

SB 1331

Measure Title: RELATING TO PAYMENTS BY THE STATE.

Report Title: State Payments; Hawaii Electronic Benefit Transfer System; Direct Deposit

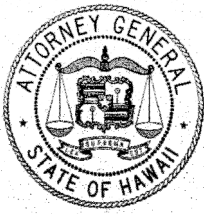
Description: Requires the State to issue all payments that recur more than once per year by means of a direct deposit electronic funds transfer or debit card issued under the Hawaii electronic benefit transfer system no later than July 1, 2015.

Companion:

Package: None

Current Referral: HMS/TEC/JDL, WAM

Introducer(s): KIDANI, Dela Cruz, Galuteria, Nishihara, Ruderman, Tokuda



**TESTIMONY OF
THE DEPARTMENT OF THE ATTORNEY GENERAL
TWENTY-SEVENTH LEGISLATURE, 2013**

ON THE FOLLOWING MEASURE:

S.B. NO. 1331, RELATING TO PAYMENTS BY THE STATE.

BEFORE THE:

SENATE COMMITTEES ON HUMAN SERVICES, ON TECHNOLOGY AND THE ARTS,
AND ON JUDICIARY AND LABOR

DATE: Thursday, February 7, 2013

TIME: 2:30 p.m.

LOCATION: State Capitol, Room 016

TESTIFIER(S): David M. Louie, Attorney General, or
Garry L. Kemp, Administrator, Child Support Enforcement Agency

Chairs Chun Oakland, Wakai, and Hee and Members of the Committees:

Although the Department of the Attorney General does not oppose the intent of this bill, the Department is opposed to the part of this bill that would amend section 576B-319 of the Uniform Interstate Family Support Act.

Section 5 of this bill would amend section 576B-319, Hawaii Revised Statutes, to require the State to issue all payments by means of a direct deposit into an account in a financial institution designated by the beneficiary or by means of a debit card issued under the Hawaii electronic benefit transfer system.

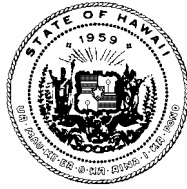
Currently, the State of Hawaii is in compliance with section 466(f) of the Social Security Act (42 U.S.C. §666(f)) that specifically requires states to adopt the 1996 version of the Uniform Interstate Family Support Act. If this bill is passed and section 576B-319 is amended, it may cause the State to be out of compliance with existing federal law and will require the State to apply for and be granted an exemption by the United States Secretary of the Department of Health and Human Services. If the State is found to be out of compliance, it will jeopardize federal welfare funding and federal funding of the child support enforcement programs.

In addition, the amendment does not take into consideration that the Child Support Enforcement Agency is required to disburse payments to other state child support agencies and to other foreign country agencies. The Child Support Enforcement Agency also disburses payments to custodial parents residing in foreign countries. In these situations, direct deposit

into an account in a financial institution designated by the beneficiary or debit card issued under the Hawaii electronic benefit transfer system will not work.

In those situations where direct deposit or debit card is appropriate, the Child Support Enforcement Agency is already authorized to disburse payments using these methods under section 576D-10(c) of the Hawaii Revised Statutes.

The Department of the Attorney General respectfully requests that the members of the Committees consider deleting section 5 of this bill, beginning on page 6, line 4, relating to the amendment to 576B-319 of the Uniform Interstate Family Support Act, if this bill is to be passed.



STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES
P. O. Box 339
Honolulu, Hawaii 96809-0339

February 7, 2013

MEMORANDUM

TO: The Honorable Suzanne Chun Oakland, Chair
Committee on Human Services

The Honorable Glenn Wakai, Chair
Committee on Technology and the Arts

The Honorable Clayton Hee, Chair
Committee on Judiciary and Labor

FROM: Patricia McManaman, Director

SUBJECT: **S.B. 1331 – RELATING TO PAYMENTS BY THE STATE**

Hearing: Thursday, February 7, 2013, 2:30 p.m.
Conference Room 016, State Capitol

PURPOSE: The purpose of S.B. 1331 is to require the State to issue all payments that recur more than once per year by means of direct deposit electronic funds transfer or debit card issued under the Hawaii electronic benefit transfer system no later than July 1, 2015.

DEPARTMENT'S POSITION: The Department of Human Services (DHS) appreciates the intent of this bill and offers the following comments.

The DHS currently provides for direct deposit Electronic Funds Transfer (EFT) for the following financial assistance payments within our jurisdiction: Temporary Assistance for Needy Families (TANF); Temporary Assistance for Other Needy Families (TAONF); General Assistance (GA); and Assistance for the Aged, Blind, and Disabled (AABD).

Each payment type has the option to have funds transferred via direct deposit to a financial institution of the recipient's choice rather than via EFT to the Hawaii Electronic Benefit Transfer system (EBT).

The Hawaii EBT system was created in 1998 pursuant to federal regulations implemented by the United States Department of Agriculture's Food and Nutrition Services (USDA FNS) as an alternative to food coupons issued to eligible households. Cash assistance programs, like those mentioned above that are needs based programs, were included at the time of implementation of the EBT. This system is under the exclusive jurisdiction of the DHS.

