



EXECUTIVE CHAMBERS
KE KE'ENA O KE KIA'ĀINA

June 24, 2025

ADMINISTRATIVE DIRECTIVE NO. 25-01

TO: All Department Heads

SUBJECT: Policy and Procedures for Effecting Organizational and Functional Statement Changes

PURPOSE

The purpose of this administrative directive (A.D.) is to continue the policy and procedures by which changes in organization and function may be made in the State Executive Branch previously issued under A.D. No. 19-02, *Policy and Procedures for Effecting Organizational and Functional Statement Changes*, issued on November 20, 2019, and extended by A.D. No. 24-02, *Extension of A.D. No. 19-02, Policy and Procedures for Effecting Organizational and Functional Statement Changes*, dated April 26, 2024. These policies eliminate the sunset date of the delegation of authority and responsibility to department directors from the Governor for applicable situations.

REFERENCES

State Constitution. Section 6, Article V of the Hawai'i State Constitution: "Each principal department shall be under the supervision of the governor . . ."

Hawai'i Revised Statutes. Chapter 26, Section 38, HRS, states: "With the approval of the governor, the head of a department may establish or abolish within his department any division or other administrative segment to achieve economy and efficiency and in accord with sound administrative principles and practices and procedures . . ."

Taken together, the foregoing sections give the Governor final authority and responsibility for effective organization and management of the Executive Branch. However, when certain functions or programs are specifically assigned by law to a

department or division, departments may not reassign or redistribute those functions or programs to other departments without corresponding changes in the law.

POLICY

It is essential that sound management principles be applied to achieve program objectives. It is equally important that plans of organization be regularly appraised and updated to meet the State's changing needs and conditions.

Certain basic concepts of good management need to be considered and applied to fulfill our managerial responsibilities, including:

- **Change.** Change is normal and to be expected. Therefore, organizational structure and assignments should not be static and should be modified from time to time as circumstances warrant.
- **Coordination.** The Executive Branch is a unified organization with all departments coordinated to provide mutual support of the Administration's programs and goals.
- **Effectiveness.** The organization should be designed to effectively and economically execute department programs. It should also contribute to employees' high morale, personal/career development, job satisfaction, and motivation.
- **Organizing.** Organizing is a fundamental administrative responsibility. Every manager, from department director to first line supervisors, is responsible for providing adequate direction and leadership to their personnel by utilizing the most effective organizational structure possible to accomplish the work.
- **Organizational Principles.** Every effort should be made to incorporate sound organizational principles in developing and implementing organizational plans.

The selected form or structure is only one of many managerial tools which can be used to support the achievement of program objectives.

DELEGATION OF AUTHORITY AND RESPONSIBILITY

Organizational and functional changes may be implemented subject to the approval of the respective department director under the following conditions:

- Any functional and/or organizational changes must comply with the applicable statutes and policies and procedures set forth in this A.D.
- Any changes in classification shall be consistent with statewide classification policies and procedures established by the Department of Human Resources Development (DHRD).
- All costs associated with any organizational and/or functional changes shall be cost neutral at the Program ID level and shall be the responsibility of the department from its existing budgeted funds. Cost neutral changes should be sustainable through current and future biennium. Budget requests reflecting necessary tradeoffs and transfers shall be included in the department's subsequent budget request.
- For organizational and/or functional changes that are not cost neutral at the Program ID level or would create, abolish or change the organizational structure of a division, the director shall first obtain approval to proceed from the Governor via the Department of Budget and Finance (B&F).
- This delegation of authority shall be effective immediately.

Position Variances. Position variances arising from an organizational or functional change in a department may be approved by the director, provided that all additional costs associated with the change shall be borne by the department from existing budgeted funds within the respective Program ID, provided such position variances do not result in cost differences exceeding 20% of the authorized budgeted amounts or as otherwise allowed by the current budget execution policies. Governor's approval through B&F is required for all other position variances.

