 2006 - December 2006)

After the transition year, all seven MOUs concluded on June 30, 2006 and were not extended. OHR provides all services in recruiting/hiring,
classification/compensation, transactions, and workers compensation. DHRD continues to provide certain services as specified in a Letter of Agreement to the DOE, similar to services that DHRD provides to all other departments in the state.

OHR’s efforts have resulted in the streamlining of numerous human resource functions. So far, 6000 civil service employees have been delinked from DHRD. OHR personnel management has been restructured from employee categories to functions, and professional development and training has been consolidated under OHR.

A new online application and tracking system, NeoGov, customized for the unique workflow of the DOE classified/support services personnel, has been put in place. There is also year-round open recruitment for classified and support services personnel.

There has been significant streamlining of the transaction system for position and employee data. Employee information is now on two screens, down by ten from the original twelve; position information screens were reduced from nine to two. Single vs. double entry of data resulted in a 50% reduction in the error rate. Most importantly for future improvement, reporting capabilities have been enhanced due to the customization of the database.

As a result, and in keeping with the focus of the IWG, OHR has identified continuous improvement targets and performance indicators:

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<th>PERFORMANCE INDICATOR</th>
<th>BASELINE</th>
<th>TARGET</th>
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<tr>
<td>Recruitment/Hiring cycle time reduction</td>
<td>41 days</td>
<td>29 days</td>
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<tr>
<td>Employee satisfaction survey of working conditions</td>
<td>TBD</td>
<td>90%</td>
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<td>Overtime reduction in HR transaction processing</td>
<td>3,072 hr</td>
<td>1,000 hr</td>
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<td>Reduction in workers compensation</td>
<td>$9.4 M</td>
<td>$8.4M-SY06-07</td>
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<td>5 year teacher retention</td>
<td>975</td>
<td>500</td>
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<tr>
<td>Reduction of annual grievances</td>
<td>190</td>
<td>150</td>
</tr>
<tr>
<td>New employee orientation satisfaction</td>
<td>TBD</td>
<td>95%</td>
</tr>
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“TBD”: To Be Determined  “SY”: School Year

Three technology advances proved extremely effective in moving OHR forward.

First, OHR moved to NeoGov, which provided a fast transition to support classified recruiting and hiring. NeoGov provides all levels of users in the DOE access to the system, including schools. There are eligibility lists and applications available for viewing by principals, and all interviews scheduling and training is done online. Concrete measures of improvement include a drop in the
percentage of vacancies by 30%, and an increase in the average appointments per month from 103.8 to 134.8. Since delinking, the estimated turnaround time for sending out internal lists from the time of closing of applications has decreased from two months to two weeks. OHR’s ability to focus on the DOE’s requirements and timing versus DHRD’s required focus on all of state government was a factor in these results as well.

Second, a time and attendance system is being implemented for leave accounting at the state level offices. OHR estimates cost avoidance in School Year 2005-2006 at $181,280, escalating to over $2 million in School Year 2006-2007 when Kauai and the Windward districts are implemented and over $4 million in School Year 2007-2008 when all schools are implemented.

Third, a professional development infrastructure has been implemented. The elements include a web based portal for professional development planning and registration, the tracking of individual professional development profiles and skills, and the integration of the information with the Hawaii Principals Academy and Professional Development.

There have been marked improvements in other areas. For example, workers’ compensation costs have decreased slightly and remained stable from $9.4 million to $9.3 million, despite increase in staffing by 207 positions from DAGS in jobs that have higher risk ratings for workers compensation exposure.

OHR plans to continue its move towards integration of its human resources process. It is moving to implement the infrastructure for eLearning, including developing training standards for mandatory training via the web, and developing the measures of success for training that include a 50% reduction in cost of training and 80% of all training being conducted on-line. OHR will be utilizing technology for faster surveying of satisfaction at all levels, and the use of electronic forms to process many routine transactions such as leave requests and approvals and temporary assignments.
CHAPTER III

Status of the 2006 Transfers of Functions to the Department of Education - AG, DHS

While the recommendations of the IWG have included repeal of provisions of Act 51, as amended, requiring the transfers of functions in B&F and AG, it should be noted that the provisions to be repealed served a very useful purpose in focusing the departments on areas of concern. The recommendations to repeal have been viewed as a mutual decision of the departments reached after extensive discussion and further review by the IWG. The function of Act 51, as amended, as a critical catalyst for analysis and discussion of issues and problems has been and continues to be fulfilled.

With the assistance and direction of the IWG, the work of the departments became a collaborative effort to communicate, learn, clear misunderstandings, clarify issues, focus on solutions, and begin a process of improving service, operations, and relationships. The departments are not continuing "business as usual." The oversight of the IWG in keeping that focus on performance measures, objectives and improvement was critical to this process.

A. DEPARTMENT OF THE ATTORNEY GENERAL

Section 47 of Act 51 provides for the transfer of rights, powers, functions, duties and resources relating to the negotiation of workers' compensation claims and labor-management relations from the AG to the DOE on July 1, 2006, subject to repeal by subsequent legislation.

The DOE and AG identified specific areas of focus that would improve the services in the workers' compensation and labor relations areas. These areas were incorporated in the Service Level Agreement between the DOE and AG, which was signed by the DOE and AG in June 2006. The SLA provided a mechanism and process for improved relationships and service.

The SLA also included a process for dealing specifically with issues that the departments considered significant to improving process and service, including cycle time and responsiveness. The IWG's focus and emphasis on performance measures and on-going process improvement methods continue to drive improved operations in the DOE and support from the AG. It is contemplated that the SLA that was developed for the labor relations and workers' compensation areas, as well as the service expectations developed between the departments, will serve as models for the development of similar agreements for other areas of legal services provided by the AG to the DOE.

Since the SLA was signed, the DOE and AG have begun development of specific service expectations, including protocols and processes for handling such things
as settlements, evaluations, subpoenas, and the like in the workers compensation and labor relations areas.

The DOE and AG remain committed to continuing the kind of review and discussion engendered by Act 51 in other areas, including contract review, regulatory compliance, and civil litigation support. There is a commitment on the part of both departments to continue and expand these discussions beyond the two areas listed in Act 51, including legal representation in a variety of administrative and civil matters that would benefit from the same process. The SLA may also prove to be a template for use by the AG in delivering services to other state departments. The IWG strongly recommends that the departments view this as a continuous improvement process that will extend beyond the statutory life of the IWG.

The legislature passed legislation that embodied the IWG recommendation repealing the transfer, and it was signed into law by the Governor as Act 225, Session Laws of Hawaii 2006.

B. DEPARTMENT OF HUMAN SERVICES

Section 47 of Act 51 provides for the transfer of the function of conducting employment background checks for the A+ after-school program, private vendors, and other employees and trainees who work with public school students from the DHS to the DOE effective July 1, 2006, subject to repeal by subsequent legislation.

Under an agreement between the parties, the DHS agreed to continue to conduct the criminal history record checks for the A+ after-school program employees who are employees of the DOE for the 2005-2006 school year. DHS was willing to provide this service to the DOE because the A+ program provides after school care to many of the DHS clients.

In response to the request for additional funds for this function, the Legislature appropriated additional resources for the DOE to fulfill its responsibility starting with this school year 2006-2007. This has enabled the DOE to perform the criminal history record checks for the DOE A+ employees and to meet the requirements of the statute.

The Legislature passed legislation that embodied the IWG recommendation repealing the transfer, and it was signed into law by the Governor as Act 225, Session Laws of Hawaii 2006.
Chapter IV
FINDINGS AND RECOMMENDATIONS FOR THE 2007 TRANSFER OF FUNCTIONS TO THE DEPARTMENT OF EDUCATION

A. DEPARTMENT OF BUDGET AND FINANCE

Section 47 of Act 51, Session Laws of Hawaii 2004, provides for the transfer of all rights, powers, functions, duties, and resources relating to funding of collective bargaining agreement increases; and securing, administering, use, and expending of federal funds and other aid, including their custodial supervision from B&F to the DOE effective July 1, 2006, subject to repeal by subsequent legislation.

It should be noted again that the process of discussion, clarification and focusing on results brought on by Act 51 has resulted in a clearer understanding on the part of both departments of their roles and responsibilities. There is greater appreciation for other departments’ tasks and responsibilities. The improved understanding and openness is refreshing and important. This is most notable in the fact that the IC was willing to take on a discussion of other fiscal functions, beyond those mandated by Act 51. The departments have begun a course of positive dialogue that will hopefully serve as a critical platform for improvement well beyond the scope and time of Act 51, as amended, and the IWG.

The IC’s recommendation to repeal the transfer of functions based on discussions and the proposal to enter into an MOU was adopted by the IWG and a recommendation to the 2006 Legislature that Act 51, sections 47 and 48, be amended to repeal the transfer of functions from B&F to the DOE was submitted. However, the Legislature amended the proposed legislation to retain the transfer but delayed its effective date for one year, to July 1, 2007. As amended, the legislation passed with the delayed effective date and was signed into law by the Governor as Act 225, Session Laws of Hawaii 2006.

The departments used the 2006 fiscal year to "practice", implementing on a trial basis the provisions and procedures proposed in the MOU. This "dry run" of the provisions supported the departments' belief that the MOU would provide significant improvements and efficiencies.

The departments also reviewed the rationale for the provisions and procedures and repeal of the transfer, and determined that the rationale was still valid and reinforced by experience with the provisions. The rationale, contained in the recommendation, was as follows:

1. Section 5 of Article VII of the State Constitution, Expenditure Controls, provides that the control of the rate of expenditures of appropriated state
moneys, and for the reduction of such expenditures under prescribed conditions, shall be made by law.

2. Section 37-43, Hawaii Revised Statutes ("HRS"), provides that B&F shall carry out the capital improvement project allotment process. The capital improvement project allotment process consists of the review, prioritization, and evaluation of capital improvement projects to insure consistency with executive priorities.

3. Section 103-7, HRS, provides that all capital improvement projects require authorization by the Legislature and the Governor.

4. The DOE recognizes the Governor's fiscal responsibility for the entire State and that the Board of Education does not have a revenue source to support either cash expenditures or the authorization of general obligation bonds to finance capital improvement projects.

5. The DOE desires that the allotment process and those factors influencing the allotment process such as debt service be transparent, understandable, and explainable to the Board of Education and the public. The DOE is also desirous of predictability and timeliness in the allotment process so that the DOE can manage an effective and efficient construction and repair and maintenance program.

6. The DOE and B&F agree that the allotment process function should not be transferred from B&F to the DOE. Further, the DOE and B&F have signed an MOU that among other things sets forth the CIP allotment request process.

With that rationale and the experience of the "practice" with the provisions and procedures as support and background, the MOU was signed on June 28, 2006. The major agreements (reflected as terms in the MOU) are as follows:

**Capital Improvement Project Allotment Process**

1. B&F and the DOE agree to use the BOE CIP Priority List as the basis for determining CIP priorities for allotments.

2. Based on this priority list, the DOE shall submit a written annual allotment and expenditure plan request to B&F regarding the DOE CIP projects for the fiscal year ten days prior to the meeting described in paragraph 3 below.

3. No later than 15 days prior to the beginning of each fiscal year, B&F and the DOE shall meet to discuss a) the total amount of moneys estimated to be available for the DOE CIP projects from all sources, including general
or special funds, general obligation bond funds, and State Educational Facilities Improvement ("SEFI") Special Funds (collectively the "DOE CIP Moneys"), and b) procedures and schedule for allotment of the DOE CIP Moneys.

4. The DOE will provide B&F a projection of its monthly SEFI expenditures for the upcoming fiscal year no later than 15 days prior to the start of the fiscal year. The DOE will also submit to B&F on a monthly basis a request to transfer general obligation bond funds to the SEFI account, taking into account prior amounts transferred and expended, actual ending balance, and updated expenditure projections for the month. B&F will review the monthly request and will, if deemed appropriate, submit a journal voucher to transfer the requested amount within five days of the receipt of the request. B&F and the DOE also agree that a reasonable contingency balance in the SEFI account is appropriate, and will agree on an appropriate contingency level.

**Fiscal Functions**


The DOE and B&F agree that the function of funding collective bargaining increases should not be transferred from B&F to the DOE. The DOE is dependent on the State to fund its programs, including the collective bargaining increases for its employees.

To improve fiscal transparency for the DOE’s spending of State money for collective bargaining increases, B&F has agreed, as a term of the MOU, to modify the format of the collective bargaining appropriation bills to separately show the salary and benefit appropriations that are for DOE employees.

2. Determining retirement and other benefits.

The DOE does not want to determine retirement and other employee benefits and recommends that this function not be transferred from B&F to the DOE.

As a term of the MOU, the DOE, with the assistance of B&F, will learn how to calculate for its employees the employer’s share of contributions due for pension accumulation, health benefits, Social Security, and Medicare costs.
3. Federal funds.

The DOE and B&F agree that the custodial supervision of federal funds, and the receiving and holding of federal funds, should not be transferred from B&F to the DOE.

As a term of the MOU, the DOE shall request an increase in its federal fund expenditure ceiling only when the DOE would exceed its total federal fund expenditure ceiling, not for each new unbudgeted federal fund expenditure.

Other Fiscal Functions not set forth in Act 51

In the MOU, the DOE and B&F have made additional agreements regarding other fiscal functions not set forth in Act 51 as follows:

1. On an annual basis, B&F will provide and explain the amount of debt service allocated to the DOE.

2. Prior to the beginning of each fiscal year, the DOE and B&F will identify fiscal issues that either would like to discuss during the year.

The IC has concluded, based on the departments' experience in implementing the provisions of the MOU and the improvements that resulted, that Act 51, as amended by Act 225, should be further amended to repeal the transfer of functions from B&F to the DOE. Furthermore, the departments agree that the allotment process and fiscal functioning between the two departments has improved and that the departments will follow the terms of the MOU which sets forth specific procedures for the capital improvement project allotment process and agreements regarding other fiscal matters, including those that are not mentioned in Act 51, as amended.

The IC's recommendation to the IWG to that effect was adopted by the IWG at its meeting on November 9, 2006. Both departments are committed to improving transparency, increasing the understanding of the Board of Education and public regarding the purpose and nature of education expenditures, and to improving fiscal processes.

Legislation reflecting the recommendation of the IC, as adopted by the IWG, is attached as Appendix A to this report.

B. DEPARTMENT OF HEALTH

Section 47 of Act 51, as amended, provided for the transfer of all rights, powers, functions, duties, and resources relating to school health aides and public health
nurses who supervise school health aides from the DOH to the DOE on July 1, 2006, subject to repeal by subsequent legislation.

In addition, Section 42 of Act 51, as amended, requires the IWG to develop comprehensive plans for the transfer of the school health aides from the DOH to the DOE.

The IC's initial discussions revealed several issues that required additional time to resolve, including the capacity of the DOE to integrate additional personnel into the department given the other transfers, the issues relating to the supervision and clinical oversight of school health aides, and the question of support staff. Based on the discussions in and recommendations of the IC, as reviewed and adopted by the IWG, legislation was introduced to repeal the transfer from B&F and delay the transfer from DOH by one year. Act 225, Session Laws of Hawaii 2006, passed by the Legislature and signed by the Governor, delayed the transfers from DOH to the DOE from July 1, 2006 to July 1, 2007.

Since that time, the DOE and the DOH have reached agreement on the various issues raised with respect to the transfer. The DOE and the DOH have agreed that the School Health Aides (SHAs) and the substitute SHAs positions transfer from the DOH to the DOE on July 1, 2007. The departments also agree that the Public Health Nurses (PHNs) should remain at the DOH and provide professional supervision to the SHAs through a Service Level Agreement (SLA) or Memorandum of Understanding (MOU). Transferring the PHN positions to the DOE would require the DOH to request replacement positions to carry out essential public health functions. Additionally, the number of PHNs that would be transferred to the DOE, approximately 20, would be insufficient to provide the level of supervision necessary for the school health program. Both departments have concluded that the best method of supporting the school health services program is to provide professional supervision for the SHAs through an SLA or MOU.

The DOE and the DOH transition team continues to plan for the transfer of the SHAs including identifying the statutory amendments needed to transfer the SHAs and the school health services program. The transition team is also developing the SLA or MOU for the supervision of the school health aides by the public health nurses who will remain in the DOH. Recommended legislation is attached in Appendix A.

However, the DOE has stated that it will withdraw support of the transfer of the health aides if the pending issues surrounding the employees’ ability to transfer are not resolved. The HGEA opposed the transfer because of the possibility that the positions would be subject to allocation by the schools under the weighted student formula.
Based on the IC’s recommendations, adopted by the IWG, the IWG recommends to the 2007 Legislature that Section 47 of Act 51, as amended by Act 225, be amended to repeal the transfer of the public health nurses from the DOH to the DOE on July 1, 2007.

Legislation reflecting the recommendation of the IC, as adopted by the IWG, is attached as Appendix A to this report.
CHAPTER V
IWG Observations and Conclusions

One aspect of the transfers that deserves mention is how the improvements in one area positively affected others, and vice versa. The improvements in the allotment process allowed the capital improvement program and major repair and maintenance program to plan projects and expend funds in accordance with DOE priorities, and to move forward more quickly and in a planned sequence. Similarly, the improvement in the planning of the projects and prioritization of the numerous CIP and R&M projects gave stability and support for a scheduled allotment process.

The end result is improved responsiveness, timeliness and efficiency in getting schools built and repaired, thus improving the learning environment for students.

It is this kind of leveraging that provides optimism and energy that these kinds of improvements in one area will produce positive impacts beyond the particular area.

In addition, the IWG has identified other issues that either the DOE or the Legislature could address to improve operations within the DOE. These include paying new employees promptly, improving teacher retention rates, improving teacher training, reducing workers’ compensation costs, and reducing overtime costs at OHR.

One of the advantages of the IWG was that while its goals were significant, its focus was specific and time-limited. Rather than creating an on-going bureaucracy of oversight for the DOE, the IWG served to keep everyone’s eye on the target – measurable improvements in the support infrastructure for the schools. As such, with its tasks accomplished, the IWG can end its work on time, and with a sense of accomplishment as evidenced by the transfers, improved results and improved relationships between the departments. Reducing bureaucracy and improving responsiveness and service delivery will remain ever present tasks for the DOE and other state departments. The IWG thanks all of its participants for their continued desire to improve our public education system for the students, families and our community, and wishes them continued success.
INTERAGENCY WORKING GROUP

TRANSFER OF FUNCTIONS
FROM VARIOUS DEPARTMENTS
TO THE DEPARTMENT OF EDUCATION

APPENDICES TO THE
REPORT TO THE LEGISLATURE
IN RESPONSE TO SECTION 42 OF ACT 51,
SESSION LAWS OF HAWAII 2004

DECEMBER 2006
A BILL FOR AN ACT

RELATING TO EDUCATION.

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

SECTION 1. The interagency working group established pursuant to part VIII of Act 51, Session Laws of Hawaii 2004, the "Reinventing Education Act of 2004," as amended by Act 225, Session Laws of Hawaii 2006 (Act 51, as amended), has recommended to the legislature that the transfer of functions from the department of budget and finance to the department of education specified in Act 51, as amended, be repealed.

The interagency working group report to the 2007 legislature recommended that fiscal functions should remain with the department of budget and finance. The interagency working group reported that the departments of education and budget and finance have improved the fiscal processes between the two departments.

The department of budget and finance and the department of education have signed a memorandum of understanding effective June 28, 2006 that sets forth new procedures for requesting
"SECTION 47. (a) All the rights, powers, functions, duties, and resources of [+

(1) The department of budget and finance relating to the:

(A) Funding of collective bargaining agreement

increases; and

(B) Securing, administering use, and expending of federal funds and other aid, including their

custodial supervision;

(2) The] the department of health relating to school health aides and public health nurses who supervise school health aides;

are transferred to the department of education effective July 1, 2007, subject to repeal by subsequent legislation.

(b) All moneys budgeted in support of each position to be transferred to the department of education, including moneys for direct and indirect employee benefits are transferred to the department of education effective July 1, 2007, subject to repeal by subsequent legislation.'

SECTION 3. Act 51, Session Laws of Hawaii 2004, as amended by Act 225, Session Laws of Hawaii 2006, is amended by amending section 48 to read as follows:
A BILL FOR AN ACT

RELATING TO EDUCATION.

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

SECTION 1. The interagency working group (IWG) established pursuant to part VIII of Act 51, Session Laws of Hawaii 2004, the "Reinventing Education Act of 2004," as amended by Act 225, Session Laws of Hawaii 2006 (Act 51, as amended), has recommended to the legislature that the transfer of functions from the department of health to the department of education specified in Act 51, as amended, be amended to repeal the transfer of the public health nurses who supervise school health aides. The school health aides will transfer July 1, 2007 from the department of health to the department of education.

The IWG report states that the department of education and the department of health supported the transfer of the school health aides and the repeal of the transfer of the public health nurses who supervise school health aides. The report also stated that the Hawaii government employees union (HGEA) opposed the transfer of the school health aides. The HGEA stated that their objection to any transfer of state employees to the
through a service level agreement or memorandum of
understanding.

The school health aides are the primary component of the
school health services program established within the department
of health. With the transfer of the school health aides to the
department of education, the program should also be transferred
to the department of education.

The purpose of this Act is to repeal the transfer of the
public health nurses who supervise the school health aides from
the department of health to the department of education and
repeal the school health services program from chapter 321,
Hawaii Revised Statutes, "department of health", and enact the
program in chapter 302A, Hawaii Revised Statutes, "education".

by Act 225, Session Laws of Hawaii 2006, is amended by amending
section 47, to read as follows:

"SECTION 47. (a) All the rights, powers, functions,
duties, and resources of:

(1) The department of budget and finance relating to the:

(A) Funding of collective bargaining agreement
increase; and
State. It is in the general welfare of the State to protect, preserve, care for, and improve the physical and mental health of Hawaii’s children by making available at the public schools first aid and emergency care, preventive health care, health appraisals and follow-ups, and health room facilities.

§302A- Teenage health program. The department, in cooperation with the department of health, may establish a statewide teenage health program designed to enhance self-esteem, facilitate communication between students and their parents, incorporate ho’oponopono techniques in group discussions, expand peer counseling efforts, and provide more counseling opportunities. In implementing this program, the department shall strive to respect and include the diverse needs and values of parents and teens served by the program.

§302A- Department implementation. The department shall implement this program with the present health services now provided to those schools under the pilot project established under Act 130, Session Laws of Hawaii 1970, to each public school, and further provide the necessary number of health aides in order to service each public school. The department may provide health related screening services at each public school.
(1) The monthly rate of compensation for all school health aides employed less than full-time shall be based on the number of hours they actually work;

(2) The monthly rate of compensation for full-time health aides so determined shall be multiplied by ten and then divided by twelve and the resulting amount shall be the employee's monthly salary payable over a twelve-month period; and

(3) The health aides shall have the same working schedule and leave allowance of school teachers in the department.

§302A- Rules. The superintendent of education shall adopt rules pursuant to chapter 91 for the purposes of this part.'

SECTION 4. Chapter 321, part XIX, Hawaii Revised Statutes, is repealed.

SECTION 5. Statutory material to be repealed is bracketed and stricken.

SECTION 6. This Act shall take effect on June 29, 2007.

INTRODUCED BY: __________________________

BY REQUEST
APPENDIX B

IWG WORK PLAN
As of September 5, 2006

Goal: Act 51, Section 41, Reduction of Bureaucracy: improving the efficiency of the State's public education system.

This work plan identifies work accomplished since December 2005 as well as future IWG and Investigative Committee work (identified in bold).

I. IWG Objectives:
   A. Develop comprehensive plans for transferring certain rights, powers, functions, duties and resources including positions, from the departments of accounting and general services, human resources development, budget and finance, the attorney general, human services, and health to the department of education.
   B. Assure due consideration to minimize the impacts to personnel and overall costs to government.
   C. The IWG shall cease to exist on June 30, 2007.

II. Investigative Committees to Develop Recommendations for Transfer

   A. Department of Budget and Finance (B&F) - Department of Education (DOE) Work Product and Schedule
      1. The DOE and B&F Investigative Committee meet June 22, 2006 to review a draft of the Memorandum of Understanding (MOU), agree upon an amount and schedule for Capital Improvement Project allotments for fiscal Year 2007, consider a recommendation to the IWG for the repeal of the fiscal functions transfer and to identify issues to be discussed during the 2007 fiscal year.
      3. Recommendation to repeal the transfer of fiscal functions from B&F to the DOE presented to the September 5, 2006 IWG meeting.
      4. July 2006 through June 2007 DOE and B&F to meet regarding fiscal issues identified for discussion.

   B. Department of the Attorney General (AG) - DOE Work Product and Schedule
      1. The Employment Law Division (ELD) of the Department of the Attorney General met with the Office of Human Resources (OHR) to develop the Service Level Agreement (SLA) for:
         a. Workers' compensation claims;
         b. Labor-management relations; and
         c. Employee relations.
      2. SLA signed June 28, 2006.
      3. ELD and OHR to meet to develop service expectations by August 31, 2006 and performance measures by September 30, 2006.
V. Meeting schedule for IWG
   A. May 31, 2006, 3:00 p.m. - 5:00 p.m., State Capitol, Room 423
      1. Updates on the functions transferred July 1, 2005 from DOE, DAGS, and DHRD.
   B. September 5, 2006, 2:30 p.m. – 4:30 p.m., State Capitol, Room 309
      1. Updates from DAGS, DRRD and DOE on functions that transferred July 1, 2005.
      2. Updates on SLA (AG and DOE) and MOU (B&F and DOE)
      3. Presentation of B&F-DOE and DOH-DOE IC recommendations.
   C. November 2006
      1. Adoption of B&F – DOE IC and DOH-DOE IC recommendation.
      2. Updates form DOE, DAGS, AG.
   D. December 2006
      1. Adoption of DOH and B&F IC recommendations.
      2. Review of draft report to the Legislature.
      3. Circulate edited draft report to finalize and schedule another meeting of the IWG only if a member requests a meeting.
   F. May 2007: IWG meeting to review 2006 Legislative session and receive final reports from the DAGS, DHRD, AG, B&F, DOH and DOE.
Interagency Working Group (IWG)
May 31, 2006
3:00 p.m. – 5:00 p.m.
State Capitol, Room 423
AGENDA

1. Approval of the minutes for December 14, 2005 3:00 – 3:05 p.m.
2. Update on 2006 Legislative action on IWG bill SB 2720 CD 1 3:05 – 3:15 p.m.
   - Update on DOE's progress in implementing the CIP and R&M Functions.
   - Update on Service Level Agreements with Neighbor Islands (DAGS-DOE).
4. Department of Education (DOE) – Department of Human Resources Development (DHRD) Report 3:45 – 4:00 p.m.
   - Update on Status of Memorandums of Understanding.
   - Update on DOE's progress in implementing the Human Resource Function.
5. Department of Education (DOE) – Department of the Attorney General (AG) 4:00 – 4:15 p.m.
   - Status of Service Level Agreement
6. Department of Education (DOE) – Department of Budget and Finance (B&F) 4:15 – 4:30 p.m.
   - Status of Memorandum of Understanding
   - Investigative Committee work prior to 2007 Regular Legislative Session
7. Department of Education (DOE) – Department of Health (DOH) 4:30 – 4:40 p.m.
   - Transition Status Report
8. Public Comment 4:40 – 4:50 p.m.
9. Setting future IWG meetings 4:50 – 5:00 p.m.
   Agenda setting for next IWG meeting

Persons requiring special assistance or services such as a language interpreter should call 586-3444 by Thursday, May 25, 2006.
STATE OF HAWAII
INTERAGENCY WORKING GROUP (IWG)

MINUTES
December 14, 2005
State Capitol, Room 309

ATTENDANCE

MEMBERS
David Carey, President & Chief Executive Officer, Outrigger Enterprises, Inc.
Lei Desha, Field Services Officer, for Russell Okata, Executive Director, Hawaii Government Employees Association
Patricia Hamamoto, Superintendent, Department of Education
Don Horner, President & Chief Executive Officer, First Hawaiian Bank
Georgina K. Kawamura, Director of Finance, Department of Budget and Finance
Francis Keeno, Special Assistant, for Marie Laderta, Director, Department of Human Resources Development
Nani Medeiros, Policy Analyst, for Linda Smith, Senior Policy Advisor, Office of the Governor
Henry Oliva, Deputy Director, for Lillian B. Koller, Director, Department of Human Services
Alan Oshima, Senior Vice President & General Counsel, Hawaiian Telcom
Linda Rosen, Deputy Director, Health Resources Administration, for Chiyome Leinaala Fukino, M.D., 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

DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES
Eric Nishimoto, Public Works Division
Dean Seki, Public Works Division
Kerry Yoneshige, Business Management Officer

DEPARTMENT OF THE ATTORNEY GENERAL
Randall Nishiyama, Deputy Attorney General

DEPARTMENT OF EDUCATION
Sanford Beppu, Office of Business Services
Gilbert Chun, Office of Business Services
Clayton Fujie, Deputy Superintendent
Fay Ikei, Office of Human Resources
Katherine Kawaguchi, Office of Curriculum, Instruction and Student Support
Kathryn Matayoshi
Randy Moore, Act 51 Project Manager
and long term forecasting and budgeting of costs to maintain DOE facilities. The program is patterned after the Navy asset management program.

- The first phase of the Facilities Asset Management Program is a pilot assessment of Ala Wai Elementary School. To obtain a 20 year funding plan for the school, there will be an assessment of the school's buildings and campus ground facilities, with a focus on those physical components that are typically replaced within a 20 year span. The onsite inspection is scheduled for completion by December 19, 2005. The data will then be analyzed to prepare a 20 year funding plan. The costs to replace each of the components based on their condition assessment, normal service life, and construction costs escalation will be totaled for each year. The anticipated requirements, based on a recommended funding amount per year, will then be developed. This analysis is scheduled for completion in early 2006.

The DAGS update was deferred until later in the meeting.

3. Department of Education (DOE)-Department of Human Resources Development (DHRD) Report

Assistant Superintendent Gerald Okamoto, Office of Human Resources (OHR), provided an update on DOE's progress in implementing the personnel functions transferred from DHRD.

Assistant Superintendent Okamoto reported:

- The DOE and DHRD are periodically checking on the operations governed by the seven Memorandums of Understanding (MOUs).

- The DOE is investigating automated personnel systems used by other jurisdictions on the mainland. The expectation is that DOE will purchase the system that best meets the needs of DOE.

Mr. Francis Keeno reported that DHRD will continue to work with DOE during the transition year which the MOUs cover.

4. Department of Education (DOE)-Department of the Attorney General (AG) Investigative Committee (IC) Report

Mr. Don Horner moved that the recommendation presented by the DOE-AG IC at the November 15, 2005 IWG meeting be adopted. Deputy Attorney General Holly Shikada seconded the motion. Motion carried.

The recommendation is to amend Act 51, Session Laws of Hawaii 2004, to repeal the transfer of functions relating to labor relations and worker's compensation from the AG to the DOE. The DOE and AG have agreed that the provisions of services
6. **Department of Accounting and General Services Report**

Comptroller Russ Saito presented an update on the Service Level Agreement (SLA) with the Neighbor Island District Offices. See Attachment 1.

- The Kauai and Maui districts are meeting the work order SLA performance standards.
- The emergency work order reporting system has been implemented with the island of Hawaii meeting the SLA standard.
- An SLA review meeting was held with the neighbor island Complex Area Superintendents and District Engineers. Topics discussed: SLA performance reports and variance explanations; standardization of service contracts; development of leading indicators and the implementation of the Maximo system.
- All parties continue to work toward the successful attainment of the SLA requirements.

7. **Review and adoption of procedures regarding communication with the 2006 Legislature**

Chair Carey explained that as was done during the 2005 legislative session, the Chair or Vice-chair will represent the IWG at legislative hearings and will provide testimony in support of the IWG bill contained in Appendix A of the report.

8. **Review of the updated IWG workplan**

Ms. Kate Stanley reviewed the workplan.

Mr. Horner asked what would be the plan if the Legislature rejects the proposed legislation.

Chair Carey replied that he would call a meeting of the IWG to make appropriate plans if the bill is substantially modified.

Chair Carey also stated the IWG would provide oversight for the delinking process and results until the IWG sunsets July 1, 2007.

9. **Public and Other Comment**

Mr. Eric Nishimoto asked if additional edits can be made to the report regarding the DAGS section of the report.
Department of Accounting and General Services

Update on Service Level Agreement with the Neighbor Island District Offices

December 14, 2005
Current Objectives

- Address work orders
- Implement Cycle Maintenance program:
  a. Kauai; Completed
  b. Hawaii; January 2006
  c. Maui; February 2006
Accomplishments Since November (cont.)

- Emergency work order reporting system has been implemented. Challenges in data input into the system will understate performance reported for Maui and Kauai.

- Results of emergency work performance for October and November (SLA performance standard of 90% abatement of problem and 85% completed and/or secured within three days):

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Summary

- All parties continue to work toward the successful attainment of SLA requirements
- All outstanding items targeted for resolution by February 2006
Interagency Working Group (IWG)
September 5, 2006
2:30 p.m. – 4:30 p.m.
State Capitol, Room 309
AGENDA

1. Approval of the minutes for May 31, 2006 2:30 – 2:35 p.m.

2. Department of Education (DOE) – Department of Human Resources Development (DHRD) Report 2:35 – 3:00 p.m.
   Update on DOE’s progress in implementing the Human Resource function.
   Update on Status of Memorandums of Understanding between DOE and DHRD.

3. Department of Education – Department of Budget and Finance (B&F) Report 3:00 – 3:15 p.m.
   Status of Memorandum of Understanding.
   Investigative Committee recommendation (see attached).

   Investigative Committee recommendation (see attached).
   Transition Committee status report.

5. Department of Education – Department of the Attorney General 3:30 – 3:45 p.m.
   Status of Service Level Agreement (see attached).

   Update from the DOE.
   Update from DAGS.
STATE OF HAWAII
INTERAGENCY WORKING GROUP (IWG)

MINUTES
May 31, 2006
State Capitol, Room 423

ATTENDANCE

MEMBERS
Robert Alm, Senior Vice President, Public Affairs, Hawaiian Electric Company, Inc.
David Carey, President & Chief Executive Officer, Outrigger Enterprises, Inc.
Lei Desha, Field Services Officer, for Russell Okata, Executive Director, Hawaii Government Employees Association
Patricia Hamamoto, Superintendent, Department of Education
Georgina K. Kawamura, Director of Finance, Department of Budget and Finance
Francis Keeno, Special Assistant, for Marie Laderta, Director, Department of Human Resources Development
Linda Smith, Senior Policy Advisor, Office of the Governor
Gary Kemp, Assistant Administrator, Benefit, Employment and Support Services Division for Lillian B. Koller, Director, Department of Human Services
Alan Oshima, Senior Vice President & General Counsel, Hawaiian Telcom
Linda Rosen, Deputy Director, Health Resources Administration, for Chiyome Leinaala Fukino, M.D., Director, Department of Health
Russ K. Saito, Comptroller, Department of Accounting and General Services
Jim Halvorson, Deputy Attorney General, for Mark Bennett, Attorney General, Department of the Attorney General

DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES
Clyde Kumabe, Public Works Division
Eric Nishimoto, Public Works Division
Kerry Yoneshige, Business Management Officer

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

DEPARTMENT OF EDUCATION
Dale Asami, Office of Human Resources
Sanford Beppu, Office of Business Services
Francis Cheung, Office of Business Services
Gilbert Chun, Office of Business Services
Eugene Hamamoto, Consultant
Duane Kashiwai, Office of Business Services
securing additional funding for Repair and Maintenance (R&M) work to reduce the backlog.

Mr. Moore also reported that the Office of Business Services will develop a facilities asset management system to better manage facilities over the entire course of the facilities' life cycle, streamline and facilitate major projects (alternative procurement methods), continue to empower schools to maintain facilities (school custodian training to perform minor repairs) and continue supporting the neighbor island schools (implementing Maximo for neighbor island schools).

Chair Carey asked how the number of outstanding work orders was reduced. Mr. Moore replied that the Facilities Maintenance Branch focused on work order requests and that the legislature had provided additional funding for materials.

Chair Carey asked how the branch would determine if the schools were satisfied with the performance of the work crews. Mr. Moore replied that in June 2006 the principals will be surveyed regarding their satisfaction with the response to work order requests.

Chair Carey asked what accounted for the ability of the Facilities Development Branch to move CIP and R&M projects through the process of design and construction. Mr. Moore replied that working with B&F to improve the allocation process assisted in the Branch's ability to issue bids and expend allotted funds.

Mr. Moore stated that the repair and maintenance backlog will be reduced due to the appropriations made by the 2006 Legislature. Each year approximately $75 million worth of repairs is added to the backlog.

Mr. Moore explained that the Facilities Asset Management Program has started with a pilot effort using Ala Wai School. The goal is to review each school every three years.

Chair Carey asked if this system will assist in deciding whether facilities should be replaced or repaired and what is the schedule for doing the initial assessment for each school. Mr. Moore replied that the asset management program will assist the branch and DOE/Board of Education (BOE) in determining whether a particular school should be repaired or replaced. The goal is to review one third of the schools each year.

Chair Carey stated that it is important that DOE be able to establish a baseline condition for each school.

Mr. Moore explained that during the summer the Facilities Maintenance Branch will be training school custodians on Oahu to perform minor repairs. This will enable the work crews to concentrate on more complicated repairs.
Mr. Okamoto reported that OHR has adopted 170 class specifications, implemented the NeoGov recruitment system, improved the transaction information system, developed a data base for tracking and monitoring grievances, reorganized OHR based on function and started the Collaborative Human Resources Automation Project.

Chair Carey asked how customer service was going to be measured and what baselines have been established.

Ms. Smith asked why the costs of worker's compensation did not increase even though the number of DOE employees increased.

Comptroller Saito asked if the DOE was going to develop a single integrated personnel system and what would this system look like.

Ms. Smith asked if the information system the DOE was developing was off the shelf.

Director Kawamura asked what outcomes the personnel system was trying to produce.

Deputy Director Linda Rosen asked what impacts would there be with a new personnel system.

Superintendent Hamamoto replied that OHR has first reorganized by function rather than by class of employees. For instance, recruitment now is done by one organizational unit for teachers, behavioral support personnel and classified personnel. OHR is moving toward a single integrated system that links information about school needs, applicants and employees. The goal is to reduce the cycle time that it takes to hire needed personnel, process grievances, and determine shortage areas. OHR through the Collaborative Human Resources Automation Project (CHAPS) is first identifying personnel processes that can be improved. Improved information systems will be developed that support the processes that are important for the personnel system.

Chair Carey asked that the DOE report at the next IWG meeting on the steps OHR is taking to improve the personnel system for the DOE.

Mr. Francis Keeno reported that the seven Memorandums of Understanding (MOU) that were used for the transition of the personnel functions from DHRD to DOE will expire on June 30, 2006. Three would not need to be extended and the departments were reviewing the others to determine if any needed to be extended.
the DOH. The clinical supervision of the health aides will be provided by the DOH public health nurses under the terms of an SLA.

Both departments agreed that splitting the nursing function between the departments would not provide enough nurses for the DOE and substantially weaken the public health services provided by the DOH.

Director Kawamura asked whether the biennium budget requests from the two departments would reflect the transfer of the health aides. Dr. Rosen replied that was the goal of both departments.

8. Public Comment

None.

9. Setting future IWG meetings and Agenda setting

The next IWG meeting will be scheduled for late August.

The agenda will include reports on the operations of the human resource functions at DOE, and reports regarding the AG SLA, B&F MOU and progress on the transfer of the health aides from DOH.

10. Adjournment

Chair Carey adjourned the meeting at 5:00 p.m.

Minutes reported by:

Kate Stanley

Kate Stanley
A BILL FOR AN ACT

RELATING TO EDUCATION.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAI'I:

SECTION 1. After extensive deliberations, the interagency working group, which was established pursuant to part VIII of Act 51, Session Laws of Hawaii 2004 (Act 51), the "Reinventing Education Act of 2004," has recommended to the legislature that

the transfer of functions from the department of budget and finance, the department of the attorney general, and the department of human services to the department of education specified in Act 51 be repealed. The working group also recommended that the transfer of functions from the department of health to the department of education specified in Act 51 be delayed one year and take effect July 1, 2007, rather than July 1, 2006.

The interagency working group recommended to the 2006 regular session of the legislature that fiscal functions should remain with the department of budget and finance. The working group reported that the departments of education and budget and finance have agreed to improve the:
The interagency working group further recommended that the transfer of the school health aides and the public health nurses who supervise the school health aides be delayed one year from July 1, 2006, to July 1, 2007. The department of education requested the delay due to the number of other requirements of Act 51 that are scheduled to be implemented during the 2006-2007 school year. In addition, both the department of education and the department of health desire to have a smooth transition and additional time would make this possible.

Although the working group recommended the repeal of certain specific provisions of Act 51 relating to the transfer of functions from the department of budget and finance and the department of the attorney general, they noted that the provisions did serve a useful purpose in helping to focus the departments on areas of concern. The recommendations to repeal certain statutory provisions reflected mutual decisions the departments reached after extensive discussion and review. The function of Act 51 as a critical catalyst for analysis and discussion of issues and problems has been, and continues to be, fulfilled.

The departments involved will not continue to do "business as usual". The legislature fully expects the departments to
(A) The negotiating of workers' compensation claims, and
(B) Labor-management relations within the department of education;
(3) The department of human services relating to the conducting of employment background checks for the after-school plus program, private vendors, and other employees and trainees who work with public school students; and
(4) The department of health relating to school health aides and public health nurses who supervise school health aides;
are transferred to the department of education effective July 1, [2006] 2007, subject to repeal by subsequent legislation.
(b) All moneys budgeted in support of each position to be transferred to the department of education, including moneys for direct and indirect employee benefits, are transferred to the department of education effective July 1, [2006] 2007, subject to repeal by subsequent legislation.