Consultations. Departments are encouraged to consult with their points-of-contact in B&F and DHRD for advice and guidance relating to each department's expertise, e.g., budgeting organization, classification, etc., in the course of developing organizational and functional changes.

Documentation. Each Executive Branch department shall maintain detailed organization charts and functional statements. Each department must assure that this information accurately reflects its current organization and is evaluated and updated in a systematic manner.

Standards. Organization charts and functional statements must be prepared and maintained in a consistent manner throughout the Executive Branch. The Director of Finance is delegated authority for establishing overall standards for how organizational information will be maintained, and for developing and maintaining Executive Branch organizational information.

DEFINITIONS

To accomplish its missions and program objectives, an organization must be logically divided into segments with clear reporting relationships and implicit levels of authority and accountability. For purposes of this A.D.:

A. Reorganization or change in organizational structure is defined as:

1. Creation of a new organizational segment or the abolishment of an existing one.
2. Rearrangement or regrouping of existing organizational segments involving the reassignment or redistribution of functions and positions affected by these changes.
3. Creation of a new supervisory level or the deletion of an existing one.

A reorganization or change in organizational structure requires preparing and reviewing a reorganization proposal, obtaining the appropriate approvals, and providing documentation of the approved reorganization.

B. Organizational segments are defined below, provided that a department may adapt these guidelines to its circumstances:

1. **Department.** Responsible and accountable for major program areas as determined by statute and the Governor.

2. **Division.** Responsible and accountable for accomplishing a major component of the department's mission and/or a series of program objectives as determined by the department director. A division is always the first organizational level that reports directly to a departmental director. Departmental staff offices, boards, commissions, authorities, councils, etc., are considered to be at the same level as a division (e.g., Stadium Authority, Employees' Retirement System, and Hawai'i Employer-Union Health Benefits Trust Fund).
3. **Branch.** Responsible and accountable for direct administration of one or more programs as determined by the department director. Typically reports to a division chief.
4. **District.** Responsible and accountable for direct administration of one or more programs within a defined geographical area as determined by the department director. Districts may be: 1) a subdivision of a division where they are equivalent to a branch; 2) a subdivision of a branch where they are equivalent to a section; or 3) organized as required by a department to manage programs.
5. **Section.** Responsible and accountable for direct operation of one or more programs, or for providing supervision to a functionally related grouping of units as determined by the department director. Typically reports to a branch chief.
6. **Unit.** Responsible and accountable for direct operation of a single program, or other clearly defined area of work or for providing supervision to a functionally related grouping of subunits as determined by the department director. Typically reports to a section chief.
7. **Subunit.** Responsible and accountable for direct operation of one or more components of a program as determined by the department director.
8. **Team/Crew.** Responsible and accountable for the direct provision of a specific service or an operation that requires close coordination of individual members to achieve. For efficiency, teams/crews may be a subdivision of a section where they are equivalent to a unit, or a subdivision of a unit where they are equivalent to a subunit.

9. **Offices.** Segments providing administrative or other support (e.g., “staff” support) to segments involved in direct program operations. Generally, offices should not be involved in direct program operations (i.e., performing “line” functions), although they can be used for this purpose if no other organizational designation is appropriate. Offices may also consist of a single position providing specialized support as determined by the department director. Offices may be subdivided regardless of whether they exist on the department, division or branch level. In order of organizational hierarchy, the subdivisions are as follows:

- a. **Staff** (e.g., Personnel or Fiscal Staff). Use when there are limited positions performing support functions within an office, of which one has supervisory function over the others.
- b. **Section** (e.g., Accounts Receivable Section). Use when there are a number of positions performing a specific function within an office, and positions are divided among different supervisors.
- c. **Unit** (e.g., Accounts Receivable Unit #1). Use to further delineate specific support functions being performed by a number of positions within a section.

C. Functional Statement consists of a brief overview statement of a segment's purpose, mission, program objectives, and operating relationship to the parent and subordinate segments, along with a series of specific statements describing its major functions.