SECTION 48. All resources, appropriations, records, equipment, databases, software, programming, machines, files,
De-linking with DAGS

- July 1, 2005 - Transferred all duties, functions, responsibilities associated with DOE's R&M and CIP program from DAGS to DOE
- 207 positions transferred from DAGS to DOE.
- 450 DOE related Public Works Projects transferred including 163 under construction
- DAGS continues to service Neighbor Island Schools thru Service Level Agreement
Facilities Maintenance Branch Accomplishments

• FMB #1 Goal - Reduce Outstanding Work Orders
  – Develop customer service attitude
  – Facilitate work order process by streamlining operations
  – Re-focus crews on work orders
  – Schedule work for efficiency
  – Improve team productivity and accountability

Our Results

• Reduction of outstanding work orders from approximately 3000 to average 1000.
  – 500 new work orders received weekly
  – Maintaining 1000 work order level, or two weeks worth of work orders

• Satisfied customers
Set Expectations and Performance Standards

- Establish Metrics
  - 90% of regular work orders are not more than 4 months old
  - 90% of emergency requests are responded within 2 hours
  - 90% of trouble calls are responded within 48 hours
- Maintain an 8 week cycle but allow flexibility

Implement On-Line Work Order System

- Maximo, the “heart” of the Response Center
  - 49,478 work orders received through 5/11/06
- Cut the red tape for schools
  - Five forms consolidated into one
  - On-line for faster processing
  - Real time check of work order status
- Enable greater productivity by crews
  - More accuracy in determining scope of work
  - More efficiency in scheduling jobs
  - Faster response time to schools
  - More productive on-site work
  - Less time spent on “paperwork” by supervisors
Improving Communication and Coordination with the Schools

Establish Preventive Maintenance Program

- Conduct school "walk through inspections" with school R&M team – 10 schools per quarter per district
- Teach school R&M teams what to look for to prevent R&M problems
- Coordinate with School Inspection Program
  - Once a month, one team joined by School Inspection Program Coordinator and School Custodial Superintendent to conduct more comprehensive walk through

Feedback from Schools

"For example, Maximo automation. At my school our 501 repair backlog has dropped to ZERO! Jeff Davis, Jed Dunca and Rev are wonderful guys to work with and they have been really supportive". Lisa Nagamine, Vice Principal, Moanalua Middle School

"On 7/21/05, we faxed in a request to have 2 bulletin boards installed in our new modular building. By Monday, 7/25/05, the boards were installed. The teacher was very pleased. In any event, we appreciate the prompt service". Stanley Tarnashiro, Principal, Ewa Elementary School. On 7/21/05, we faxed in a request to have 2 bulletin boards installed in our new modular building. By Monday, 7/25/05, the boards were installed. The teacher was very pleased.

"Kahuluiwa is very impressed and appreciative of the very efficient and competent work done this week by cycle maintenance workers. They not only accomplished what was on the work orders but were able to take care of some other repairs that impacted safety ... On behalf of our staff, Head Custodian and I, many thanks to the cycle maintenance crew". Gwendolyn Lee, Principal, Kahuluiwa Elementary School

"Thank you to Luke and Dallas ... I wanted to let you know how hard they worked today at Kapunamala Elementary School helping unload $4 whiteboard (one by one) ... They worked without complaint even though it would have been so much easier to have a forklift just unload the pallets so they could drive away. I also want to thank Scott, Wayne, and Lenn for helping coordinate this effort – this was so last minute ... They really came to the rescue". Ryan Singeltan, M&O Coordinator, Accountability Branch

"King School appreciates some of the immediate responses we have received of late in getting R&M requested jobs completed. Mahalo, and keep up the fast and effective work ethic". Robert Lockyer, Vice Principal, King Intermediate School

"I'd like to thank Mike Byun, Barry, Owen and the HECO tech for their speedy work in restoring the power yesterday. It took less than 2 1/2 hours from the time we got the call till the time it was brought back up. ... I appreciate the help that they did to make it possible". Randy Ibarra, Administrator
Progress since July 1, 2005

- **Design:** 103 consultant contracts worth $14,200,000 were executed

- **Construction:** 263 projects worth $118,874,000 bid out using the formal design – low bid process

- **Informal Bid:** 297 projects worth $5,177,000 encumbered and expended through purchase orders

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**CIP & R&M Appropriation**

**EXPENDITURE REPORT AS OF MAY 3, 2006**

<table>
<thead>
<tr>
<th>Fiscal Yr</th>
<th>Act</th>
<th>Appropriated</th>
<th>Allotted</th>
<th>Expended</th>
<th>Encumbered</th>
<th>Allotted Balance</th>
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<td>2003-2004</td>
<td>200</td>
<td>$108 million</td>
<td>$98 mil</td>
<td>$67 mil</td>
<td>$8 million</td>
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<tr>
<td>2004-2005</td>
<td>41</td>
<td>$234 million</td>
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<tr>
<td>2005-2006</td>
<td>178</td>
<td>$215 million</td>
<td>$148 mil</td>
<td>$5 mil</td>
<td>$11 million</td>
<td>$132 million</td>
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<tr>
<td>Total</td>
<td></td>
<td>$557 million</td>
<td>$432 mil</td>
<td>$154 mil</td>
<td>$84 million</td>
<td>$193 million</td>
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</tbody>
</table>

Encumbered + Expended = $238,000,000
Facilities Asset Management Program

Purpose:
- To better manage our facilities over the entire course of the facilities' life cycle.
- To improve our return on investment toward facilities.
- To increase public value of funding toward facilities.
- To provide short and long term forecasting and budgeting of costs to maintain our facilities.

Facilities Asset Management Program

Major Components
- Life Cycle Cost Analysis
- Facility Condition Assessment (FCA)
- Asset Priority Index (API)
Facilities Asset Management Program

Asset Priority Index
- Determine facilities' priority in rank order
- Used in conjunction with the Facility Condition Assessment to determine where financial resources should be targeted to assure that most important functions are in the best shape.

Facilities Asset Management Program

Conclusion
- The goal of this program is to enable facility managers and school principals to identify areas of concern and areas where conditions are acceptable.
- This in turn will enable the shifting of financial resources to areas where it is most needed.
Streamline and Facilitate Major Project Process

Alternative Procurement Methods
- RFP Design/Build: Cesspool Contract awarded - $22m
- RFP Design: Classroom Renovation Project - $160m
- Trailer Classroom Contract awarded - $4m
- Staff Contracts (informal bid): 297 projects - $5m
- Roof Maintenance Contract – to be released soon
- Indefinite Delivery Indefinite Quantity (IDIQ) / Job Order Contracting – to be released soon

Next Steps
- Develop Facilities Asset Management System
- Streamline and Facilitate Major Project Process
- Continue to Empower Schools to Maintain Facilities
- Continue Supporting Neighbor Island Schools
Next Steps

- Develop Facilities Asset Management System
- Streamline and Facilitate Major Project Process
- Continue to Empower Schools to Manage Facilities
- Continue Supporting Neighbor Island Schools

Continue Supporting Neighbor Island Schools

- Conduct statewide survey of R&M program evaluation in June 2006
- Implement Maximo for NI Schools beginning July 2006
- Standardize maintenance contracts statewide whenever possible
- Take over staff contract projects (informal bid) on NI from DAGS except for work order or emergency work
Department of Accounting and General Services

Update on Service Level Agreement Between the DOE and DAGS

May 31, 2006
Current Objectives

July 5, 2006

- Implement Maximo Work Order System on
- SLA Requirements
- Complete Work Orders in accordance with
Accomplishments Since November (Cont.)

- Policies and procedures for reimbursement by the DOE to DAGS for repair and maintenance expenses incurred by the district offices are being jointly developed and will be incorporated into the SLA.
The cycle maintenance program has improved Work Order performance as shown by comparing completion statistics before it was started in October 2005.

SLA Performance Results (cont.)

<table>
<thead>
<tr>
<th>Statewide</th>
<th>Hawaii</th>
<th>Maui</th>
<th>Kauai</th>
</tr>
</thead>
<tbody>
<tr>
<td>65%</td>
<td>73%</td>
<td>58%</td>
<td>69%</td>
</tr>
<tr>
<td>68%</td>
<td>79%</td>
<td>64%</td>
<td></td>
</tr>
</tbody>
</table>

Ytd

Month
Implementation of the DOE Maximo Work Order System

Benefits

Implementation at the district offices on schedule for July 5, 2006

Statewide school repair and maintenance information in one database for the DOE

Enhanced performance reporting to the schools, the DOE, and DAGS
as of June 29 to populate Maximo System
- Provision of work order system data to the DOE
  - Ensure successful implementation
  - Monthly meetings with district engineers to
  - Access all districts
- Standardization of workflow and responsibilities
- Adoption of DOE proposed workflow
  - DADS Development
  - Work Order System (Cont.)
  - Implementation of the DOE Maximo
Department of Education
Office of Human Resources
Updates since 07/01/05......

Appreciation to DHRD

- Training
- Support
- Assistance
Accomplishments (cont.)

- Transaction and Information System (Oracle)
  - Faster processing (e.g., 3 steps vs. 12)
  - Improved reporting capabilities: more timely and accurate decisions
  - Reduction in Errors (as high as 70%): automatic data capture – save significant rework time
  - Administration in accordance with DOE timelines & priorities
- More responsiveness: Streamline transaction processes
- Better service to employees
  - Information on demand
  - Easier to understand (form cp/wsp-5)
- Reduced cost in workers compensation administration
  - 53% medical prescription cost
  - 20% on medical treatment cost
  - Increased number of employees, but no increased allocation in benefit costs.

Accomplishments (cont.)

- Development of data base for tracking and monitoring grievances
  - Continue to work with DHRC in collective bargaining
- Reorganize the Office of Human Resources based on functions vs. employee class – Phase I completed
- Implementation of the Automation System (CHAP)
Fundamental Changes:
Structure + Process + Culture

Structure: The Organization of Things

- Alignment to Strategic Plan
- Decision Making Authority
- Roles and Responsibilities
- Clear Lines of Communication
- Interdependencies & Collaboration
Where Are We?

- Through the Theory of Constraints (TOC) Process we have defined and pinpointed the root causes
- Utilizing APQC/Baldrige, CHAP has defined the Five process groups & their interrelationships
- Began data gathering and diagnosis for Project Roadmap

Based on these results:
- Developed a plan of action to integrate improvements in structure, process, and culture
- Contracted with TNL to build Education Decision Support Architecture
- Developed MOA with Arizona State University for professional development
- BST to complete integrated automation systems

Next Steps

- Continue to streamline operations
- Transition to paperless operations
- Develop training programs to align employees’ skills to new environment (i.e. technology + practices)
- Complete the Planning Phase for Roadmap
- Merge with CHAP
Recommendation of the Department of Education (DOE) and Department of Budget and Finance (B&F) Investigative Committee (IC) to the Interagency Working Group (IWG)

Section 47 of Act 51, Session Laws of Hawaii 2004 ("Act 51"), as amended by Act 225, Session Laws of Hawaii 2006 ("Act 225"), provides for the transfer of all rights, powers, functions, duties, and resources relating to funding of collective bargaining agreement increases; and securing, administering, use, and expending of federal funds and other aid, including their custodial supervision from the Department of Budget and Finance to the Department of Education effective July 1, 2007, subject to repeal by subsequent legislation.

In addition, Section 42 of Act 51, as amended by Act 225, requires the IWG to develop comprehensive plans for the transfer of the functions identified above and the functions relating to the capital improvement project allotment process and the determination of retirement and other employee benefits.

The IC has met and determined that the functions set forth in Act 51, as amended by Act 225, should not transfer from B&F to the DOE. Fiscal operations can best be improved through a Memorandum of Understanding ("MOU") between B&F and the DOE. The MOU was signed on June 28, 2006. The findings and agreements (reflected as terms in the MOU) are as follows:

Capital Improvement Project Allotment Process

1. Section 5 of Article VII of the State Constitution, Expenditure Controls, provides that the control of the rate of expenditures of appropriated state moneys, and for the reduction of such expenditures under prescribed conditions, shall be made by law.

2. Section 37-43, Hawaii Revised Statutes ("HRS"), provides that B&F shall carry out the capital improvement project allotment process. The capital improvement project allotment process consists of the review, prioritization, and evaluation of capital improvement projects to insure consistency with executive priorities.

3. Section 103-7, HRS, provides that all capital improvement projects require authorization by the Legislature and the Governor.

4. The DOE recognizes the Governor's fiscal responsibility for the entire State and that the Board of Education does not have a revenue source to support either cash
As a term of the MOU, the DOE shall request an increase in its federal fund expenditure ceiling only when the DOE would exceed its total federal fund expenditure ceiling, not for each unbudgeted federal fund expenditure.

Other Fiscal Functions not set forth in Act 51

In the MOU, the DOE and B&F have made additional agreements regarding other fiscal functions not set forth in Act 51 as follows:

1. On an annual basis, B&F will provide and explain the amount of debt service allocated to the DOE.

2. Prior to the beginning of each fiscal year, the DOE and B&F will identify fiscal issues that either would like to discuss during the year.

The IC has concluded that Act 51, as amended by Act 225, should be further amended to repeal the transfer of functions from B&F to the DOE. Furthermore, the departments agree that the allotment process and fiscal functioning between the two departments has improved and that the departments will follow the terms of the MOU which sets forth specific procedures for the capital improvement project allotment process and agreements regarding other fiscal matters, including those that are not mentioned in Act 51.

The IC recommends that the IWG recommend to the 2007 Legislature that Act 51, sections 47 and 48, as amended by Act 225, be amended to repeal the transfer of functions from B&F to the DOE. The IC also recommends that the report to the Legislature contain the IC recommendations and the MOU. Both departments are committed to improving transparency, increasing the understanding of the Board of Education and public regarding the purpose and nature of education expenditures, and to improving fiscal processes.
MEMORANDUM OF UNDERSTANDING
BETWEEN
THE DEPARTMENT OF EDUCATION
AND
THE DEPARTMENT OF BUDGET AND FINANCE
FOR THE ALLOTMENT OF CAPITAL IMPROVEMENT PROJECT FUNDS
AND OTHER FISCAL MATTERS

This Memorandum of Understanding (MOU) is entered into on this 28th day of
June ________, 2006, between the DEPARTMENT OF EDUCATION, hereinafter
referred to as “DOE,” and the DEPARTMENT OF BUDGET AND FINANCE, hereinafter
referred to as “B&F,”

WHEREAS, Act 51, Session Laws of Hawaii (SLH) 2004, provided that all the rights,
powers, functions, duties, and resources of the B&F relating to the funding of collective
bargaining agreement increases; and securing, administering, use, and expending of federal funds
and other aid, including their custodial supervision, be transferred to the DOE effective July 1,
2006; and

WHEREAS, the DOE and B&F have agreed that these functions should remain with
B&F and that the processes for these and other fiscal functions can best be improved through the
mutual agreements as set forth in this MOU.

AGREEMENT

NOW, THEREFORE, the parties hereby agree to the following:

I. PURPOSE

The purpose of this Memorandum of Understanding (“MOU”) is to establish procedures
that will improve the flow of information and operations between the parties governing
fiscal operations.

Both parties are committed to improving transparency, understanding and knowledge
between the parties for the fiscal functions.

II. TERMS OF UNDERSTANDING

A. CIP Allotment Process

1. B&F and the DOE agree to use the Board of Education (“BOE”) CIP Priority
   List as the basis for determining CIP priorities for allotments.
source of the DOE CIP Moneys will be less than anticipated, and that consequently the amounts available for the remainder of the term of the appropriations for the DOE CIP projects will be less than the amounts originally estimated. B&F shall inform the DOE regarding any changes in economic conditions that will impact the availability of the DOE CIP Moneys. DOE will submit an update of its allotment and expenditure plan for its CIP projects based on changing economic conditions and the amended amount of DOE CIP Moneys.

B. Deposits of Funds into SEFI

1. *Annually* -- Not less than fifteen (15) days prior to the start of each fiscal year, DOE shall provide B&F with a projection of its monthly SEFI expenditures for the upcoming fiscal year.

2. *Monthly* -- In the format attached as Exhibit 1, DOE shall submit to B&F on a monthly basis, or as necessary, a request to transfer general obligation bond CIP funds into the SEFI account. In submitting the monthly request, DOE shall take into account:

   a. the prior amount of actual funds transferred into and expended from, the SEFI account;

   b. the actual ending balance of the SEFI account at the end of the prior month; and

   c. updated expenditure projections for the month in which funds are being requested. As such, the actual amount of funds requested on a monthly basis may differ from the annual monthly projections submitted prior to the beginning of the fiscal year.

3. B&F shall review the monthly request and, if deemed appropriate, submit a journal voucher to transfer the requested amount into the SEFI account within five (5) business days of the receipt of the request.

4. B&F and DOE agree that a reasonable contingency balance in the SEFI account is appropriate in the event actual expenditures exceed the estimated amounts. B&F and DOE shall meet to establish an appropriate contingency level, which in part shall take into account the projected monthly expenditures.

5. In the event of a shortfall in the SEFI account balance, the DOE may request a supplemental transfer of funds into the SEFI account in addition to the monthly request.
D. In the event of a conflict with any written budget execution memorandum or policy, the terms of this MOU shall be controlling.

IN WITNESS WHEREOF, the parties hereto, by their authorized representative, have executed this MEMORANDUM of UNDERSTANDING on the day and year first written above.

Department of Education

Patricia Hamamoto
Superintendent

June 27, 2006

Department of Budget and Finance

Georgina K. Kawamura
Director

6/28/2006
September 2006

Recommendation of the Department of Education (DOE) and Department of Health (DOH) Investigative Committee (IC) to the Interagency Working Group (IWG)

Section 47 of Act 51, Session Laws of Hawaii 2004, ("Act 51") as amended by Act 225 ("Act 225"), Session Laws of Hawaii 2006, provides for the transfer of all rights, powers, functions, duties, and resources relating to school health aides and public health nurses who supervise school health aides from the Department of Health (DOH) to the Department of Education (DOE) on July 1, 2007, subject to repeal by subsequent legislation.

In addition Section 42 of Act 51 requires the IWG to develop comprehensive plans for the transfer of the school health aides from the DOH to the DOE.

The DOE and the DOH have agreed that the School Health Aides (SHAs) and the substitutes SHAs positions transfer from the DOH to the DOE July 1, 2007. The departments also agree that the Public Health Nurses (PHNs) should remain at the DOH and provide professional supervision to the SHAs through a Service Level Agreement (SLA) or Memorandum of Understanding (MOU). Transferring the PHN positions to the DOE would require DOH to request replacement positions to carry out essential public health functions. Additionally, the number of PHNs that would be transferred to the DOE, approximately twenty, would be insufficient to provide the level of supervision necessary for the school health program. Both departments have concluded that the best method of supporting the school health services program is to provide professional supervision for the SHAs through an SLA or MOU.

The DOE and DOH transition team continues to plan for the transfer of the SHAs including identifying the statutory amendments needed to transfer the SHAs and the school health services program. The transition team is also developing the SLA or MOU.

The IC recommends that the IWG recommend to the 2007 Legislature that Section 47 of Act 51 as amended by Act 225 be amended to repeal the transfer of the public health nurses from the DOH to the DOE July 1, 2007.
SERVICE LEVEL AGREEMENT
BETWEEN
THE DEPARTMENT OF EDUCATION AND
THE DEPARTMENT OF THE ATTORNEY GENERAL
(Labor Relations and Employment)

This SERVICE LEVEL AGREEMENT (SLA) between the Department of Education (hereinafter "DOE"), State of Hawaii, and the Department of Attorney General (hereinafter "AG"), State of Hawaii, sets forth terms, conditions, expectations and responsibilities governing the AG providing legal services to the DOE relating to workers' compensation claims, labor-management relations and employee relations matters.

Section 47 of Act 51, Session Laws of Hawaii 2004 ("Act 51") provides for the transfer of rights, powers, functions, and duties and resources relating to the negotiating of workers' compensation claims, labor-management relations, and employee relations matters from the Department of the Attorney General (AG) to the Department of Education (DOE) on July 1, 2006, subject to repeal by subsequent legislation. The 2006 Legislature amended Act 51, pursuant to recommendations of the Interagency Working Group (IWG), to repeal the transfer from the AG to the DOE described above.

The DOE and AG agree that there are ways to improve the services in the Workers' Compensation, Labor Relations, and employee relations areas, including improving communication and coordination (including options such as earlier coordination and advice on legal positions and issues), and clarifying procedures and protocols. This Service Level Agreement is the mechanism chosen by the DOE and AG to implement steps in improving operations related specifically to the Workers' Compensation, Labor Relations, and employee relations areas.

The DOE and AG hereby agree to the following:

I. Roles and Responsibilities:
   A. General Role of AG, Labor Relations and Employment Division ("AG-ELD"):

   I. The AG-ELD is the division of the AG that handles labor relations, employee relations and workers compensation matters. The AG-ELD shall be the primary legal counsel for the DOE, and will represent the DOE in legal proceedings (including without limitation civil and administrative proceedings) relating to labor management relations, employee relations and workers' compensation. The AG-ELD also provides legal advice and counsel to the DOE on matters relating to labor management relations, employee relations and workers' compensation, and any other matters related thereto requested by the DOE.
II. Expectations: Performance Measures and Accountability:

A. General Expectations:
Within the constraints recognized by the DOE and AG with respect to available resources, the general expectation is that AG-ELD will provide legal services that are timely, thorough, responsive to the reasonable needs of the DOE and consistent. The DOE’s role in satisfying this expectation is to also be timely, thorough, and responsive to reasonable requests for information, resources and support received from the AG-ELD.

There will be periodic meetings with the DOE and AG-ELD with respect to the available resources and the constraints on meeting expectations that may result in conjunction with the work and resource plan to be developed as described in section IV.B below.

B. Specific Service Expectations and Performance Measures:

1. By August 31, 2006, the DOE and AG-ELD shall agree on specific service expectations for the Workers' Compensation, Employee Relations and Labor Relations areas. The Workers' Compensation unit has prepared a list of service expectations that shall serve as the basis for the discussion in the Workers' Compensation area. To the extent feasible, common expectations can be determined for both the Workers' Compensation and Labor Relations areas.

2. By September 30, 2006, the DOE and AG-ELD shall agree on performance measures, including timeliness measures, for the legal services and expectations provided by the AG-ELD to the DOE.


4. AG-ELD and DOE shall thereafter submit quarterly reports to each other on the performance measures and timeliness measures. If the performance measures and timeliness measures are not met, then the Assistant Superintendent, Office of Human Relations, or his/her designee and the supervising deputy attorney general or his/her designee shall meet to discuss how operations in both the AG-ELD and DOE can be improved to reach the measures.

III. Resources:

A. Current Resources at AG-ELD

1. General Fund: AG-ELD is funded primarily by general funds.
V. Communications and Coordination:

A. Primary Points of Contact:

1. For the AG: The Supervising Deputy AG for AG-ELD shall be the primary point of contact for the DOE on all matters relating to labor relations, employee relations and workers' compensation.

2. For the DOE: The supervisors of the Workers Compensation Unit and the Labor Relations Section of the Office of Human Resources and the Assistant Superintendent for matters of employee relations shall serve as primary points of contact for the AG-ELD for all matters relating to their respective units.

B. Response time: Within three (3) business days of receipt of a new matter by the AG-ELD, the AG-ELD shall acknowledge to the DOE receipt, and communicate what actions will be taken by the AG-ELD and deadlines are imminent.

C. Written Correspondence: With respect to workers compensation claims, employee relations and labor relations matters handled by the AG-ELD for the DOE, the AG-ELD shall copy DOE on all correspondence, and shall provide DOE with copies of all correspondence received.

D. The Supervising Deputy AG for the AG-ELD shall hold an annual review meeting with the Workers' Compensation unit and Labor Relations section, and a separate meeting with the Assistant Superintendent for all other matters, to provide the staff case updates, discussion of specific issues, training and any other matters agreed upon by the DOE and AG-ELD. Additional meetings with AG-ELD and DOE staff will be upon request from the Workers Compensation Unit supervisor, and the Labor Relations supervisor and the Assistant Superintendent in consultation with the AG-ELD Supervising Deputy AG. Any issues or problems with any specific matter or status of cases shall be discussed, in addition to the overall status of legal matters relating to the DOE's labor relations, employee relations and workers compensation.

VI. Policy and Decision-making:

A. The AG-ELD's review shall focus on legal issues and related matters. Other non-legal policy issues or concern can be raised with the supervisors within the Office of Human Resources in the regular status meetings, and will be addressed by the Assistant Superintendent for the Office of Human Resources.
IWG WORK PLAN
As of September 5, 2006

Goal: Act 51, Section 41, Reduction of Bureaucracy: improving the efficiency of the State's public education system.

This work plan identifies work accomplished since December 2005 as well as future IWG and Investigative Committee work (identified in bold).

I. IWG Objectives:
   A. Develop comprehensive plans for transferring certain rights, powers, functions, duties and resources including positions, from the departments of accounting and general services, human resources development, budget and finance, the attorney general, human services, and health to the department of education.
   B. Assure due consideration to minimize the impacts to personnel and overall costs to government.
   C. The IWG shall cease to exist on June 30, 2007.

II. Investigative Committees to Develop Recommendations for Transfer

   A. Department of Budget and Finance (B&F) - Department of Education (DOE) Work Product and Schedule
      1. The DOE and B&F Investigative Committee met on June 22, 2006 to review a draft of the Memorandum of Understanding (MOU), agree upon an amount and schedule for Capital Improvement Project allotments for fiscal Year 2007, consider a recommendation to the IWG for the repeal of the fiscal functions transfer, and to identify issues to be discussed during the 2007 fiscal year.
      3. Recommendation to repeal the transfer of fiscal functions from B&F to the DOE presented to the September 5, 2006 IWG meeting.
      4. July 2006 through June 2007, the DOE and B&F to meet regarding fiscal issues identified for discussion.

   B. Department of the Attorney General (AG) - DOE Work Product and Schedule
      1. The Employment Law Division (ELD) of the Department of the Attorney General met with the Office of Human Resources (OHR) to develop the Service Level Agreement (SLA) for:
         a. Workers' compensation claims;
         b. Labor-management relations; and
         c. Employee relations.
      2. SLA signed June 28, 2006.
      3. ELD and OHR to meet to develop service expectations by August 31, 2006 and performance measures by September 30, 2006.
V. Meeting schedule for IWG
A. May 31, 2006, 3:00 p.m. - 5:00 p.m., State Capitol, Room 423
   1. Updates on the functions transferred July 1, 2005 from the DOE, DAGS, and DHRD.
B. September 5, 2006, 2:30 p.m. – 4:30 p.m., State Capitol, Room 309
   1. Updates from DAGS, DHRD and the DOE on functions that transferred July 1, 2005.
   2. Updates on SLA (AG and DOE) and MOU (B&F and DOE).
   3. Presentation of B&F-DOE and DOH-DOE IC recommendations.
C. November 2006
   1. Adoption of B&F – DOE IC and DOH-DOE IC recommendation.
   2. Updates from DOE, DAGS, AG.
D. December 2006
   1. Adoption of DOH and B&F IC recommendations.
   2. Review of draft report to the Legislature.
   3. Circulate edited draft report to finalize and schedule another meeting of the IWG only if a member requests a meeting.
F. May 2007: IWG meeting to review 2006 Legislative session and receive final reports from the DAGS, DHRD, AG, B&F, DOH, and DOE.
Interagency Working Group (IWG)
November 9, 2006
2:30 p.m. – 4:30 p.m.
State Capitol, Room 309
AGENDA

1. Approval of the minutes for September 5, 2006 2:30 – 2:35 p.m.


   Update on DOE’s progress in implementing the Human Resource function.


   Adoption of the recommendation (see attached).
   The recommendation is to request the 2008 Legislature to repeal the transfer of the fiscal functions from B&F to the DOE.

   Draft of the bill to repeal the transfer of the fiscal functions from B&F to the DOE (see attached).


   Investigative Committee recommendation (see attached).
   The recommendation is to repeal the transfer of the public health nurses from the DOH to the DOE.

   Transition Committee status report.
   Draft legislation, draft of the Memorandum of Understanding, and timeline of transition activities.


   Status of Service Level Agreement.

6. Department of Education – Department of Accounting and General Services (DAGS) Report 3:50 - 4:00 p.m.

   Update from the DOE.

   Update from DAGS.
STATE OF HAWAII
INTERAGENCY WORKING GROUP (IWG)

MINUTES
September 5, 2006
State Capitol, Room 309

ATTENDANCE

MEMBERS
David Carey, President & Chief Executive Officer, Outrigger Enterprises, Inc.
Lei Desha, Field Services Officer, for Russell Okata, Executive Director, Hawaii
   Government Employees Association
Patricia Hamamoto, Superintendent, Department of Education
Cindy Inouye, Deputy Director, for Marie Laderta, Director, Department of Human
   Resources Development
Susan Jackson, Deputy Director for Chiyome Leinaala Fukino, M.D., Director,
   Department of Health
Georgina K. Kawamura, Director of Finance, Department of Budget and Finance
Henry Oliva, Deputy Director, 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
Holly Shikada, Deputy Attorney General, for Mark Bennett, Attorney General,
   Department of the Attorney General

DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES
Clyde Kumabe, Public Works Division
Kerry Yoneshige, Business Management Officer

DEPARTMENT OF THE ATTORNEY GENERAL
Randall Nishiyama, Deputy Attorney General
Jim Halvorson, Deputy Attorney General

DEPARTMENT OF EDUCATION
Paul Ban, Office of Curriculum, Instruction and Student Support
Francis Cheung, Office of Business Services
Gilbert Chun, Office of Business Services
Dee Helber, Office of Curriculum, Instruction and Student Support
Fay Ikei, Office of Human Resources
Anne Kane, Vice Principal
Kathryn Matayoshi, Consultant
Rod Moriyama, Office of Information Technology Services
Randy Moore, Office of Business Services
Rachelle Nakachi, Vice Principal
Kate Stanley, Budget Office
Mr. Moriyama reviewed the progress OHR has made in carrying out the functions transferred from DHRD: recruiting / hiring; classification/compensation, employee transactions, and workers compensation. The report reviewed the development of an online application and tracking system for classified/ for support services personnel, year round open recruitment for classified/ support services personnel, converting paper records to electronic records, an improved employee transactions information data system, use of a new system, NeoGov, for recruiting and hiring, and the implementation of a time and attendance system.

Performance indicators will include: time reduction for the recruiting/hiring cycle; employee satisfaction, overtime reduction for OHR transaction processing; reduction in workers compensation costs; improvement in five year teacher retention rate, reduction in annual grievances, and new employee orientation satisfaction.

The OHR plan is to develop over time an integrated human resources system; the next steps include; continuing to move towards the integration of human resource processes, the implementation of the infrastructure for eLearning, using technology for surveying of customer satisfaction at all levels, and electronic processing for leave requests, approval, and temporary assignments.

Mr. Moriyama also reported that DHRD and DOE have signed a letter of agreement that DHRD will continue to provide training, benefit administration and labor relations services that it provides to other executive state departments and agencies.

Mr. Moriyama reported that the OHR functions have been very labor intensive and highly manual. DOE has made progress toward reducing process steps and moving from paper to electronic records.

Mr. Carey asked if workers compensation costs have been bench marked against other state agencies or other schools districts. Mr. Carey suggested this be done so that improvements in workers compensation can be measured and evaluated.

Director Georgina Kawamura asked when the target date for reaching a reduction in hiring time will be reached. Director Kawamura also asked if OHR was going to establish a baseline for paying new hires in a timely manner.

Mr. Moriyama responded that with regards to workers compensation, target dates for performance measures and paying on time would all be considered as OHR moves forward to better document activities that demonstrate improvement in the human resource service delivery.

Mr. Moriyama stated that DOE was first focusing on automating the OHR processes.

Comptroller Russ Saito asked if the leave accounting system would be integrated into the payroll system.
Chair Carey asked that both DOE and B&F brief the House and Senate Education chairs prior to the beginning of the 20007 Legislature. Director Kawamura and Mr. Moore stated that they would see that this is accomplished prior to the beginning of the 2007 Legislative Session.

Chair Carey asked how the process was working since July 1, 2006, the effective date of the MOU.

Mr. Moore replied that the MOU has enabled the DOE to even out its CIP project work over the fiscal year as the DOE is able to plan and execute its work because the allotments will be released on the agreed upon schedule.

Director Kawamura replied that for fiscal year 2006 the DOE and B&F practiced the new allotment process and then were able to commit to the MOU for fiscal year 2007. Director Kawamura stated that there is an agreed upon schedule for allotment requests and that both Departments know what is expected from each department in terms of timeliness and information that needs to be provided.

Chair Carey asked for an explanation regarding the debt service information B&F will provide DOE annually.

Mr. Moore replied that B&F calculates the debt service costs and DOE would like to understand the costs associated with the general obligation bonds that fund CIP and Repair and Maintenance (R&M) projects.

Director Kawamura explained that with regards to Federal funds the DOE will no longer submit individual project federal fund increase requests unless the federal fund ceiling for the DOE as a whole will be exceeded. This will reduce unnecessary paper work for the DOE and review time for B&F.

4. Department of Education -Department of Health (DOH) Report

Superintendent Hamamoto presented the DOE-DOH IC recommendation to transfer the school health aides from the DOH to the DOE July 1, 2007 and that the public health nurses should remain at DOH and provide professional supervision for the health aides through an SLA or MOU. See attachment 3.

Superintendent Hamamoto further reported that the DOE-DOH transition team continues to meet to prepare for the transfer of the DOH school health aides by developing an SLA/MOU for the supervision of the health aides by the public health nurses that will remain at DOH, drafting necessary legislation, transferring funds from the DOH to the DOE, transferring personnel files and payroll and developing a communication schedule with the employees affected.
Chair Carey reminded both departments that it is important to establish benchmarks when measuring performance levels.

6. Department of Education – Department of Accounting and General Services (DAGS) Report

Acting Assistant Superintendent Randy Moore reported that DOE has made significant progress since the delinking from DAGS with regards to the operations of the CIP and R&M projects. See attachment 6.

Mr. Moore reported that DOE has been able to expend funds for CIP and R&M projects more quickly since DOE and B&F have improved the allotment process for the release of funds. DAGS and DOE are in the process of modifying the SLA that governs neighbor island operations; the principals have reported that service has improved for R&M repairs since July 1, 2005 including response to work orders, trouble calls and emergency repairs. Principals have reported that in general the service by Facilities Management Branch on Oahu and DAGS on the neighbor islands has improved since July 1, 2005.

Comptroller Russ Saito reported that all neighbor island districts continue to exceed the work order SLA performance standard of 75%, and that in July, the Hawaii and Maui districts completed more work orders than received, and that, the DOE Maximo work order system was successfully implemented on schedule at all district offices. In addition, the policies and procedures for reimbursement by the DOE to DAGS for repair and maintenance expenses incurred by the district offices have been agreed to in principal and are being finalized to be incorporated in the SLA. Next steps include the implementation of the DOE Facttrak construction management system components in September and October for the neighbor island district offices. See attachment 7.

Ms. Smith asked if the year round school calendar was having an adverse impact on the ability of the departments to perform work at the schools.

Both DOE and DAGS replied that work is able to be performed by working with the schools to see that both CIP and R&M work needed is completed.

Comptroller Saito responded by stating that the ability of the neighbor island districts to reduce the work order backlog will have the effect of reducing the number of major repairs that will be required in the future.

6. Work Plan update

Ms Kate Stanley reviewed the work plan which outlines the next steps for the delinking activities for B&F, AG, DOH and DOE. See attachment 8.
Department of Education
Office of Human Resources

Streamlining Update

Mission of OHR:
The Office of Human Resources will provide timely and responsive leadership, resources, and services to support the DOE in the recruitment, management, and retention of a high-performing workforce.

September 2006

Act 51 initiated the de-linking of functions from DHRD to the DOE for all classified employees.

<table>
<thead>
<tr>
<th>Functions</th>
<th>DOE</th>
<th>DHRD</th>
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<tbody>
<tr>
<td>Recruiting/ Hiring</td>
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<tr>
<td>Classification/ Compensation</td>
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<td>Transactions</td>
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<td>Workers Compensation</td>
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<tr>
<td>Training Services</td>
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<tr>
<td>Benefit Administration Services</td>
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<tr>
<td>Labor Relations Services</td>
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<td>LOA</td>
</tr>
</tbody>
</table>
Achievements continued

- Improved transactions system for Position and Employee Data
  - Employee information reduced from 12 screens to 2
  - Position information reduced from 9 screens to 2
  - Single versus double entry results in 50% reduction in error rate
  - Enhanced reporting capabilities due to customization of database

- Automated Grievance tracking
  - Time & Attendance – Leave Accounting Operational

<table>
<thead>
<tr>
<th>Performance Indicator</th>
<th>Baseline</th>
<th>Target</th>
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</thead>
<tbody>
<tr>
<td>Recruiting/ Hiring Cycle time reduction</td>
<td>41 days</td>
<td>29 days</td>
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<tr>
<td>Employee satisfaction survey of working conditions</td>
<td>TBD</td>
<td>90%</td>
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<tr>
<td>Overtime reduction in HR transaction processing</td>
<td>3,072 hr</td>
<td>1000 hr</td>
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<tr>
<td>Reduction in Workers Compensation</td>
<td>$9.34 M</td>
<td>$8.4M – SY06-07</td>
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<td>5 year teacher retention</td>
<td>975</td>
<td>500</td>
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<tr>
<td>Reduction of annual grievances</td>
<td>190</td>
<td>150</td>
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<tr>
<td>New employee orientation satisfaction</td>
<td>TBD</td>
<td>95%</td>
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</table>
Time & Attendance system

Operational for Leave Accounting at State level offices

- Leave Accounting
- Focus on Salaried Personnel
- Temporary Assignments
- Single School Calendar
- SY 05-06: 12 mo only – state level
- Phase II: Full Payroll with Worker's Comp
- SY 06-07: Kauai and Windward districts
- SY 07-08: All the schools

Timeline

T&A Rollout Benefits Estimates

Time Saved

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<tr>
<th>Time Period</th>
<th>Cost Avoidance</th>
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<tr>
<td>SY 05-06</td>
<td>$181,280</td>
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<tr>
<td>SY 06-07</td>
<td>$2,364,000</td>
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<td>SY 07-08</td>
<td>$4,090,240</td>
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<tr>
<td>SY 08-09</td>
<td>$4,263,040</td>
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</table>

Graph showing time saved from SY 05-06 to SY 08-09.
Professional Development Infrastructure for Administrators and Teachers

- Web based Portal for Professional Development Planning and Registration
- Tracking of individual professional development profiles/skills
- Integration with Hawaii Principals Academy and Professional Development

Professional Improvement Infrastructure

Training for all employees!

- Raising the skill level of all employees
- Establishing standards for minimal skills proficiency to be raised over time
- Creating an infrastructure to better deploy changes within the DOE and monitoring effectiveness

Creating a Learning Community
July 21, 2006

Gerald Okamoto, Asst. Superintendent
Department of Education
1390 Miller Street, Room 300
Honolulu, Hawaii 96813

Dear Mr. Okamoto:

Re: Agreement between DOE and DHRD regarding training, benefit administration, and labor relations services

This will confirm that the Department of Education ("DOE") and Department of Human Resources Development ("DHRD") agree that DHRD will continue to provide the following services to DOE, notwithstanding Act 51, Session Laws of Hawaii 2004: (1) training services; (2) benefit administration services; and (3) labor relations services. The scope of such services will be consistent with those provided by DHRD to other State departments/agencies, as set forth in the memoranda of understanding covering these subject areas that were in effect through June 30, 2006. The DOE will also continue to be included in the State's Alcohol and Controlled Substance Testing Program.

The agreement contained in this letter will remain in effect unless either party requests modification/termination, which will be subject to 180 days' advance notice.

If the DOE agrees with the terms of this letter, we request that Superintendent Hamamoto sign where indicated below and that the letter be returned to our office as soon as possible. Thank you very much.

Very truly yours,

MARIE C. LADERTA
Director

On behalf of the DOE, I agree to the above.

PATRICIA HAMAMOTO
Superintendent of Education

AUG 07 2006
Date
September 2006

Recommendation of the Department of Education (DOE) and Department of Budget and Finance (B&F) Investigative Committee (IC) to the Interagency Working Group (IWG)

Section 47 of Act 51, Session Laws of Hawaii 2004 ("Act 51"), as amended by Act 225, Session Laws of Hawaii 2006 ("Act 225"), provides for the transfer of all rights, powers, functions, duties, and resources relating to funding of collective bargaining agreement increases; and securing, administering, use, and expending of federal funds and other aid, including their custodial supervision from the Department of Budget and Finance to the Department of Education effective July 1, 2007, subject to repeal by subsequent legislation.

In addition, Section 42 of Act 51, as amended by Act 225, requires the IWG to develop comprehensive plans for the transfer of the functions identified above and the functions relating to the capital improvement project allotment process and the determination of retirement and other employee benefits.

The IC has met and determined that the functions set forth in Act 51, as amended by Act 225, should not transfer from B&F to the DOE. Fiscal operations can best be improved through a Memorandum of Understanding ("MOU") between B&F and the DOE. The MOU was signed on June 28, 2006. The findings and agreements (reflected as terms in the MOU) are as follows:

Capital Improvement Project Allotment Process

1. Section 5 of Article VII of the State Constitution, Expenditure Controls, provides that the control of the rate of expenditures of appropriated state moneys, and for the reduction of such expenditures under prescribed conditions, shall be made by law.

2. Section 37-43, Hawaii Revised Statutes ("HRS"), provides that B&F shall carry out the capital improvement project allotment process. The capital improvement project allotment process consists of the review, prioritization, and evaluation of capital improvement projects to insure consistency with executive priorities.

3. Section 103-7, HRS, provides that all capital improvement projects require authorization by the Legislature and the Governor.

4. The DOE recognizes the Governor's fiscal responsibility for the entire State and that the Board of Education does not have a revenue source to support either cash
As a term of the MOU, the DOE shall request an increase in its federal fund expenditure ceiling only when the DOE would exceed its total federal fund expenditure ceiling, not for each unbudgeted federal fund expenditure.