DEPARTMENTAL ORGANIZATIONAL INFORMATION

Each Executive Branch department shall maintain detailed documentation of its organizational information, including:

- Organizational charts depicting all segments, relationships between the segments, and associated position information.
- Functional statements for all segments.

A. Format requirements for organization and position charts and functional statements:

1. Organizational charts shall reflect the levels of authority, supervisory-subordinate relationships, line-staff relationships, functional relationships between segments, and chain of command. For example, departmental/division organizational charts should reflect the different levels of authority and chain of command starting from the director/division head to subordinate units.

At the department level, there shall be an organization chart with unit titles that identifies all divisions, staff offices, and attached agencies that report to the director. For each division, a division organization chart that reflects all units by unit title, e.g., branches, sections, staff offices, etc., reporting to the division chief shall be included. At the division level and below, organization charts are to be created that reflect each unit title, the reporting relationships between subordinate and supervisor units, and identification of position titles, salary ranges (SR) and position numbers for all positions assigned to the respective units.

2. Organization charts may be created in Excel, Visio or any other organization chart software that produces charts similar to the provided samples.
3. Organization charts shall be formatted using the Arial font with font size adjusted to fit blocks and titles, with landscape orientation on 8.5 × 11 or 8.5 × 14-inch paper with 1-inch margins.
4. Use only solid lines for blocks and lines to connect blocks. All blocks representing segments at the same hierarchical level should appear on the same level if possible. Blocks at the next subordinate level can be drawn in a vertical fashion to conserve space.
5. Minimize abbreviation of position titles; if necessary, titles may extend to two or more lines. If space is limited, abbreviate titles and reference the full title at the bottom right of the chart.

6. Only authorized positions should be indicated on the position organizational chart. No unbudgeted positions should be reflected on the position organizational charts.
7. Show all temporary positions on the position organizational chart, footnoted with the notation "Temporary position, NTE (date)" in the bottom right corner of the chart. (NTE is an abbreviation for not to exceed.)
8. When changes in duties of a position are involved and the classification has not yet been reviewed, footnote the position block and notate "Position to be re-described" in the bottom right corner of the chart. Upon approval, the position should be updated at the next annual update to indicate the new position level and SR.
9. Position variances approved by the department director or the Governor are to be footnoted "Variance approved; position to be re-described" in the bottom right corner of the chart.
10. Organization and position charts should have the following information printed in the top right corner of the paper, 1-inch from the top:

STATE OF HAWAII
DEPARTMENT OF <NAME>
<NAME> DIVISION
<NAME> BRANCH (or DISTRICT, if applicable)
<NAME> SECTION (if applicable)
<NAME> UNIT (if applicable)
<NAME> SUBUNIT (or TEAM/CREW, if applicable)
(POSITION, if applicable) ORGANIZATION CHART

11. Organization and position charts are to be sequenced as follows:
 - a. Director's office; offices, boards, commissions and other attached units reporting to the director; and departmental divisions.
 - b. Departmental staff office and position organization charts, in the order they appear on the first organization chart moving from left to right. More than one staff office may be depicted on a page.

- c. Each division should have a separate organization chart depicting all major relationships down to the branch/district level, i.e., offices, branches, etc.
- d. Each branch/district should have a separate organization chart depicting all subordinate units.
- e. Administratively attached agencies.

12. Functional Statements

- a. Functional statements are required for each segment of an organization. The overall statement will consist of a brief overview of the segment's purpose, mission, program objectives and operating relationship to the parent and subordinate segments along with a series of specific statements describing the segment's major functions.
- b. Functional statements should only describe the program or support functions of the organizational segment and not list supervisory relationships or responsibilities of any individual(s) within the segment. The purpose of the functional statement is not intended to justify or document positions within the organization but rather to describe the function of the organizational segment within the overall departmental structure.
- c. To the extent possible, statements should be framed in terms of the results of the work of the subunit (i.e., what are the outcomes of the work of the organizational segment) as well as state the major processes necessary to achieve these results, but not the specific procedures required.
- d. Format and print in portrait mode on 8.5 × 11 or 8.5 × 14-inch paper, using Arial 12-point font.
- e. Statements for divisions should begin on a new page. Statements for all other segments may follow each other on the same page. A standard heading should be centered at the top of the first page for the department and each division with the following information:

DEPARTMENT OF <NAME>
<NAME> DIVISION
FUNCTIONAL STATEMENT

- f. Print names of other segments in all capital letters and underline beginning at the left margin. Use outline format to illustrate the organizational relationship of segments within segments.