**Other Fiscal Functions not set forth in Act 51**

In the MOU, the DOE and B&F have made additional agreements regarding other fiscal functions not set forth in Act 51 as follows:

1. On an annual basis, B&F will provide and explain the amount of debt service allocated to the DOE.

2. Prior to the beginning of each fiscal year, the DOE and B&F will identify fiscal issues that either would like to discuss during the year.

The IC has concluded that Act 51, as amended by Act 225, should be further amended to repeal the transfer of functions from B&F to the DOE. Furthermore, the departments agree that the allotment process and fiscal functioning between the two departments has improved and that the departments will follow the terms of the MOU which sets forth specific procedures for the capital improvement project allotment process and agreements regarding other fiscal matters, including those that are not mentioned in Act 51.

The IC recommends that the IWG recommend to the 2007 Legislature that Act 51, sections 47 and 48, as amended by Act 225, be amended to repeal the transfer of functions from B&F to the DOE. The IC also recommends that the report to the Legislature contain the IC recommendations and the MOU. Both departments are committed to improving transparency, increasing the understanding of the Board of Education and public regarding the purpose and nature of education expenditures, and to improving fiscal processes.
a. The DOE shall establish its priority list of CIP projects for each fiscal year, as approved by the BOE. The CIP Priority List shall be submitted to B&F ten (10) days prior to the meeting specified in 3. below.

b. The parties agree that the DOE, in its sole discretion, can elect not to implement a project on the CIP Priority List. In addition, the parties agree that the DOE may request that a project be allotted out of sequence from the CIP Priority List to address health, safety, and welfare concerns. Further, the parties recognize that the Governor has the sole discretion to authorize release of funding for a project. If the Governor does not authorize allotment of moneys for a CIP project on the CIP Priority List, the DOE may then submit additional allotment requests following the sequence in the CIP Priority List.

2. Based on this priority list, the DOE shall submit a written annual allotment and expenditure plan request to B&F regarding the DOE CIP projects for the fiscal year ten (10) days prior to the meeting specified in 3. below.

3. Not less than fifteen (15) days prior to the beginning of each fiscal year, B&F and the DOE shall meet to discuss the following:

a. The total amount of moneys estimated to be available for the DOE CIP projects from all sources, including, but not limited to, general funds, special funds, general obligation bond funds, and State Educational Facilities Improvement ("SEFI") Special Fund moneys (collectively, the "DOE CIP Moneys").

b. Procedures and schedule for the allotment of the DOE CIP Moneys. Both parties agree to respond to the requests from the other in a reasonable time.

4. The parties may meet subsequently, as may be necessary, to address:

a. Adjustments to the total amount of moneys estimated to be available for the DOE CIP projects due to changes in the financial condition of the State.

b. Modification of procedures and schedule for the allotment of the DOE CIP Moneys.

c. Other issues and concerns related to CIP allotments.

5. The DOE can rely on the B&F estimates of DOE CIP Moneys available in preparing its CIP allotment requests unless informed by B&F that the probable receipts from taxes or any other sources of funding that are the
C. **Debt Service Calculation**

On an annual basis, and as may be requested by the DOE, B&F shall provide and explain the amount of debt service costs allocated to the DOE at mutually agreed upon times.

D. **Employee Benefits Calculation**

With the assistance of B&F, the DOE will learn how to and practice calculating for its employees the employer's share of contributions due for pension accumulation, health benefits, Social Security, and Medicare costs at mutually agreed upon times.

E. **Funding of Collective Bargaining Increases**

For collective bargaining appropriation bills affecting DOE employees, B&F will separately display the salary and benefit appropriations. With the assistance of B&F, the DOE will learn how to and practice calculating the applicable costs for its employees relating to collective bargaining at mutually agreed upon times.

F. **Federal Funds**

The DOE shall request an increase in its federal funds expenditure ceiling for federal funds only when the expenditure of such federal funds would cause the DOE to exceed its total federal funds expenditure ceiling.

G. **Other Fiscal Issues**

Prior to the beginning of each fiscal year the DOE and B&F will meet to identify fiscal issues that either party would like to discuss during that fiscal year.

**III. PERIOD OF AGREEMENT AND OTHER TERMS**

A. This MOU shall be effective from July 1, 2006, and shall be automatically extended without further action by the DOE or B&F each July 1, unless terminated in accordance with the terms of this MOU.

B. Either party may terminate this MOU at any time for any reason at least sixty (60) days' written notice of such termination; provided that the termination of this MOU shall not be effective until B&F and the DOE have mutually agreed to a replacement process for the allotment of CIP moneys.

C. Any changes or modifications to this MOU shall be by mutual written agreement of the parties.
Department of Education  
Office of Business Services, Accountability Branch  
State Educational Facilities Improvement Special Fund (SEFISF)

Request for Funds  
Fiscal Year Ending June 30, ________

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<tr>
<td>FY Cumulative Expenditures to Date (b):</td>
<td>($ ___________)</td>
<td></td>
</tr>
<tr>
<td>Current Balance a/o ________</td>
<td>$ ___________</td>
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<td>Amount of This Request:</td>
<td>$ ___________</td>
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<tr>
<td>Estimated Expend. for Month Ending ________</td>
<td>($ ___________)</td>
<td></td>
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<tr>
<td>Estimated Balance for Month Ending ________</td>
<td>$ ___________</td>
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</table>

<table>
<thead>
<tr>
<th>Actual Transfers to SEFI</th>
<th>Actual Expenditures (per FAMIS)</th>
<th>Remarks</th>
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<tr>
<td>July ______</td>
<td>$ ___________</td>
<td>$ ___________</td>
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<tr>
<td>Aug ______</td>
<td>$ ___________</td>
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<td>Oct ______</td>
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<td>Nov ______</td>
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<td>Dec ______</td>
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<tr>
<td>Jun ______</td>
<td>$ ___________</td>
<td>$ ___________</td>
</tr>
<tr>
<td><strong>Total (a)</strong></td>
<td>$ ___________</td>
<td>$ ___________</td>
</tr>
</tbody>
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September 2006

Recommendation of the Department of Education (DOE) and Department of Health (DOH) Investigative Committee (IC) to the Interagency Working Group (IWG)

Section 47 of Act 51, Session Laws of Hawaii 2004, ("Act 51") as amended by Act 225 ("Act 225"), Session Laws of Hawaii 2006, provides for the transfer of all rights, powers, functions, duties, and resources relating to school health aides and public health nurses who supervise school health aides from the Department of Health (DOH) to the Department of Education (DOE) on July 1, 2007, subject to repeal by subsequent legislation.

In addition Section 42 of Act 51 requires the IWG to develop comprehensive plans for the transfer of the school health aides from the DOH to the DOE.

The DOE and the DOH have agreed that the School Health Aides (SHAs) and the substitutes SHAs positions transfer from the DOH to the DOE July 1, 2007. The departments also agree that the Public Health Nurses (PHNs) should remain at the DOH and provide professional supervision to the SHAs through a Service Level Agreement (SLA) or Memorandum of Understanding (MOU). Transferring the PHN positions to the DOE would require DOH to request replacement positions to carry out essential public health functions. Additionally, the number of PHNs that would be transferred to the DOE, approximately twenty, would be insufficient to provide the level of supervision necessary for the school health program. Both departments have concluded that the best method of supporting the school health services program is to provide professional supervision for the SHAs through an SLA or MOU.

The DOE and DOH transition team continues to plan for the transfer of the SHAs including identifying the statutory amendments needed to transfer the SHAs and the school health services program. The transition team is also developing the SLA or MOU.

The IC recommends that the IWG recommend to the 2007 Legislature that Section 47 of Act 51 as amended by Act 225 be amended to repeal the transfer of the public health nurses from the DOH to the DOE July 1, 2007.
SERVICE LEVEL AGREEMENT
BETWEEN
THE DEPARTMENT OF EDUCATION AND
THE DEPARTMENT OF THE ATTORNEY GENERAL
(Labor Relations and Employment)

This SERVICE LEVEL AGREEMENT (SLA) between the Department of Education (hereinafter “DOE”), State of Hawaii, and the Department of Attorney General (hereinafter “AG”), State of Hawaii, sets forth terms, conditions, expectations and responsibilities governing the AG providing legal services to the DOE relating to workers' compensation claims, labor-management relations and employee relations matters.

Section 47 of Act 51, Session Laws of Hawaii 2004 ("Act 51") provides for the transfer of rights, powers, functions, and duties and resources relating to the negotiating of workers' compensation claims, labor-management relations, and employee relations matters from the Department of the Attorney General (AG) to the Department of Education (DOE) on July 1, 2006, subject to repeal by subsequent legislation. The 2006 Legislature amended Act 51, pursuant to recommendations of the Interagency Working Group (IWG), to repeal the transfer from the AG to the DOE described above.

The DOE and AG agree that there are ways to improve the services in the Workers' Compensation, Labor Relations, and employee relations areas, including improving communication and coordination (including options such as earlier coordination and advice on legal positions and issues), and clarifying procedures and protocols. This Service Level Agreement is the mechanism chosen by the DOE and AG to implement steps in improving operations related specifically to the Workers' Compensation, Labor Relations, and employee relations areas.

The DOE and AG hereby agree to the following:

I. Roles and Responsibilities:
   A. General Role of AG, Labor Relations and Employment Division ("AG-ELD"):

   1. The AG-ELD is the division of the AG that handles labor relations, employee relations and workers compensation matters. The AG-ELD shall be the primary legal counsel for the DOE, and will represent the DOE in legal proceedings (including without limitation civil and administrative proceedings) relating to labor management relations, employee relations and workers' compensation. The AG-ELD also provides legal advice and counsel to the DOE on matters relating to labor management relations, employee relations and workers' compensation, and any other matters related thereto requested by the DOE.
II. Expectations: Performance Measures and Accountability:

A. General Expectations:
Within the constraints recognized by the DOE and AG with respect to available resources, the general expectation is that AG-ELD will provide legal services that are timely, thorough, responsive to the reasonable needs of the DOE and consistent. The DOE's role in satisfying this expectation is to also be timely, thorough, and responsive to reasonable requests for information, resources and support received from the AG-ELD.

There will be periodic meetings with the DOE and AG-ELD with respect to the available resources and the constraints on meeting expectations that may result in conjunction with the work and resource plan to be developed as described in section IV.B below.

B. Specific Service Expectations and Performance Measures:

1. By August 31, 2006, the DOE and AG-ELD shall agree on specific service expectations for the Workers' Compensation, Employee Relations and Labor Relations areas. The Workers' Compensation unit has prepared a list of service expectations that shall serve as the basis for the discussion in the Workers' Compensation area. To the extent feasible, common expectations can be determined for both the Workers' Compensation and Labor Relations areas.

2. By September 30, 2006, the DOE and AG-ELD shall agree on performance measures, including timeliness measures, for the legal services and expectations provided by the AG-ELD to the DOE.


4. AG-ELD and DOE shall thereafter submit quarterly reports to each other on the performance measures and timeliness measures. If the performance measures and timeliness measures are not met, then the Assistant Superintendent, Office of Human Relations, or his/her designee and the supervising deputy attorney general or his/her designee shall meet to discuss how operations in both the AG-ELD and DOE can be improved to reach the measures.

III. Resources:

A. Current Resources at AG-ELD

1. General Fund: AG-ELD is funded primarily by general funds.
V. Communications and Coordination:

A. Primary Points of Contact:

1. For the AG: The Supervising Deputy AG for AG-ELD shall be the primary point of contact for the DOE on all matters relating to labor relations, employee relations and workers' compensation.

2. For the DOE: The supervisors of the Workers Compensation Unit and the Labor Relations Section of the Office of Human Resources and the Assistant Superintendent for matters of employee relations shall serve as primary points of contact for the AG-ELD for all matters relating to their respective units.

B. Response time: Within three (3) business days of receipt of a new matter by the AG-ELD, the AG-ELD shall acknowledge to the DOE receipt, and communicate what actions will be taken by the AG-ELD and deadlines are imminent.

C. Written Correspondence: With respect to workers compensation claims, employee relations and labor relations matters handled by the AG-ELD for the DOE, the AG-ELD shall copy DOE on all correspondence, and shall provide DOE with copies of all correspondence received.

D. The Supervising Deputy AG for the AG-ELD shall hold an annual review meeting with the Workers' Compensation unit and Labor Relations section, and a separate meeting with the Assistant Superintendent for all other matters, to provide the staff case updates, discussion of specific issues, training and any other matters agreed upon by the DOE and AG-ELD. Additional meetings with AG-ELD and DOE staff will be upon request from the Workers Compensation Unit supervisor, and the Labor Relations supervisor and the Assistant Superintendent in consultation with the AG-ELD Supervising Deputy AG. Any issues or problems with any specific matter or status of cases shall be discussed, in addition to the overall status of legal matters relating to the DOE's labor relations, employee relations and workers compensation.

VI. Policy and Decision-making:

A. The AG-ELD's review shall focus on legal issues and related matters. Other non-legal policy issues or concern can be raised with the supervisors within the Office of Human Resources in the regular status meetings, and will be addressed by the Assistant Superintendent for the Office of Human Resources.
# Service Level Agreements ("SLA")

1. **SLA Between The Department of Education and The Department of the Attorney General (Labor Relations & Employment).**
   
   I. Roles & Responsibilities ......................................................... 1
      A. General role of AG, Labor Relations Employment Division ("AG-ELD") ........................................... 1
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       B. Specific Service Expectations and Performance Measures ............. 3

   III. Resources ........................................................................... 3
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       B. Funded by the DOE ......................................................... 4
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   IV. Resource Limitations ............................................................ 4

   V. Communications and Coordination ............................................. 5
      A. Primary Points of Contact ............................................... 5
      B. Response Time ............................................................... 5
      C. Written Correspondence .................................................. 5
      D. Annual Review ............................................................... 5

   VI. Policy and Decision Making .................................................. 5
      A. AG-ELD's Review Focus .................................................... 5
      B. Disagreement regarding advice ........................................ 6
      C. Attorney General must approve all settlements ....................... 6

   VII. Other Terms and Conditions ................................................. 6
      A. Changes to SLA ............................................................... 6
      B. Termination of SLA ........................................................ 6

2. **SLA Between The Department of Education and The Department of the Attorney General (Specific Service Expectations for Workers' Compensation Area).**
   
   I. Goal ......................................................................................... 2

   II. Current Responsibilities Identified in the SLA ......................... 2

   III. Additional SLA Expectations ............................................... 2

   IV. Additional Expectations ..................................................... 2

   V. File Review ........................................................................... 2

   VI. Settlement Recommendations .............................................. 2

   VII. Customer Service ............................................................... 2
2. Procedure ......................................................... 1
   A. Identifying Suspected Fraudulent Acts of Omissions .......... 1
   B. Conducting an Investigation .................................. 2
   C. Determining the Court of Action to Pursue .................. 3
   D. Pursuit of Criminal or Administrative Penalties ............ 4
      i. Pursuing criminal penalties first ....................... 4
      ii. Pursuing administrative penalties .................... 4
   E. Concurrently Terminating WC Benefits ........................ 5
      i. Terminating wage loss benefits (TTD and TPD) ........ 5
      ii. Terminating medical benefits .......................... 5
      iii. Terminating all other benefits ........................ 6

II. DEPARTMENT OF EDUCATION: WORKERS’ COMPENSATION SECTION—PROCEDURE FOR APPEALING DCD DECISIONS AND REQUESTING A STAY OF PAYMENTS

1. Purpose: To ensure consistent, effective and efficient procedures for appealing DCD decisions and requesting a Stay of Payments, when applicable, and to work cooperatively with the Office of the Attorney General. ........................................... 1

2. Procedure ......................................................... 1
   A. Determine Whether to Appeal .................................. 1
   B. Recommending Appeal ......................................... 1
   C. Upon Receipt of Recommendation to Appeal .................. 1
   D. Assessment by Personnel Specialist .......................... 1
   E. Filing Notice of Appeal ....................................... 1
   F. Upon Approval of Request to Stay ............................ 2
   G. If Appeal includes Request to Stay Payments ............... 2
   H. If Appeal does not include Request to Stay Payments ....... 2
   I. PMS/CM shall provide AG-ELD advance notice when appealing .... 2
   J. Questions? ...................................................... 2

III. DEPARTMENT OF EDUCATION: WORKERS’ COMPENSATION SECTION—PROCEDURE FOR PROCESSING SETTLEMENT AGREEMENTS

1. Purpose: For consistent and efficient processing of settlement agreements in accordance with Chapter 386, Hawai‘i Revised Statutes. .................. 1

2. Procedure for the Processing of a Stipulation and Settlement Agreement/Order. .......................... 1
   A. CM to submit electronic recommendation to PSII ................ 1
   B. CM to document processing steps on REN ..................... 1
   C. PSII to review to recommendation to WC Administrator ........ 1
   D. WC Administrator to decide and notify CM and PS II ........ 1
   E. Upon grant of settlement authority, CM to negotiate with Claimant ........... 1
   F. Upon agreement, CM to draft settlement agreement and submit to PSII for review .................. 1
   G. Forward to Claimant upon PSII approval ..................... 1
Interagency Working Group
DOE Facilities Progress Report
Overall progress for FY05-06
September 5, 2006
Hawaii State
Department of Education
DOE-DAGS Service Level Agreement FY 2006-07 Amendments

- Clarify processes and procedures for 3-quote contracts up to $100,000
  - Defines under which circumstances DAGS will process purchase orders and which circumstances DOE will process purchase order
  - Clarifies requirements to process DOE purchase orders
- Provide revisions to the "U" Fund Reimbursement Policy for DARGS Neighbor Island District Offices
  - Defines eligible reimbursements and interdepartmental transfers
  - Develops an improved process to transfer the funds
  - Defines process to cover costs outside of U-fund reimbursements
- Inter-departmental agreement to continue to use DAGS forms, specs, etc. until DOE develops its own
- Outline construction change order authority for DAGS managed projects
- Agreement to use one project management system (FACTRAK) for all DOE major R&M and CIP projects
  - Implemented by DOE and DARGS NI on 9/5/06
- Agreement to use MAXIMO as work order system for all DOE schools.
  - Implemented with Neighbor Island Schools on 7/1/06

<table>
<thead>
<tr>
<th>District</th>
<th>Schools Responding</th>
<th>Schools in District</th>
<th>Percentage Responding</th>
</tr>
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<tbody>
<tr>
<td>Honolulu</td>
<td>26</td>
<td>55</td>
<td>47%</td>
</tr>
<tr>
<td>Central</td>
<td>20</td>
<td>42</td>
<td>48%</td>
</tr>
<tr>
<td>Leeward</td>
<td>17</td>
<td>41</td>
<td>41%</td>
</tr>
<tr>
<td>Windward</td>
<td>13</td>
<td>30</td>
<td>43%</td>
</tr>
<tr>
<td>Hawaii</td>
<td>19</td>
<td>42</td>
<td>45%</td>
</tr>
<tr>
<td>Maui</td>
<td>12</td>
<td>29</td>
<td>41%</td>
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<tr>
<td>Kauai</td>
<td>8</td>
<td>16</td>
<td>50%</td>
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<td><strong>Total</strong></td>
<td><strong>115</strong></td>
<td><strong>255</strong></td>
<td><strong>45%</strong></td>
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</table>
Requested School Survey Results

- **3 Trouble calls** - The crew's response to trouble calls (repairs which need to be made in 48 hours or less) is always timely and has improved since July 1, 2005.

- **4 Work orders** - The response to regular work order repairs (done through cycle maintenance) has improved since July 1, 2005.
7 Overall crew rating - In general, the service provided by the work crews has improved since July 1, 2005.

- Strongly Agree 63 (55%)
- Agree 45 (39%)
- I don't know 2 (2%)
- Disagree 4 (4%)
- Strongly Disagree 0 (0%)

8 Overall FMB/DAGS - In general, the service provided by the FMB (Oahu)/DAGS (Neighbor Islands) has improved since July 1, 2005.

- Strongly Agree 55 (48%)
- Agree 49 (42%)
- I don't know 6 (5%)
- Disagree 4 (4%)
- Strongly Disagree 0 (0%)
Department of Accounting and General Services

Update on Service Level Agreement Between the DOE and DAGS

September 5, 2006
Current Objectives

- Complete work orders in accordance with SLA requirements
- Implement DOE Factrak construction management system
Accomplishments Since November (Cont.)

- Policies and procedures for reimbursement by the DOE to DAGS for repair and maintenance expenses incurred by the district offices have been agreed to in principle and are being finalized to be incorporated into the SLA.
SLA Performance Results (Cont.)

Work Order Completion (SLA Performance Standard of 75%) Statistics for July

<table>
<thead>
<tr>
<th>Month</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Kauai</td>
<td>83%</td>
</tr>
<tr>
<td>Maui</td>
<td>143%</td>
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<tr>
<td>Hawaii</td>
<td>155%</td>
</tr>
<tr>
<td>Statewide</td>
<td>128%</td>
</tr>
</tbody>
</table>
Implementation of the DOE Maximo Work Order System

- Implemented at the district offices on July 5, 2006
- Overall feedback is positive:
  1. Work orders routed electronically eliminating lost papers and handling delays
  2. Electronic reporting allows for improved job scheduling
  3. Electronic work order helps to ensure uniformity and legibility of work orders filed.
Implementation of the DOE Maximo Work Order System (Cont.)