13. Organization Chart and Functional Statement Samples

Attachment A contains samples of organization charts and functional statements.

PROCEDURES TO DOCUMENT CHANGES TO THE ORGANIZATION AND POSITION CHARTS AND FUNCTIONAL STATEMENTS

- A. Each department is to develop internal procedures for effecting these changes, using the following general guidelines (page lengths are suggested; significant or complex reorganization proposals may require additional information):
 1. **Program Initiated Changes (no more than one page in length).** From within the department, a request to initiate may be submitted to the director for the initiation of organizational or function statement changes. The request shall identify the purpose and intent of the changes and include a brief description of affected segments with supporting rationale and justification. Upon receiving the director's approval to initiate, the requestor may begin formal reorganization efforts.
 2. **Director Initiated Changes (no more than one page in length).** The director may issue a directive that authorizes the initiation of changes to the organization and/or functional statements. The directive shall identify the purpose and intent of the changes and include a brief description of affected segments with supporting rationale. The program may begin formal reorganization efforts upon receipt of the directive.
 3. **Consultative Support.** Provide B&F and DHRD with copies of the approved request to initiate program-initiated changes or the director's directive regarding amendments to the department's organization charts and/or

functional statements. This will serve as an alert to B&F and DHRD that possible consultative support may be sought.

4. **Task Group.** A task group with a designated leader may be formally identified by the director or may be informally organized by the division, branch, office, unit or section manager that is seeking authorization to make organizational changes. The intended purpose of the task group is to facilitate the reorganization process. Task group members may include, but are not limited to: administrator(s)/leader(s) of the affected segment(s); the department's budget or management analyst; administrative services officer; human resources officer; and/or others as deemed appropriate. A responsible administrator may be designated to ensure the expedited completion of the reorganization and/or functional statement changes in lieu of forming a task group.
5. **Required Cost Neutrality Assessment of Changes in Organizational Structure.** Once details of the proposed organizational changes have been decided upon, departments are to conduct a formalized cost impact assessment using the Excel file described in C.2. below. The assessment tool will assist departments in calculating the cost impact of the proposed organizational changes on positions and in identifying tradeoffs and offsets in the department's budget to fund the proposed reorganization.

If sufficient recurring budget tradeoffs and offsets are not identified, then the department shall submit, for electronic signature, a request for Governor's approval, via B&F, to proceed. If sufficient recurring budget tradeoffs and offsets are identified (and the proposed organizational changes do not create, abolish or change the organizational structure of a division), the department may proceed with the reorganization.
6. **Approval to Proceed to Create, Abolish or Change the Organizational Structure of a Division or Organizational Changes that are not Cost Neutral at the Program ID Level.** If a director determines the need to create, abolish or change the organizational structure of a division or to implement changes that are not cost neutral at the Program ID level, the department shall, via electronic signature, submit to the Governor, via B&F, a request for approval to proceed explaining the rationale of these actions and, as applicable, how the additional costs will be funded.