- Keys to success; DAGS Acceptance
  - Adoption of DOE proposed workflow
  - Standardization of workflow and responsibilities across all districts
  - Monthly meetings with district engineers to ensure successful implementation
  - Provision of work order system data to the DOE as of June 29 to populate Maximo system
Mahalo!

Department of Accounting and General Services

http://www.hawaii.gov/dags/
IWG WORK PLAN
As of September 5, 2006

Goal: Act 51, Section 41, Reduction of Bureaucracy: improving the efficiency of the State’s public education system.

This work plan identifies work accomplished since December 2005 as well as future IWG and Investigative Committee work (identified in bold).

I. IWG Objectives:
   A. Develop comprehensive plans for transferring certain rights, powers, functions, duties and resources including positions, from the departments of accounting and general services, human resources development, budget and finance, the attorney general, human services, and health to the department of education.
   B. Assure due consideration to minimize the impacts to personnel and overall costs to government.
   C. The IWG shall cease to exist on June 30, 2007.

II. Investigative Committees to Develop Recommendations for Transfer

   A. Department of Budget and Finance (B&F) - Department of Education (DOE)
      Work Product and Schedule
      1. The DOE and B&F Investigative Committee met on June 22, 2006 to review a draft of the Memorandum of Understanding (MOU), agree upon an amount and schedule for Capital Improvement Project allotments for fiscal Year 2007, consider a recommendation to the IWG for the repeal of the fiscal functions transfer, and to identify issues to be discussed during the 2007 fiscal year.
      3. Recommendation to repeal the transfer of fiscal functions from B&F to the DOE presented to the September 5, 2006 IWG meeting.
      4. July 2006 through June 2007, the DOE and B&F to meet regarding fiscal issues identified for discussion.

   B. Department of the Attorney General (AG) - DOE Work Product and Schedule
      1. The Employment Law Division (ELD) of the Department of the Attorney General met with the Office of Human Resources (OHR) to develop the Service Level Agreement (SLA) for:
         a. Workers’ compensation claims;
         b. Labor-management relations; and
         c. Employee relations.
      2. SLA signed June 28, 2006.
      3. ELD and OHR to meet to develop service expectations by August 31, 2006 and performance measures by September 30, 2006.
V. Meeting schedule for IWG

A. May 31, 2006, 3:00 p.m. - 5:00 p.m., State Capitol, Room 423
   1. Updates on the functions transferred July 1, 2005 from the DOE, DAGS, and DHRD.

B. September 5, 2006, 2:30 p.m. – 4:30 p.m., State Capitol, Room 309
   1. Updates from DAGS, DHRD and the DOE on functions that transferred July 1, 2005.
   2. Updates on SLA (AG and DOE) and MOU (B&F and DOE)
   3. Presentation of B&F-DOE and DOH-DOE IC recommendations.

C. November 2006
   1. Adoption of B&F – DOE IC and DOH-DOE IC recommendation.
   2. Updates form DOE, DAGS, AG.

D. December 2006
   1. Adoption of DOH and B&F IC recommendations.
   2. Review of draft report to the Legislature.
   3. Circulate edited draft report to finalize and schedule another meeting of the IWG only if a member requests a meeting.


F. May 2007: IWG meeting to review 2006 Legislative session and receive final reports from the DAGS, DHRD, AG, B&F, DOH, and DOE.

September 2006

Recommendation of the Department of Education (DOE) and Department of Budget and Finance (B&F) Investigative Committee (IC) to the Interagency Working Group (IWG)

Section 47 of Act 51, Session Laws of Hawaii 2004 ("Act 51"), as amended by Act 225, Session Laws of Hawaii 2006 ("Act 225"), provides for the transfer of all rights, powers, functions, duties, and resources relating to funding of collective bargaining agreement increases; and securing, administering, use, and expending of federal funds and other aid, including their custodial supervision from the Department of Budget and Finance to the Department of Education effective July 1, 2007, subject to repeal by subsequent legislation.

In addition, Section 42 of Act 51, as amended by Act 225, requires the IWG to develop comprehensive plans for the transfer of the functions identified above and the functions relating to the capital improvement project allotment process and the determination of retirement and other employee benefits.

The IC has met and determined that the functions set forth in Act 51, as amended by Act 225, should not transfer from B&F to the DOE. Fiscal operations can best be improved through a Memorandum of Understanding ("MOU") between B&F and the DOE. The MOU was signed on June 28, 2006. The findings and agreements (reflected as terms in the MOU) are as follows:

Capital Improvement Project Allotment Process

1. Section 5 of Article VII of the State Constitution, Expenditure Controls, provides that the control of the rate of expenditures of appropriated state moneys, and for the reduction of such expenditures under prescribed conditions, shall be made by law.

2. Section 37-43, Hawaii Revised Statutes ("HRS"), provides that B&F shall carry out the capital improvement project allotment process. The capital improvement project allotment process consists of the review, prioritization, and evaluation of capital improvement projects to insure consistency with executive priorities.

3. Section 103-7, HRS, provides that all capital improvement projects require authorization by the Legislature and the Governor.

4. The DOE recognizes the Governor’s fiscal responsibility for the entire State and that the Board of Education does not have a revenue source to support either cash
As a term of the MOU, the DOE shall request an increase in its federal fund expenditure ceiling only when the DOE would exceed its total federal fund expenditure ceiling, not for each unbudgeted federal fund expenditure.

**Other Fiscal Functions not set forth in Act 51**

In the MOU, the DOE and B&F have made additional agreements regarding other fiscal functions not set forth in Act 51 as follows:

1. On an annual basis, B&F will provide and explain the amount of debt service allocated to the DOE.

2. Prior to the beginning of each fiscal year, the DOE and B&F will identify fiscal issues that either would like to discuss during the year.

The IC has concluded that Act 51, as amended by Act 225, should be further amended to repeal the transfer of functions from B&F to the DOE. Furthermore, the departments agree that the allotment process and fiscal functioning between the two departments has improved and that the departments will follow the terms of the MOU which sets forth specific procedures for the capital improvement project allotment process and agreements regarding other fiscal matters, including those that are not mentioned in Act 51.

The IC recommends that the IWG recommend to the 2007 Legislature that Act 51, sections 47 and 48, as amended by Act 225, be amended to repeal the transfer of functions from B&F to the DOE. The IC also recommends that the report to the Legislature contain the IC recommendations and the MOU. Both departments are committed to improving transparency, increasing the understanding of the Board of Education and public regarding the purpose and nature of education expenditures, and to improving fiscal processes.
MEMORANDUM OF UNDERSTANDING
BETWEEN
THE DEPARTMENT OF EDUCATION
AND
THE DEPARTMENT OF BUDGET AND FINANCE
FOR THE ALLOTMENT OF CAPITAL IMPROVEMENT PROJECT FUNDS
AND OTHER FISCAL MATTERS

This Memorandum of Understanding (MOU) is entered into on this 28th day of
June, 2006, between the DEPARTMENT OF EDUCATION, hereinafter
referred to as “DOE,” and the DEPARTMENT OF BUDGET AND FINANCE, hereinafter
referred to as “B&F,”

WHEREAS, Act 51, Session Laws of Hawaii (SLH) 2004, provided that all the rights,
powers, functions, duties, and resources of the B&F relating to the funding of collective
bargaining agreement increases; and securing, administering, use, and expending of federal funds
and other aid, including their custodial supervision, be transferred to the DOE effective July 1,
2006; and

WHEREAS, the DOE and B&F have agreed that these functions should remain with
B&F and that the processes for these and other fiscal functions can best be improved through the
mutual agreements as set forth in this MOU.

AGREEMENT

NOW, THEREFORE, the parties hereby agree to the following:

I. PURPOSE

The purpose of this Memorandum of Understanding (“MOU”) is to establish procedures
that will improve the flow of information and operations between the parties governing
fiscal operations.

Both parties are committed to improving transparency, understanding and knowledge
between the parties for the fiscal functions.

II. TERMS OF UNDERSTANDING

A. CIP Allotment Process

1. B&F and the DOE agree to use the Board of Education (“BOE”) CIP Priority
List as the basis for determining CIP priorities for allotments.
source of the DOE CIP Moneys will be less than anticipated, and that consequently the amounts available for the remainder of the term of the appropriations for the DOE CIP projects will be less than the amounts originally estimated. B&F shall inform the DOE regarding any changes in economic conditions that will impact the availability of the DOE CIP Moneys. DOE will submit an update of its allotment and expenditure plan for its CIP projects based on changing economic conditions and the amended amount of DOE CIP Moneys.

B. Deposits of Funds into SEFI

1. **Annually** -- Not less than fifteen (15) days prior to the start of each fiscal year, DOE shall provide B&F with a projection of its monthly SEFI expenditures for the upcoming fiscal year.

2. **Monthly** -- In the format attached as Exhibit 1, DOE shall submit to B&F on a monthly basis, or as necessary, a request to transfer general obligation bond CIP funds into the SEFI account. In submitting the monthly request, DOE shall take into account:

   a. the prior amount of actual funds transferred into and expended from, the SEFI account;

   b. the actual ending balance of the SEFI account at the end of the prior month; and

   c. updated expenditure projections for the month in which funds are being requested. As such, the actual amount of funds requested on a monthly basis may differ from the annual monthly projections submitted prior to the beginning of the fiscal year.

3. B&F shall review the monthly request and, if deemed appropriate, submit a journal voucher to transfer the requested amount into the SEFI account within five (5) business days of the receipt of the request.

4. B&F and DOE agree that a reasonable contingency balance in the SEFI account is appropriate in the event actual expenditures exceed the estimated amounts. B&F and DOE shall meet to establish an appropriate contingency level, which in part shall take into account the projected monthly expenditures.

5. In the event of a shortfall in the SEFI account balance, the DOE may request a supplemental transfer of funds into the SEFI account in addition to the monthly request.
D. In the event of a conflict with any written budget execution memorandum or policy, the terms of this MOU shall be controlling.

IN WITNESS WHEREOF, the parties hereto, by their authorized representative, have executed this MEMORANDUM of UNDERSTANDING on the day and year first written above.

Department of Education

[Signature]
PATRICIA HAMAMOTO
Superintendent

[Signature]
[Date: June 27, 2006]

Department of Budget and Finance

[Signature]
GEORGINA K. KAWAMURA
Director

[Signature]
[Date: 6/28/2006]
A BILL FOR AN ACT

RELATING TO EDUCATION.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAI'I:

SECTION 1. The interagency working group established pursuant to part VIII of Act 51, Session Laws of Hawaii 2004, the "Reinventing Education Act of 2004," as amended by Act 225, Session Laws of Hawaii 2006 (Act 51, as amended), has recommended to the legislature that the transfer of functions from the department of budget and finance to the department of education specified in Act 51, as amended, be repealed. The interagency working group has also recommended that the transfer of functions from the department of health to the department of education specified in Act 51, as amended, be amended to repeal the transfer of the public health nurses who supervise school health aides.

The interagency working group report to the 2007 legislature recommended that fiscal functions should remain with the department of budget and finance. The interagency working group reported that the departments of education and budget and
positions to carry out essential public health functions.

Additionally, the number of public health nurses that would be transferred to the department of education would be insufficient to provide the level of supervision necessary for the school health services program. Both departments have concluded that the best method of supporting the school health services program is to provide clinical supervision for school health aides through a service level agreement or memorandum of understanding.

The recommendations to repeal statutory provisions were mutual decisions of the departments reached after extensive discussion and further review by the interagency working group. The function of Act 51, as amended, as a critical catalyst for analysis and discussion of issues and problems has been fulfilled.

Therefore, based on the interagency working group recommendations contained in its report to the 2007 Legislature, the purpose of this Act is to amend Act 51, Session Laws of Hawaii 2004, as amended by Act 225, Session Laws of Hawaii 2006.

SECTION 2. Act 51, Session Laws of Hawaii 2004, as amended by Act 225, Session Laws of Hawaii 2006, is amended by amending section 47, to read as follows:
"SECTION 48. All resources, appropriations, records, equipment, databases, software, programming, machines, files, supplies, contracts, books, papers, documents, maps, and other personal property heretofore made, used, acquired, or held by the department of accounting and general services [—department of budget and finance] and department of health relating to the functions transferred to the department of education shall be transferred with the functions to which they relate."

SECTION 4. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 5. This Act shall take effect June 29, 2007.

INTRODUCED BY: _______________________

BY REQUEST
DATE: September 29, 2006

DEPARTMENT: Education

TITLE: A BILL FOR AN ACT RELATING TO EDUCATION.

PURPOSE: To amend Act 51, Session Laws of Hawaii 2004, as amended by Act 225, Session Laws of Hawaii 2006, to implement the recommendations of the Interagency Working Group (IWG) established by e Act 51 to repeal the transfer of functions from the Department of Budget and Finance (B&F) and to repeal the transfer of the public health nurses who supervise school health aides from the Department of Health (DOH) to the Department of Education (DOE) on July 1, 2007.


JUSTIFICATION: The IWG in its report to the Legislature has recommended that the transfer of functions from the B&F to the DOE be repealed.

The IWG found that fiscal functions should remain with B&F. B&F and the DOE have signed a Memorandum of Understanding (MOU) effective June 28, 2006 that sets forth new procedures for requesting allotments for capital improvement projects and the deposit of funds into the State Educational Facilities Improvement Special Fund. Other terms of the MOU set forth requirements relating to sharing of information for other fiscal issues including debt service calculation, employee benefit calculations, and funding collective bargaining increases. The MOU also sets forth new procedures for increasing the expenditure ceiling for federal funds for the DOE.

The IWG also recommended that the public health nurses who supervise the school
September 2006

Recommendation of the Department of Education (DOE) and Department of Health (DOH) Investigative Committee (IC) to the Interagency Working Group (IWG)

Section 47 of Act 51, Session Laws of Hawaii 2004, ("Act 51") as amended by Act 225 ("Act 225"), Session Laws of Hawaii 2006, provides for the transfer of all rights, powers, functions, duties, and resources relating to school health aides and public health nurses who supervise school health aides from the Department of Health (DOH) to the Department of Education (DOE) on July 1, 2007, subject to repeal by subsequent legislation.

In addition Section 42 of Act 51 requires the IWG to develop comprehensive plans for the transfer of the school health aides from the DOH to the DOE.

The DOE and the DOH have agreed that the School Health Aides (SHAs) and the substitutes SHAs positions transfer from the DOH to the DOE July 1, 2007. The departments also agree that the Public Health Nurses (PHNs) should remain at the DOH and provide professional supervision to the SHAs through a Service Level Agreement (SLA) or Memorandum of Understanding (MOU). Transferring the PHN positions to the DOE would require DOH to request replacement positions to carry out essential public health functions. Additionally, the number of PHNs that would be transferred to the DOE, approximately twenty, would be insufficient to provide the level of supervision necessary for the school health program. Both departments have concluded that the best method of supporting the school health services program is to provide professional supervision for the SHAs through an SLA or MOU.

The DOE and DOH transition team continues to plan for the transfer of the SHAs including identifying the statutory amendments needed to transfer the SHAs and the school health services program. The transition team is also developing the SLA or MOU.

The IC recommends that the IWG recommend to the 2007 Legislature that Section 47 of Act 51 as amended by Act 225 be amended to repeal the transfer of the public health nurses from the DOH to the DOE July 1, 2007.
Interagency Working Group (IWG)
December 13, 2006
2:30 p.m. – 4:30 p.m.
State Capitol, Room 309
AGENDA

1. Approval of the minutes for November 9, 2006 2:30 – 2:35 p.m.

2. Department of Education (DOE) – Department of Health (DOH) Report
   Transition Committee status report.
   Draft legislation, draft of the Memorandum of Understanding, and timeline of transition activities.

   Statement of DOE, DOH, and Hawaii Government Employees Association regarding the transfer of the health aides on July 1, 2007.

   Adoption of the Investigative Committee recommendation (see attached).
   The recommendation is to repeal the transfer of the public health nurses from the DOH to the DOE.

3. Department of Education – Department of Budget and Finance Report
   Update on the operation of the Memorandum of Understanding (MOU).

   Update on the operation of the Service Level Agreement.

5. Department of Education – Department of Accounting and General Services (DAGS) Report
   Update from the DOE.
   Update from DAGS.

6. Department of Education – Department of Human Resources Development
   Response to questions asked at the November 9, 2006 IWG meeting.
ATTENDANCE

MEMBERS
Robert Alm, Senior Vice President, Public Affairs, Hawaiian Electric Company, Inc.
David Carey, President & Chief Executive Officer, Outrigger Enterprises, Inc.
Lei Desha, Field Services Officer, for Russell Okata, Executive Director, Hawaii Government Employees Association
Patricia Hamamoto, Superintendent, Department of Education
Don Horner, President and Chief Executive Officer, First Hawaiian Bank
Cindy Inouye, Deputy Director, for Marie Laderta, Director, Department of Human Resources Development
Susan Jackson, Deputy Director for Chiyome Leinaala Fukino, M.D., Director, Department of Health
Neal Miyahira, Administrator, for 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
Linda Smith, Senior Policy Advisor, Office of the Governor

DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES
Clyde Kumabe, Public Works Division
Kerry Yoneshige, Business Management Officer

DEPARTMENT OF THE ATTORNEY GENERAL
Randall Nishiyama, Deputy Attorney General
Jim Halvorson, Deputy Attorney General

DEPARTMENT OF EDUCATION
Dale Asami, Office of Human Resources
James Brese, Office of Fiscal Services
Gilbert Chun, Office of Business Services
Dee Helber, Office of Curriculum, Instruction and Student Support
Fay Ieki, Office of Human Resources
Duane Kashiiwai, Office of Business Services
Kathy Kawaguchi, Office of Curriculum, Instruction and Student Support
each pay period. The DOE has over 73,000 casual jobs which at any one time are never all filled. Casual jobs include substitute teachers, adult supervisors, classroom cleaners, substitute cafeteria helpers, substitute custodians, part time and temporary teachers, coaches, and other types of casual jobs.

Mr. Moriyama reported that OHR has established improvement targets for recruiting/hiring cycle time reduction, employee satisfaction survey, overtime reduction in human resource transaction processing, reduction in workers compensation costs, improvement in the five year teacher retention rate, reduction in the number of annual grievances, and satisfaction with the new employee orientation.

Mr. Moriyama presented a comparison between the DOE performance targets and the targets used by Montgomery County (Virginia) Public Schools. The comparison shows that the DOE already has lower workers compensation costs than Montgomery County, but that the DOE has not yet reached either the DOE’s targets or the Montgomery County targets for other functions. Montgomery County is recognized for its work in implementing the Baldrige quality process and is a useful comparison model for the DOE to use in developing targets for improvement.

Mr. Moriyama pointed out that one of the best improvement strategies for the DOE to pursue is to address the low retention rate in the first five years of a teacher’s career.

Chair Carey asked what the average cost per hire is for a teacher.

Mr. Moriyama replied that it is about $50,000 per hire.

Chair Carey stated that addressing the retention rate would save considerable expense.

Mr. Horner asked if the DOE surveys teachers to receive feedback on their first year experiences.

Mr. Moriyama stated that the results of the first survey won’t be available until the end of the current school year.

Superintendent Hamamoto stated that the federal No Child Left Behind (NCLB) law requires that the DOE employ highly qualified teachers. For Hawaii, this means that each teacher must be licensed by the Hawaii Teachers Standards Board (HTSB).

Ms. Linda Smith asked if the DOE recognizes teacher licenses from other states. Mr. Horner stated that the HTSB believes that DOE has more flexibility in licensing requirements than the DOE is taking advantage of currently.
Mr. Horner stated that the transfer of functions from the Department of accounting and General Services (DAGS) to the DOE has resulted in increased efficient operations for repair and maintenance and capital improvement project management. He noted that in the area of human resources, there is more to achieve in order to demonstrate that there has been improvement in services.

Mr. Horner stated that an area that needs improvement is that of prompt salary payment for new teachers and other first time DOE hires.

Chair Carey stated that he expects OHR to demonstrate improvements in the human resource functions at the DOE so that IWG can be assured that the transfer of functions from DHRD has led to improvement.

Ms. Smith asked that the effort to move the functions from DHRD should demonstrate that there has been a benefit.

Chair Carey recommended that the IWG report to the 2007 Legislature include a section that identifies other issues that should be addressed by either the DOE or the Legislature that are currently beyond the scope of the specific transfer of functions set forth in Act 51.

Ms. Kate Stanley stated that she would add this additional chapter to the report.

Chair Carey and Mr. Horner identified the following issues that should be addressed either by the DOE or the Legislature: payroll (paying new hires promptly), teacher retention rates, teacher training, workers compensation costs and overtime cost at OHR.

Mr. Horner asked if there is an agreed upon number that represents the number of full time equivalent ("FTE") employees at the DOE.

Ms. Smith suggested that the FTE count in the state budget document could be the basis for stating how many employees are working at the DOE.

Comptroller Saito and Chair Carey asked how many employees are in each job category, specifically how many teachers are in the classroom, why there are so many casual jobs, and how many contract workers are providing services.

Superintendent Hamamoto replied that the DOE purchases many special education services such as those for autistic children and that the DOE would provide this information at the next IWG meeting.
Ms. Linda Shinsato of the DOE Office of Human Resources stated: The Hawaii Government Employees Association (HGEA) has an MOU with DOH that specifies how salaries are to be calculated using the DOE school code regulation; while DOH and the DOE were working on transfer issues it became clear that DOH and the DOE were using different methods to implement the MOU (the DOE has a similar MOU with HGEA for ten month employees); and the difference in methods may disadvantage the DOH school health aides when they transfer to the DOE.

Ms. Shinsato stated that the DOE and DOH need more time to better understand each other's practice and to work toward a resolution that will allow the transfer of the school health aides to occur July 1, 2007 without harming the employees.

Chair Carey stated that he would like the departments to continue to work together so that at the December 13, 2006 IWG meeting the departments can present a joint recommendation. Chair Carey stated that he would like a consensus agreement from all parties on how to proceed if at all possible.

Ms. Lei Desha of the HGEA stated that HGEA is opposed to the transfer of the school health aides because there is a possibility that the funds and positions may at some future point in time be budgeted and allocated through the Weighted Student Formula.

Mr. Horner asked for the magnitude of the problem in terms of how many school health aides would be affected and how many ten month employees the DOE already has. Mr. Horner suggested that if the transfer cannot occur than an alternative might be a service level agreement between the two departments.

Superintendent Hamamoto stated that the two departments would first try to work out the salary calculation issues and then, if that is not possible, look at other alternatives.

Ms. Smith asked if it is difficult to recruit for school health aides.

Ms. Shinsato replied that the DOH does recruit for aides and that the DOE would start recruitment prior to the transfer in order to fill all positions by the time school starts late July 2007.

Chair Carey stated that he is looking forward to a report with a resolution or alternatives at the December 13, 2006 IWG meeting.

Comptroller Saito stated that the departments should resolve this issue or develop an alternative plan.

Deputy Director Ms. Susan Jackson stated that the two departments are working together and will have a report at the next meeting that will include any necessary legislation that the IWG should recommend to the 2007 Legislature.
Mr. Moore further reported that the SLA signed in June 2005 has been amended. See attachment 4. Mr. Moore thanked the Comptroller and especially DAGS District Engineer Glenn Okada and the staff at DAGS - Hawaii for their rapid response to assist the schools damaged by the October earthquake.

Comptroller Saito reported that the SLA between the two departments continues to work well. See attachment 5.

Comptroller Saito stated that DAGS has been able to meet or exceed the work order standards except for October, when Hawaii and Maui had to divert resources to respond to the earthquake damage. Since DAGS is the state coordinator for all State facilities with the Federal Emergency Management Agency (FEMA) staff time and resources had to be diverted from work order completion to tasks required by FEMA as part of the response to the earthquake.

7. **Report to the 2007 Legislature Outline**

Ms. Kate Stanley reviewed the outline of the report to the 2007 Legislature. See attachment 6.

At the request of the IWG members Ms. Stanley will add a chapter titled IWG Observations and Conclusions. This chapter will include observations about other issues that the legislature should consider that are beyond the scope of the IWG’s charge to reduce bureaucracy set forth in Act 51.

8. **Public Comment**

None.

9. **Agenda setting for the next IWG meeting**

At the next meeting, the IWG will consider the transfer of the school health aides from the DOH to the DOE; receive brief updates from AG, DAGS, and DOE; and review the draft report to the 2007 Legislature.

10. **Adjournment**

Chair Carey adjourned the meeting at 3:38 p.m.

Minutes reported by:

Kate Stanley
Department of Education
Office of Human Resources

Streamlining Update

Mission of OHR:
The Office of Human Resources will provide timely and responsive leadership, resources, and services to support the DOE in the recruitment, management, and retention of a high-performing workforce.

November 2006

Historical Perspective – De-linking had it’s origins with Act 253 SLH2000

<table>
<thead>
<tr>
<th>Year</th>
<th>Act 253</th>
<th>Act 51</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>Establishes Jurisdictional Authority for HR in the DOE &amp; moves Support Services Personnel to BOE as BOE appointees</td>
<td>Establishes de-linking of other functions into DOE’s Jurisdiction</td>
</tr>
<tr>
<td>2001-2003</td>
<td></td>
<td></td>
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<tr>
<td>2004</td>
<td>Support Services Personnel Functions assumed by OHR</td>
<td></td>
</tr>
<tr>
<td>2005</td>
<td>212 classes + 207 DAGS Employees transferred</td>
<td></td>
</tr>
<tr>
<td>2006</td>
<td></td>
<td>Classified Employee Recruitment Functions assumed</td>
</tr>
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</table>

- Act 253 SLH 2000 Section 125
75% of the Jobs in DOE are Part time, Casual Jobs- 73,465

Substitute and Part Time Teachers make up 54% of the Casual Job Payroll

Breakdown of Casual Payroll - FY 06-06 - Value in $Millions - $106 million Total
Sub Teachers, $23.1M (22%)
Adult Supv, $1.5 M (1%)
Classroom Cleaners, $3 M (3%)
PTT Temp Teachers, $33.7 M (32%)
Other $23.1 M (22%)
Coaches, $4.3 M (4%)

Approximately 14% of employees get multiple paychecks per pay period

Under 32,100 employees (average = 30,124)

@36,000 paychecks
Average = 34,262
Montgomery County Public
Schools (MCPS) Benchmarking

- 140,000 students; 199 schools
- Collaboration w/ Hawaii DOE
- About 5 years ahead in Quality Process (Baldrige) implementation

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Hawaii Base/Target</th>
<th>MCPS #</th>
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<tbody>
<tr>
<td>Recruiting and Hiring Cycle time</td>
<td>41 days/ 29 days</td>
<td>13-28 days</td>
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<tr>
<td>Staff Overtime in HR transactions</td>
<td>3,072 hrs/ 1000 hrs</td>
<td>30.18 hrs</td>
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<tr>
<td>Workers Comp</td>
<td>$9.34 M/ $8.4 Million</td>
<td>$10.2 Million</td>
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<tr>
<td>5 Yr Teacher Retention</td>
<td>975/ 500</td>
<td>468/1258 = 37.2% depart</td>
</tr>
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Biggest Leverage strategy - Teacher Retention in the first 5 years!

General Education Teacher Exits by Years of Service

Alignment with NCLB and Highly Qualified Teacher strategy!
Organizations in Production Status (as of 10/1/06)

• All State Offices
• All District Offices
• Selected Schools:
  • Kailua Elementary
  • Castle High School
  • Kahaluu Elementary
  • Makalapa Elementary
  • Kapolei Elementary
  • Holomua Elementary
  • Maui High School
  • McKinley Community
  • Farrington Community
  • Hilo Community
  • Kona Community
  • Kauai Community

Remaining T&A Rollout Schedule

<table>
<thead>
<tr>
<th>Training</th>
<th>Operational</th>
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</thead>
<tbody>
<tr>
<td>Leave Accounting With Overtime &amp; Temporary Assignment Forms For all &quot;salariated employees&quot; (10-mo. &amp; 12-mo.)</td>
<td>In Progress</td>
</tr>
<tr>
<td>same as above</td>
<td>Apr. 01, 2007</td>
</tr>
<tr>
<td>same as above</td>
<td>Oct. 01, 2007</td>
</tr>
<tr>
<td>• All Windward District Schools</td>
<td>• All Kauai District Schools</td>
</tr>
<tr>
<td></td>
<td>• Hilo High and Kalanianacole Inter &amp; Elem</td>
</tr>
<tr>
<td></td>
<td>• All Honolulu District Schools</td>
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</tbody>
</table>
September 2006

Recommendation of the Department of Education (DOE) and Department of Budget and Finance (B&F) Investigative Committee (IC) to the Interagency Working Group (IWG)

Section 47 of Act 51, Session Laws of Hawaii 2004 ("Act 51"), as amended by Act 225, Session Laws of Hawaii 2006 ("Act 225"), provides for the transfer of all rights, powers, functions, duties, and resources relating to funding of collective bargaining agreement increases; and securing, administering, use, and expending of federal funds and other aid, including their custodial supervision from the Department of Budget and Finance to the Department of Education effective July 1, 2007, subject to repeal by subsequent legislation.

In addition, Section 42 of Act 51, as amended by Act 225, requires the IWG to develop comprehensive plans for the transfer of the functions identified above and the functions relating to the capital improvement project allotment process and the determination of retirement and other employee benefits.

The IC has met and determined that the functions set forth in Act 51, as amended by Act 225, should not transfer from B&F to the DOE. Fiscal operations can best be improved through a Memorandum of Understanding ("MOU") between B&F and the DOE. The MOU was signed on June 28, 2006. The findings and agreements (reflected as terms in the MOU) are as follows:

Capital Improvement Project Allotment Process

1. Section 5 of Article VII of the State Constitution, Expenditure Controls, provides that the control of the rate of expenditures of appropriated state moneys, and for the reduction of such expenditures under prescribed conditions, shall be made by law.

2. Section 37-43, Hawaii Revised Statutes ("HRS"), provides that B&F shall carry out the capital improvement project allotment process. The capital improvement project allotment process consists of the review, prioritization, and evaluation of capital improvement projects to insure consistency with executive priorities.

3. Section 103-7, HRS, provides that all capital improvement projects require authorization by the Legislature and the Governor.

4. The DOE recognizes the Governor's fiscal responsibility for the entire State and that the Board of Education does not have a revenue source to support either cash
a. The DOE shall establish its priority list of CIP projects for each fiscal year, as approved by the BOE. The CIP Priority List shall be submitted to B&F ten (10) days prior to the meeting specified in 3. below.

b. The parties agree that the DOE, in its sole discretion, can elect not to implement a project on the CIP Priority List. In addition, the parties agree that the DOE may request that a project be allotted out of sequence from the CIP Priority List to address health, safety, and welfare concerns. Further, the parties recognize that the Governor has the sole discretion to authorize release of funding for a project. If the Governor does not authorize allotment of moneys for a CIP project on the CIP Priority List, the DOE may then submit additional allotment requests following the sequence in the CIP Priority List.

2. Based on this priority list, the DOE shall submit a written annual allotment and expenditure plan request to B&F regarding the DOE CIP projects for the fiscal year ten (10) days prior to the meeting specified in 3. below.

3. Not less than fifteen (15) days prior to the beginning of each fiscal year, B&F and the DOE shall meet to discuss the following:

a. The total amount of moneys estimated to be available for the DOE CIP projects from all sources, including, but not limited to, general funds, special funds, general obligation bond funds, and State Educational Facilities Improvement ("SEFI") Special Fund moneys (collectively, the "DOE CIP Moneys").

b. Procedures and schedule for the allotment of the DOE CIP Moneys. Both parties agree to respond to the requests from the other in a reasonable time.

4. The parties may meet subsequently, as may be necessary, to address:

a. Adjustments to the total amount of moneys estimated to be available for the DOE CIP projects due to changes in the financial condition of the State.

b. Modification of procedures and schedule for the allotment of the DOE CIP Moneys.

c. Other issues and concerns related to CIP allotments.

5. The DOE can rely on the B&F estimates of DOE CIP Moneys available in preparing its CIP allotment requests unless informed by B&F that the probable receipts from taxes or any other sources of funding that are the
C. Debt Service Calculation

On an annual basis, and as may be requested by the DOE, B&F shall provide and explain the amount of debt service costs allocated to the DOE at mutually agreed upon times.

D. Employee Benefits Calculation

With the assistance of B&F, the DOE will learn how to and practice calculating for its employees the employer’s share of contributions due for pension accumulation, health benefits, Social Security, and Medicare costs at mutually agreed upon times.

E. Funding of Collective Bargaining Increases

For collective bargaining appropriation bills affecting DOE employees, B&F will separately display the salary and benefit appropriations. With the assistance of B&F, the DOE will learn how to and practice calculating the applicable costs for its employees relating to collective bargaining at mutually agreed upon times.

F. Federal Funds

The DOE shall request an increase in its federal funds expenditure ceiling for federal funds only when the expenditure of such federal funds would cause the DOE to exceed its total federal funds expenditure ceiling.

G. Other Fiscal Issues

Prior to the beginning of each fiscal year the DOE and B&F will meet to identify fiscal issues that either party would like to discuss during that fiscal year.

III. PERIOD OF AGREEMENT AND OTHER TERMS

A. This MOU shall be effective from July 1, 2006, and shall be automatically extended without further action by the DOE or B&F each July 1, unless terminated in accordance with the terms of this MOU.

B. Either party may terminate this MOU at any time for any reason at least sixty (60) days’ written notice of such termination; provided that the termination of this MOU shall not be effective until B&F and the DOE have mutually agreed to a replacement process for the allotment of CIP moneys.

C. Any changes or modifications to this MOU shall be by mutual written agreement of the parties.
Department of Education  
Office of Business Services, Accountability Branch  
State Educational Facilities Improvement Special Fund (SEFISF)  

Request for Funds  
Fiscal Year Ending June 30, ________

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<td>FY Cumulative Expenditures to Date (b):</td>
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<td>Amount of This Request:</td>
<td>$__________</td>
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<td>Estimated Expend. for Month Ending _____________:</td>
<td>($__________)</td>
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<td>Estimated Balance for Month Ending _____________:</td>
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<tr>
<th>Actual Transfers to SEFI</th>
<th>Actual Expenditures (per FAMIS)</th>
<th>Remarks</th>
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<td>July <strong><strong><strong>: $</strong></strong></strong>____</td>
<td>$__________</td>
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<td>Aug <strong><strong><strong>: $</strong></strong></strong>____</td>
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<tr>
<td>Total (a) $</td>
<td>(b) $</td>
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Service Level Agreements ("SLA")

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As a term of the MOU, the DOE shall request an increase in its federal fund expenditure ceiling only when the DOE would exceed its total federal fund expenditure ceiling, not for each unbudgeted federal fund expenditure.

Other Fiscal Functions not set forth in Act 51

In the MOU, the DOE and B&F have made additional agreements regarding other fiscal functions not set forth in Act 51 as follows:

1. On an annual basis, B&F will provide and explain the amount of debt service allocated to the DOE.

2. Prior to the beginning of each fiscal year, the DOE and B&F will identify fiscal issues that either would like to discuss during the year.

The IC has concluded that Act 51, as amended by Act 225, should be further amended to repeal the transfer of functions from B&F to the DOE. Furthermore, the departments agree that the allotment process and fiscal functioning between the two departments has improved and that the departments will follow the terms of the MOU which sets forth specific procedures for the capital improvement project allotment process and agreements regarding other fiscal matters, including those that are not mentioned in Act 51.

The IC recommends that the IWG recommend to the 2007 Legislature that Act 51, sections 47 and 48, as amended by Act 225, be amended to repeal the transfer of functions from B&F to the DOE. The IC also recommends that the report to the Legislature contain the IC recommendations and the MOU. Both departments are committed to improving transparency, increasing the understanding of the Board of Education and public regarding the purpose and nature of education expenditures, and to improving fiscal processes.
November 9, 2006

To: Interagency Working Group

From: Randolph G. Moore
Acting Assistant Superintendent
Department of Education

Subject: Status Report on Implementation of Act 51

DAGS – DOE SLA FOR THE NEIGHBOR ISLANDS
  • Original SLA signed in 2005 has been amended to:
    o Clarify policies and procedures
    o Better define roles and responsibilities
    o Clarify procedures for transfer to funds for operations and reimbursables

EARTHQUAKE RESPONSE FROM DAGS – HAWAII
  • DOE would like to thank the Comptroller, and especially DAGS District Engineer Glenn Okada and the staff at DAGS – Hawaii for their rapid response to assist the schools damaged by the October Earthquake.

B&F – DOE MOU
  • The Department of Budget and Finance and the Department of Education are implementing the agreed upon allotment request schedule and encumbrance plan.
  • $76.1 million in FY07 funds have been released to date.
  • We are expecting the release of the remaining $44.5 million requested to date very soon.
  • The MOU with B&F is working well. This allows the DOE to plan projects and expend funds in accordance with BOE priorities.
SERVICE LEVEL AGREEMENT EXECUTED BETWEEN
THE DEPARTMENT OF EDUCATION AND THE DEPARTMENT OF
ACCOUNTING AND GENERAL SERVICES

AMENDMENT NOS. 1 THROUGH 4

October 1, 2006

Act 51, SLH 2004, resulted in the establishment of a Service Level Agreement
(SLA) between the subject departments to formalize an arrangement of support
for the Department of Education's (DOE) School Construction and School Repair
and Maintenance (R&M) Program on the neighbor islands. The initial document
was signed by both the Department of Accounting and General Services (DAGS)
and the DOE on June 30, 2005, to be effective as of July 1, 2005.

Since this document was intended to "evolve over time, as the responsibilities
and requirements of the DOE and DAGS become more defined," the attached
amendment Nos. 1 through 4 are hereby mutually accepted and incorporated as
a part of the SLA. Both amendments are designed to add clarity and resources
to support the timely accomplishment of both construction and R&M activity.

Specifically, amendments are summarized as follows:

Amendment No. 1: Clarifies processes and procedures for 3-quote
contracts up to $100,000.

Amendment No. 2: Provides revisions to the "U" Fund Reimbursement
Policy for DAGS Neighbor Island District Offices.

Amendment No. 3: Delegates the authority to approve changes during
construction to the DAGS District Engineers (DE).

Amendment No 4: Agrees to continue to utilize the forms, policies and
procedures that DAGS had in place as of July 1, 2005
in the absence of new DOE forms, policies and
procedures adopted since that date.

In view of the above, the parties execute this SLA by their signatures on the
dates below, to be effective as of October 1, 2006.

[Signatures]

Patricia Hamamoto        Date
Superintendent
Department of Education

Russ K. Saito          Date
State Comptroller
Department of Accounting & General
Services
include asbestos and lead paint removal. Staff contracts can be up to $100,000.

a. DOE-Facilities Development Branch (FDB) will annually send the DAGS District Office a list of all of the potential non-emergency staff contracts for the upcoming fiscal year.

b. DAGS District Offices can select the ones they want to do (have the capacity and expertise) and notify FDB.

c. FDB will internally assign a job number and funding code for each of the projects selected. This information will be forwarded to each DAGS District Office.

d. The respective DAGS District Office will provide a tentative schedule for completing the staff contract work for their island.

e. At any time during the year, if the respective DAGS District Office finds they cannot handle the selected project for whatever reason, they can return the job and notify the FDB via memo.

f. At any time during the year, if a need arises to do a staff contract not already funded and/or prioritized, the DAGS District Office will inform the FDB of this need. The FDB will determine whether this work will be handled by DAGS or the DOE.

g. The respective DAGS District Office will work with the AuxSB to have their purchase orders cut. The procedure is outlined in Attachment A.
Attachment B

Check List for Staff Contract Projects

1. **PROPOSALS**
   Needed when sending in ALL proposals:
   - Proposal/Offer Form
   - Originals in Project Folder, copy to fiscal office
   - Subcontractor Percentage Form
   - Originals in Project Folder, copy to fiscal office

2. **PRIOR TO AWARD**
   Needed for award more than $25,000:
   - Green Stamp Tax Clearance with both State and Federal stamps
   - Originals to fiscal office, copy in Project Folder
   - Certificate of Compliance
   - Originals in Project Folder, copy to fiscal office
   - Certificate of Good Standing
   - Originals in Project Folder, copy to fiscal office
   or
   - Hawaii Compliance Express
   - Originals in Project Folder, copy to fiscal office

3. **PARTIAL PAYMENT**
   Needed When Requesting for Partial Payment:
   - Certified original invoice for partial payment amount
   - Originals to fiscal office, copy in Project Folder
   - Documents showing any materials ordered
   - Originals in Project Folder, copy to fiscal office
   - Certified payroll affidavit
   - Originals in Project Folder, notification of originals on file to fiscal office

4. **FINAL PAYMENT**
   Needed for Final Payments LESS than $2,000:
   - Certified original invoice for final payment amount
   - Originals to fiscal office, copy in Project Folder
   - Warranty
   - Originals in Project Folder, notification of originals on file to fiscal office

   Needed for Final Payments $2,000-$25,000:
   - Certified original invoice for final payment amount
   - Originals to fiscal office, copy in Project Folder
   - Certified payroll affidavit
   - Originals in Project Folder, notification of originals on file to fiscal office
   - Warranty
   - Originals in Project Folder, notification of originals on file to fiscal office

   Needed for Final Payments GREATER than $25,000:
   - Certified original invoice for final payment amount
   - Originals to fiscal office, copy in Project Folder
   - Certified payroll affidavit
   - Originals in Project Folder, notification of originals on file to fiscal office
   - Green stamp Tax Clearance, not over 2 months old
   - Originals to fiscal office, copy in Project Folder
   - An original Certification of Compliance for Final Payment (SPO Form-22)
   - Originals in Project Folder, copy to fiscal office
   - Warranty
   - Originals in Project Folder, notification of originals on file to fiscal office
contract exists. Examples include gym bleachers, septic tank/cesspool, and sewage lift pump and back-up generator.