7. **Distribution of Changes.** Upon approval of changes to organization charts and/or functional statements, copies of the changes shall be electronically disseminated to the Office of the Governor, Office of the Lieutenant Governor, B&F and DHRD.
- B. Organizational and/or functional statement change document must be prepared for any reorganization, in accordance with the following (page lengths are suggested; significant or complex reorganization proposal may require additional information):
1. **Introduction (no more than 250 words in length).** Provide an overview statement identifying the segments or functional statements being changed and the proposed changes.
 2. **Description of the Proposed Changes (no more than 2 pages in length).** Describe the proposed changes to the organizational structure and reporting relationships, e.g., changes in supervisory relationships, changes in segment missions, impact of the change on other organizational segments, changes in functional and/or workflow relationships, etc.
 3. **Rationale for Changes (no more than 3 pages in length).** Provide the rationale for the proposed reorganization, including:
 - a. Conditions or factors prompting the proposed reorganization, e.g., new program requirements, changes in the environment, new legal or policy considerations, span of control, excessive layers of approval, adequacy of staffing or supervision, a statutory change.
 - b. How the proposed reorganization will address the conditions or factors prompting the reorganization.
 - c. How the organization's operational (e.g., communications); organizational (e.g., chain of command); functional (e.g., workflow); and programmatic relationships (e.g., clarification of responsibility, authority and accountability) will be affected, including impact on services to the public, other target groups, and relationships with other segments of the State.
 - d. How the efficiencies, service improvements, or other benefits will be achieved as a result of the reorganization.

4. **Resource Requirements.** Detail the resource requirements or savings associated with the reorganization, including funding, positions, space, equipment, and other resources. Indicate the source of the resources needed to implement the reorganization, e.g., reallocation from within the program or major unit or new revenue. Note: Reorganization proposals and all organization charts shall show all budgeted permanent and temporary positions.
5. **Alternatives Considered.** Detail the various alternative actions considered (e.g., automation, procedural changes, work reassignment, etc.) and why the proposed organizational change is the most appropriate alternative.
6. **Programmatic Impact.** Detail the programmatic or service impacts of the proposed reorganization on the department.

C. Attachments that document the changes in the organization shall include:

1. **Current and Proposed Organization and Position Charts and Functional Statements.** Organization and position charts and functional statements shall indicate if version is “CURRENT” or “PROPOSED” under the department name, as follows:

Organization and position charts (top right corner):

STATE OF HAWAII
DEPARTMENT OF <NAME>
<NAME> DIVISION
<NAME> BRANCH (or DISTRICT, if applicable)
<NAME> SECTION (if applicable)
<NAME> UNIT (if applicable)
<NAME> SUBUNIT (or TEAM/CREW, if applicable)
(POSITION, if applicable) ORGANIZATION CHART

(CURRENT or PROPOSED, as applicable)

Functional statements (centered):

DEPARTMENT OF <NAME>
<NAME> DIVISION
FUNCTIONAL STATEMENT

(CURRENT or PROPOSED, as applicable)

An approval block, as shown below, shall be included on all proposed organizational and position charts to accommodate the director's signature and date, located at the top left corner of the paper, 1-inch from the top:

APPROVED/DISAPPROVED:

DIRECTOR
DEPARTMENT OF <NAME>

DATE

2. **Cost Neutrality Assessment of Changes in Organizational Structure**

Forms. The cost neutrality assessment tool (Excel file) is provided to assist departments in reflecting the cost impact to positions that are affected by the reorganization and in identifying the tradeoffs and offsets in the department's budget to fund the proposed reorganization.

- Form CNA1. This worksheet is used to identify all positions that are affected by the reorganization. Specified information (refer to instructions) is to be entered by the department for each position under the current organization and under the proposed organization. The worksheet will calculate the salary difference and percent of salary change, and whether Governor's approval of the position variance is required. The department is to provide explanatory comments as necessary. The worksheet will automatically total all the salary changes to provide a net cost of the reorganization with respect to affected position salaries. (See attached Form CNA1, instructions and samples.)

- Form CNA2. This worksheet is used to identify the budget tradeoffs/offsets available to fund the reorganization. Departments are to provide specific information (refer to instructions) of proposed budget tradeoffs (e.g., personal services adjustments, such as positions being abolished or overtime being reduced, and other current service adjustments, such as reducing consultant contracts, etc.) to make up additional salary costs as may be necessary. Offsets, such as additional funding appropriated for new programs/functions, shall also be identified, if applicable. The worksheet will automatically total all of the budget tradeoffs/offsets and indicate whether the budget tradeoff savings and offsets are sufficient to cover the additional salary costs of the reorganization. (See attached Form CNA2, instructions and samples.)
- Form CNA3. This worksheet, which focuses on the additional salary costs of the reorganization, is automatically generated from Form CNA1 and is intended as a summary for discussion purposes. (See attached Form CNA3, instructions and samples.)