5. Contract work up to $5,000 for those trade areas that are understaffed due to vacancies or leave and for cycle maintenance school visits where work orders received significantly exceed staff capacity.

B. Special Needs

These categories require DOE approval of a DAGS written request and adherence to any DAGS guidelines for the purchase of unbudgeted equipment, vehicles, supplies, etc.

1. Trade equipment with an aggregate of $25,000 annually for all Districts.

2. Purchase of motor vehicles from DAGS-Surplus Property Branch [or other sources].

3. Staff overtime as pre-approved through separate memo by the DOE (DAGS-Administrative Services Office to DOE-Auxiliary Services Branch).

4. Pre-approval of contract work over $5,000 for those trade areas that are understaffed due to vacancies or leave and for cycle maintenance school visits where work orders received significantly exceed staff capacity.

Note: Airfare, per diem and other eligible travel related expenses will be paid directly by the DOE through P-Card or purchase order.

III. Process

A. The DOE will utilize an Advance Payment Notice (APN) form that will serve as the means to deposit funds into the U fund account. For control purposes, the U fund shall retain a balance of no more than $150,000.

B. The APN will be generated after a replenishment request from DAGS is received by the DOE-Auxiliary Services Branch (AuxSB), Project Control Section. In a written memo, the request will identify the amount required for each island. The DOE will generate the APN and incorporate this information along with its parameters on the expenditure of funds. The APN will be signed by a representative from the DOE.
C. Office supplies, training costs, computer equipment, and contractual services for routine work order repairs (unless pre-approved by the DOE).
2. Materials and supplies for emergency and work order repairs.
3. Repair costs for equipment and motor vehicles that exceed budgeted amounts as identified in the program's budget details.
4. Materials, supplies, and contract costs $5,000 and below for repairs related to service contracts, where no service contract exists. Examples include gym bleachers, septic tank/cesspool, and sewage lift pump and back up generator.
5. Contract work up to $5,000 for those trade areas that are understaffed due to vacancies or leave and for cycle maintenance school visits where work orders received significantly exceed staff capacity.

B. Special Needs

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1. Trade equipment with an aggregate of $25,000 annually for all Districts.
2. Purchase of motor vehicles from DAGS-Surplus Property Branch or other sources.
3. Staff overtime as pre-approved via separate memo by the DOE (DAGS-Administrative Services Office to DOE-Accountability Branch).
4. Pre-approval of contract work over $5,000 for those trade areas that are understaffed due to vacancies or leave and for cycle maintenance school visits where work orders received significantly exceed staff capacity.

All requested funds shall be transferred within two weeks of notification from DAGS. Please contact Carl Murai, DOE-Project Control Section, at 586-0427 for further information.

GC:CKM:ss

c: DAGS-District Office
    DOE-Project Control Section
In these situations, the District Engineer shall comply with the following:

1. Notify the consultant of the problem within one working day after identification and request Post Contract Documents (PCD).

2. Process the AFC to Facilities Development Branch for approval within three (3) working days.

3. Obtain an executed change order before the amount of work completed exceeds $25,000, except for force account work.

These authorizations DO NOT include the following:

1. Changes requested by the user.

2. Building permit or code violation.

3. Post bid substitution of material or equipment.

4. Changes requested by consultant.

5. Changes requested by the contractor.

6. Value engineering proposals.
July 5, 2005

MEMO TO: The Honorable Russ K. Saito, Comptroller  
Department of Accounting and General Services

FROM: Patricia Hamamoto, Superintendent  
Department of Education

SUBJECT: Service Level Agreement between the Department of Education  
and the Department of Accounting and General Services

Enclosed for your review and signature is an agreement between the Department of Education and the Department of Accounting and General Services for specific levels of support and at an agreed-upon price for the neighbor island schools.

Upon your approval, please return the signed agreement to the Accountability Branch at 1037 S. Beretania Street, Honolulu, Hawaii 96814.

If you should have any questions, please call Rae Loui, Assistant Superintendent of the Office of Business Services, at 586-3444 or Gilbert Chun of the Accountability Branch at 586-3456.

PH:jmb

Enclosure

c: R. Loui, OBS  
G. Chun, Accountability Branch
DEFINITIONS

1. Emergency Repairs/Response – An emergency is defined as:
   
   A. A repair which requires immediate attention to correct a hazardous situation affecting the health and welfare of the students, staff, or public.
   
   B. A condition requiring immediate corrections to prevent additional damages or waste of resources.

   In addition, a condition which seriously impacts the schools operations and educational program may also be considered an emergency.

   There are two types of emergencies:

   A. Type I Critical Repairs. Examples include no electricity, broken water lines, fire alarm trouble, or fire extinguisher discharge.

   B. Type II Urgent Repairs. Examples include burnt ballast, broken windows, a door that does not lock, and water leaks that can be secured.

   See Appendix A.

2. Minor Repairs - Minor repairs are those that are needed but can wait since health or operational issues are not impacted. See Appendix B.

3. Major Repairs - Large repairs that are done by lifecycle. Examples are reroofing, exterior/interior painting, resurfacing play courts and parking lots, major carpentry repairs, and termite treatment. See Appendix C.

4. Service and Maintenance Contracts that include the following:

   A. Trash pick-up services

   B. Air Conditioning maintenance

   C. Grease trap maintenance

   D. Elevator service

   E. School program bell

   F. School fire alarm bell

   G. Fire extinguisher and equipment maintenance

   H. Tree Trimming

   I. Other recurring service & maintenance contracts
B. Minor Repairs – Minor repairs are scheduled to be started one (1) to three (3) months after receipt of work order requests. Minor repairs of a non-emergency nature are routinely prioritized, scheduled and performed by CSD trades crews. Goals are to:

1) Respond to requestor within four (4) weeks that a minor repair request has been received.

2) Assess and/or secure minor repair request within four (4) months that minor request has been received.

3) Permanently repair minor repair request within twelve (12) months that minor repair request has been received.

C. Major Repairs – Goals are to identify, cost, prioritize, and select projects for implementation.

2. Service & Maintenance Contracts

The goals for service & maintenance contracts are that all services are uninterrupted and performed on time. Desired response times shall be as follows:

A. During normal working hours transmit repair/service call request to maintenance contractor within four (4) hours that request has been received and confirm with school. During non-working hours transmit repair/service call request to maintenance contractor within twenty-four (24) hours that request has been received and confirm with school.

B. Follow-up with school within three (3) days on status of repair/service call request as needed.

3. Construction Contract Administration

The goals for all major construction contracts are to manage the construction, minimize disruption at the school, meet contract completion date, and stay within the contract amount.

**TERM OF AGREEMENT**

This SLA will become effective on July 1, 2005 and remain in effect until modified or cancelled by mutual agreement between DOE and DAGS.
3) If further repairs are needed beyond the emergency repairs performed, DAGS shall inform school to submit a request for minor repair on CSD Form 501 or request for major repair on BJ2A form, and/or schedule permanent repairs as needed and notify the school accordingly.

4) DAGS shall complete repairs, and/or monitor follow-up repairs.

5) DAGS shall submit overtime and/or staff contract documentation for emergency repair work performed for reimbursement or funding from the DOE Service Bureau.

B. Minor Repairs

The responsibilities for DOE shall be as follows:

1) The school Principal or designated administrator shall screen and approve R&M requests to assure that they are valid work order requests and are indeed services that:
   a. cannot be performed by custodial personnel; and
   b. are services performed by DAGS. Refer to Appendix D.

2) The school shall identify minor repair projects and submit CSD Form 501 listing to DAGS.

3) The school with consultation with district representatives from DOE and/or DAGS shall prioritize minor repairs.

4) Upon completion, the school shall inspect the work for satisfactory completion and sign off on the work order.

5) The prioritization of the work orders can be revised by DOE at anytime based on the needs of the schools.

The responsibilities for DAGS shall be as follows:

1) After receiving the CSD Form 501, the school requests shall be distributed by DAGS as work orders to trade crews.

2) DAGS shall provide a list of outstanding work orders to the schools prior to DAGS performing work on the respective campuses.

3) After the list of outstanding work orders are prioritized by the school, DAGS shall schedule and perform in-house or contract the work accordingly.
reduction between Consultant, User Agency & Contractor and issuance of Post Bid Addendum (PBA) document.

13) DOE Service Bureau shall obtain necessary permits for projects, including, but not limited to: County Building Permits; Department of Health Permits; for Construction & Operation of Wastewater Systems, Underground Injection Control (Drywells), & National Pollutant Discharge Elimination System (NPDES) Permits; etc.

14) DOE Service Bureau shall process and pay all Utility Services requests and proposals for CIP and major R&M projects, as necessary. Utility services include, but not limited to: Electric utility (HELCo, KIUC, MECo); Phone Utility (Hawaiian Telcom); Cable service; Water Facilities & Development charges and Meter Fees, etc.

15) DOE Service Bureau shall also complete processing of progress payments initiated by DAGS during construction.

16) If budget shortfalls are encountered over the course of a project, DOE Service Bureau shall identify additional funds for construction change orders for projects with insufficient and/or no construction contingency and obtain the necessary funds needed to complete the project.

17) A DOE authorized representative shall attend all final inspections with a DAGS representative and officially accept the projects.

18) DOE Service Bureau shall close all projects after project acceptance and punchlist completion.

19) The DOE Service Bureau shall settle appeals by a contractor in the event that DAGS and the contractor do not come to a mutual agreement over disputes arising during the construction inspection phase of a project or if the dispute goes beyond the terms of a contract.

The responsibilities for DAGS shall be as follows:

1) DAGS shall complete the cost estimation and scope of work for the BJ2A and submit to the DOE Service Bureau.

2) DAGS shall participate in the consultant selection process.

3) DAGS shall participate in design of selected projects to ensure that the end product will be maintainable, and assist in ensuring that the school's needs are addressed and that the project meets code requirements.
F. School shall notify DAGS when services are needed for contracted repair and/or maintenance. Schools should not call contracted service providers directly.

G. School shall notify DOE Service Bureau when services are needed for additional services not included in the service contracts.

H. School personnel shall inspect the work for satisfactory completion and sign off accordingly.

I. School shall report to DAGS unsatisfactory performance by Contractor.

J. DOE Service Bureau shall standardize service contracts statewide by contracting for the same services (i.e. elevator, air conditioning, fire alarm, etc.) and performance standards for each service statewide.

The responsibilities for DAGS shall be as follows:

A. DAGS shall perform all contract administration services after the contract is awarded.

B. DAGS shall review progress payments from the Contractor for accuracy and shall submit to DOE Service Bureau upon approval.

C. DAGS shall submit all closing documents to DOE Service Bureau for closing of contract.

D. DAGS shall recommend to DOE Service Bureau contract extensions or contract terminations.

3. Construction Contract Administration

The responsibilities for the Department of Education shall be as follows:

A. The school shall submit Capital Improvement Program (CIP) Table R to DOE Service Bureau.

B. DOE Service Bureau shall request funding and obtain approval from Legislature.

C. DOE Service Bureau shall also perform all pre-award contract administration work, including consultant selection, design, bid, award, and issuance of Notice To Proceed.

D. DOE Service Bureau shall assure that adequate plans and specifications are provided for projects.

E. DOE Service Bureau shall also complete processing of progress payments initiated by DAGS during construction.
B. DAGS shall forward the Reimbursement Request Form to the Department of Accounting & General Services Administrative Office for review. Multiple requests shall be placed on separate forms.

C. The Department of Accounting & General Services Administrative Office shall submit the Reimbursement Request Form to the Department of Education, Office of Business Services (OBS), Accountability Branch, Project Control Section.

D. Upon receipt, the Department of Education shall assess the request and upon approval of the OBS, Accountability Branch Director, a reimbursement request shall be forwarded to the Department of Education, OBS, Accounting Section for processing.

E. Under normal circumstances, the entire process shall take approximately 20 working days upon receipt:

1) 3 - days for approval by the OBS, Accountability Branch.

2) 14 - days to generate a check and return to Department of Accounting and General Services.

3) 3 - days to record the financial transaction in the Financial Accounting & Management Information System (FAMIS).

**PERFORMANCE OBJECTIVE**

Performance measurements come down to questions of volume or response time (speed). All times are dependent upon availability of material, accessibility of work areas, school schedules, available funding, and utilization of the existing DAGS workflow processes, which the Workorder Application systems residing on the departmental computer hardware is based on.

Contingent upon the adequate fulfillment of all roles and responsibilities as described in the Agreement, the performance goals shall be as follows:

1. Emergency Work Orders – 90% abated within twenty-four (24) hours. 85% completed and/or secured within three (3) days.

2. Minor Repairs – 75% of total work orders received on or after July 1, 2005 completed within twelve (12) months. Backlogged workorders received prior to July 1, 2005 shall be completed by priority and contingent upon DAGS receiving adequate resources and funding from DOE Service Bureau.

3. Major Construction Contracts – 80% of projects completed on time and within budget.
EXAMPLES OF CRITICAL (TYPE I) EMERGENCY REPAIRS

Type I repairs usually refer to the following:

**ELECTRICAL:**
- Power outage or erratic power
- Exposed electrical wire
- Fire alarm trouble
- Broken light switches or fixtures
- Burning electrical smell or smoke

**PLUMBING:**
- Sewage backing up
- Broken water main
- No water or low water pressure
- Leaking toilets, sinks or valves which cannot be shut off (secured)

**TREE TRIMMING:**
- Broken tree branch that is creating a hazardous condition. An emergency situation exists if there is an immediate health and safety concern.

**OTHER:**
- Air conditioner not cooling
- Program bell not ringing
- Fire extinguisher discharged
- Storm or Fire damages
EMERGENCY WORK ORDER PROCESS

1. School identifies need for emergency repairs.
2. School through custodial personnel attempts to abate emergency situation.
3. Can school abate situation?
   - Yes: School generates emergency repair request and assigns unique tracking number.
   - No: Can school repair permanently?
     - Yes: School repairs.
     - No: School abates situation.
4. Is the situation still an emergency?
   - Yes: School submits to data management system.
   - No: School logs emergency as abated.

Type I:
1. School calls in request to DAGS.
2. Type II:
   - School faxes in CSD Form 710 (Maui and Molokai schools also call in requests to DAGS).
3. CSD evaluates emergency repair request.
4. Can repair be handled by DAGS trade staff?
   - Yes: CSD trade staff responds to immediate need.
   - No: CSD responds to immediate need via contractor.
5. Are repairs completed?
   - Yes: CSD schedules permanent repairs as needed and notifies school.
   - No: CSD and/or contractor completes repairs.

Neighbor Island DOE/DAGS

Appendix A-3
MINOR REPAIR PROCESS

School identifies minor repair

School principal or administrator screens and approves R & M request

Can repair be performed by custodial personnel?

Yes

No

School fills out work order form and submits it to DABS

Minor repair?

Yes

Work order inputted into computerized data system

DABS transmits work order list to school. School prioritizes work orders

Work order transmitted to DABS supervisor

Repairs to be assigned to contractor?

Yes

Supervisor, engineer, or R & M Assistant checks job and arranges with contractor to do repair

Construction travels to school

Work order done by contractor

Supervisor, engineer, or R & M Assistant inspects and approves work on work order

Completed work order inputted into computerized data system

No

Non qualified work order is returned to the school with reason for non qualification

Emergency repair?

Yes

Go to emergency repair process

Work order completed

No

Major repair?

Yes

Go to major repair process

DABS sends school a list of all completed and outstanding work orders each month

School inspects and signs off on completed work order

No

Work order completed
Services that DAGS does NOT provide

The following is a listing of services that do not fall within the parameters of this SLA. The responsible agencies are provided for your information.

<table>
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<tr>
<th>Activity</th>
<th>Responsible Agency</th>
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<tr>
<td>Mowing of a school's lawn area.</td>
<td>DOE O&amp;M Office</td>
</tr>
<tr>
<td>Removal of bulky items.</td>
<td>(DOE to discuss)</td>
</tr>
<tr>
<td>Bees, rodents and other pests.</td>
<td>DOH Vector Control Office</td>
</tr>
<tr>
<td>Major Capitol Improvement Projects (new construction)</td>
<td>DOE Service Bureau</td>
</tr>
<tr>
<td>Minor CIP (Improvement Projects over $15,000)</td>
<td>DOE Service Bureau</td>
</tr>
<tr>
<td>Upgrades to elevators, i.e., re-keying or adding new phone system</td>
<td>The School</td>
</tr>
<tr>
<td>Abandon Vehicles</td>
<td>Call the appropriate County agency on your island.</td>
</tr>
<tr>
<td>Replacement or upgrade of phone system elevator to be ADA compliant</td>
<td>The School</td>
</tr>
</tbody>
</table>
Department of Accounting and General Services

Update on Service Level Agreement Between the DOE and DAGS

November 9, 2006
Current Objectives

- Complete work orders in accordance with SLA requirements
- Provide recovery assistance to the schools with earthquake damage
Accomplishments Since November (Cont.)

- Amendments to the SLA which increase efficiency and provide clear guidelines were implemented on October 1. These amendments include policies and procedures for reimbursement by the DOE to DAGS for repair and maintenance expenses, staff contracts guidelines, and construction change order delegation.
Earthquake Response/Recovery Efforts-Hawaii District Office (HDO)

- October 15; HDO staff visit schools and public buildings
- October 16; Preliminary Damage Assessment provided to Hawaii Civil Defense and the DOE; HDO staff recommend additional structural safety assessments
- October 17; Structural safety evaluations by HDO staff and DOE structural engineering consultants begin (19 schools completed on October 19)
Earthquake Response/Recovery Efforts-HDO (Cont.)

- October 20; Meeting to plan and implement earthquake recovery and repairs held with staff from HDO, DOE, and AIG Insurance Company.

- October 25; Site inspections to determine scope of repair work begin with staff from HDO, DOE, and AIG Insurance Company. Completion of site inspections for the 19 damaged schools targeted for the week of November 6.
Mahalo!

Department of Accounting and General Services

http://www.hawaii.gov/dags/
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September 2006

Recommendation of the Department of Education (DOE) and Department of Health (DOH) Investigative Committee (IC) to the Interagency Working Group (IWG)

Section 47 of Act 51, Session Laws of Hawaii 2004, ("Act 51") as amended by Act 225 ("Act 225"), Session Laws of Hawaii 2006, provides for the transfer of all rights, powers, functions, duties, and resources relating to school health aides and public health nurses who supervise school health aides from the Department of Health (DOH) to the Department of Education (DOE) on July 1, 2007, subject to repeal by subsequent legislation.

In addition Section 42 of Act 51 requires the IWG to develop comprehensive plans for the transfer of the school health aides from the DOH to the DOE.

The DOE and the DOH have agreed that the School Health Aides (SHAs) and the substitutes SHAs positions transfer from the DOH to the DOE July 1, 2007. The departments also agree that the Public Health Nurses (PHNs) should remain at the DOH and provide professional supervision to the SHAs through a Service Level Agreement (SLA) or Memorandum of Understanding (MOU). Transferring the PHN positions to the DOE would require DOH to request replacement positions to carry out essential public health functions. Additionally, the number of PHNs that would be transferred to the DOE, approximately twenty, would be insufficient to provide the level of supervision necessary for the school health program. Both departments have concluded that the best method of supporting the school health services program is to provide professional supervision for the SHAs through an SLA or MOU.

The DOE and DOH transition team continues to plan for the transfer of the SHAs including identifying the statutory amendments needed to transfer the SHAs and the school health services program. The transition team is also developing the SLA or MOU.

The IC recommends that the IWG recommend to the 2007 Legislature that Section 47 of Act 51 as amended by Act 225 be amended to repeal the transfer of the public health nurses from the DOH to the DOE July 1, 2007.
DEPARTMENT CONTACTS FOR ADDITIONAL INFORMATION

Working papers for all the IC's may be obtained from Mr. Clayton Fujie, Deputy Superintendent, Department of Education.

Additional information regarding the functions transferred from the Department of Human Resource Development and the Department of Accounting and General Services to the Department of Education ("DOE") can be obtained by contacting the individuals noted below.

Department of Accounting and General Services:
Russ K. Saito
Comptroller
P.O. Box 119
Honolulu, Hawaii 96810
(808) 586-0400

Department of Education:
Randy Moore
Acting Assistant Superintendent
Office of Business Services
P.O. Box 2360
Honolulu, Hawaii 96804
(808) 586-3444

Department of Human Resource Development:
Marie C. Laderta
Director
Leiopapa a Kamehameha Building
235 South Beretania Street
Honolulu, Hawaii 96813
(808) 587-1100

Department of Education
Fay Ibei
Acting Assistant Superintendent
Office of Human Resources
P.O. Box 2360
Honolulu, Hawaii 96804
(808) 586-3400

Additional information regarding the transfer of functions from the Department of the Attorney General to the DOE, Department of Budget and Finance to the DOE, the Department Health to the DOE and the Department of Human Services to the DOE can be obtained from the following individuals:

Department of the Attorney General:
Mark Bennett
Attorney General
425 Queen Street
Honolulu, Hawaii 96813
(808) 586-1500

Department of Education:
Fay Ibei
Acting Assistant Superintendent
Office of Human Resources
P.O. Box 2360
Honolulu, Hawaii 96804
(808) 586-3400