The Excel files of these forms may be downloaded from the B&F website.

- D. Attachments that document the changes in functional statements shall include the current and proposed functional statements with accompanying organization charts.
- E. The department director shall establish an internal review and information dissemination process. The process shall ensure that the proposed changes are appropriately reviewed by the department's human resources officer and budget management or administrative services officer, if they are not part of the task group or if there is no task group. The process shall also ensure that information regarding the change proposal is shared with employees in affected programs after the proposal has been developed but before the proposal is approved in final.

After the affected employees have been informed, the director shall also have a process in place to ensure that the department initiates consultation with the appropriate exclusive collective bargaining (CB) representative regarding the proposed organizational change. As appropriate, the department may consider revisions based on the consultation and will apprise the CB representative of the

outcome of the consultation. Following the consultations, the proposed organizational and/or functional changes shall be submitted to the director for approval and dissemination.

The director shall review any change request in the context of the following, with the understanding that approving a proposal certifies that:

1. A cost neutrality assessment of changes in organizational structure has been completed and the assessment shows that the proposed organization is cost neutral at the Program ID level.
2. If a division is being created, abolished or being changed organizationally or if changes are not cost neutral at the Program ID level, Governor's approval to proceed was obtained via B&F.
3. Position variances have been approved by the department director or the Governor, pursuant to this A.D. or current budget execution policies.
4. Changes in classification reflected in the proposed organization are consistent with Statewide classification policies and procedures established by DHRD.
5. The proposed organizational structure is appropriate for the functions to be performed.
6. All supervisory relationships are accurately reflected and appropriate for the functions to be performed.
7. The impacts of the reorganization on all personnel are fully described and supported.
8. Appropriate consultation has taken place and information on the proposed reorganization has been disseminated and discussed within the affected organizational units and with affected personnel.
9. Consultation has occurred with CB representatives and, as deemed appropriate, union input has been taken into consideration in the final proposed reorganization.

10. Resources are available within the scope of the director's authority to execute the reorganization.

F. Departmental organizational information shall be updated annually as of June 30th of each fiscal year. Departments shall distribute electronic copies of the annual update to the Office of the Governor, Office of the Lieutenant Governor, B&F, DHRD, the Hawai'i Government Employees Association and the United Public Workers by August 1st of the following fiscal year. The Office of the Lieutenant Governor, as Secretary of State, is responsible for maintaining the public file of the Executive Branch's organizational information.

Annual updates of organization and position charts and functional statements shall include:

1. Current organization and position charts and functional statements, which have been updated to reflect any of the following actions that were approved since the last annual update:
 - a. Approved organizational and functional changes.
 - b. Establishment of new positions.
 - c. Reclassification of positions.
 - d. Abolishment of positions.
 - e. Approved changes in organizational titles.
 - f. Minor corrections or adjustments to functional statements that do not constitute an organizational change as defined in this policy.
 - g. Positions appropriated but not established at the time of submittal of the annual update, listed by pseudo number and authorized position title, and footnoted as "Pending Establishment."
2. The organizational charts should include all budgeted permanent and temporary positions. The total number of full-time equivalent positions

reflected on position organizational charts should not exceed the program's authorized position ceilings for permanent and temporary positions.

3. Position organizational charts should only reflect positions that belong to the program shown on the charts. Positions belonging to other units that may work with the program should be shown only on the position organizational chart of the organization where they formally reside.
4. The annual update shall not be used as a substitute for making organizational changes that are subject to the reorganization procedures described herein.
5. The submitting director is responsible for the accuracy of these annual updates.

Your full cooperation in complying with the provisions of this A.D. is essential.

Mahalo,

/s/

Josh Green, M.D.

Governor, State of Hawai'i

Attachments