Funds are transferred via EFT to an EBT card. The EBT card is a debit type card and bears a QUEST® Mark. This logo indicates that the cards "are issued in compliance with Quest® Operating Rules issued by the National Automated Clearing House Association's (NACHA) Electronic Benefits and Services Council (EBS Council)" (EBS Council (2007) *Co-Branding of EBT Cards: Review and Identification of Issues.*)

As a debit card, EBT cards allow recipients to access their benefits only at food retailers that have been approved by FNS to process EBT transactions via point of sales (POS) devices or through automated teller machines bearing the QUEST® Mark.

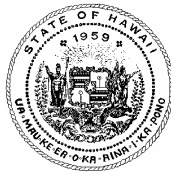
The DHS does not have jurisdiction to provide EFT for other payments. EBT is not the only method of providing electronic funds transfer. Other jurisdictions have expanded current systems beyond EBT cards. Emerging new practices include the use of electronic payment card called ReliaCard®, a Visa branded debit card, used by the Child Support Enforcement Agency (CSEA).

The Department would recommend that that Senate committee explore the possibility of an electronic payment card that allows for an electronic funds transfer to a branded card rather than an EBT card. This debit card would bear the logo of a

commercial payment company such as VISA, MasterCard, etc. and would not be subject to the same operating rules governing the EBT card bearing the QUEST® Mark. These cards would be more versatile as they would have a larger base of retailer acceptance at both POS devices and ATMs.

Thank you for this opportunity to comment on this bill.

NEIL ABERCROMBIE
GOVERNOR



BARBARA A. KRIEG
DIRECTOR

LEILA A. KAGAWA
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF HUMAN RESOURCES DEVELOPMENT
235 S. BERETANIA STREET
HONOLULU, HAWAII 96813-2437

February 6, 2013

TESTIMONY TO THE
SENATE COMMITTEE ON HUMAN SERVICES,
SENATE COMMITTEE ON TECHNOLOGY AND THE ARTS, AND
SENATE COMMITTEE ON JUDICIARY AND LABOR

For Hearing on Thursday, February 7, 2013
2:30 p.m., Conference Room 016

BY

BARBARA A. KRIEG
DIRECTOR

Senate Bill No. 1331
Relating to Payments by the State

WRITTEN TESTIMONY ONLY

TO CHAIRPERSON SUZANNE CHUN OAKLAND, CHAIRPERSON GLENN WAKAI,
CHAIRPERSON CLAYTON HEE, AND MEMBERS OF THE COMMITTEES:

Thank you for the opportunity to provide testimony on S.B. 1331.

The purpose of S.B. 1331 is to require the State to issue all payments that recur more than once per year by means of a direct deposit electronic funds transfer or debit card issued under the Hawaii electronic benefit transfer system no later than July 1, 2015.

The Department of Human Resources Development (DHRD) has a fiduciary duty to administer the State's self-insured workers' compensation program and its expenditure of public funds. In that regard, DHRD has **significant concerns** with Section 2 of this bill.

First, the proposed new statutory section contains terms and phrases which are not used or defined in the existing Chapter 386, the Hawaii Workers' Compensation

Law, including “eligible persons” and “beneficiaries.” The section also does not specify which “workers’ compensation payments” and which “benefits” are contemplated as being covered by the provisions of this bill. Payments and benefits run the gamut from indemnity to medical or myriad other benefits provided under the workers’ compensation law. The vagueness and ambiguity of this bill as it pertains to Chapter 386 make it inherently impossible to implement.

Second, under our current and well-established processes, DHRD authorizes payments for workers’ compensation benefits to or on behalf of claimants. The actual disbursements, whether they are to claimants or providers of services, are made by the Department of Accounting and General Services (DAGS). In our discussions with DAGS regarding this bill, we understand that DHRD may have to procure its own electronic benefit payment system or modify our systems so that payments can be made in the manner that is required by this measure. While this bill would establish a major new function for DHRD, it makes no appropriation by which DHRD may implement its requirements.

Finally, we are concerned that any delays in making payments to claimants and providers of service due to the requirements of this bill will expose DHRD to administrative fines and penalties under the workers’ compensation law. For example, there is an automatic twenty percent (20%) penalty for temporary total disability benefits that are not paid within ten (10) days if a claim is not controverted.

Thank you for the opportunity to testify on this measure.



STATE OF HAWAII
DEPARTMENT OF EDUCATION
P.O. BOX 2360
HONOLULU, HAWAII 96804

Date: 02/07/2013

Committee: Senate Human Services/Senate
Technology and the Arts/Senate Judiciary
and Labor

Department: Education

Person Testifying: Kathryn S. Matayoshi, Superintendent of Education

Title of Bill: SB 1331 RELATING TO PAYMENTS BY THE STATE.

Purpose of Bill: Requires the State to issue all payments that recur more than once per year by means of a direct deposit electronic funds transfer or debit card issued under the Hawaii electronic benefit transfer system no later than July 1, 2015.

Department's Position:

The Department of Education supports the intent of S.B. 1331, that would require certain state programs to provide payments by means of a debit card or by electronic funds transfer. Our testimony will only address the proposed change to Section 40-53, Salary and Pension payments, which relates to payroll payments made to state employees.

The current payroll system is over forty years old and requires a significant amount of time and resources to make modifications to it. We currently have a direct deposit process that enables the majority of employees to have their pay checks directly deposited to designated financial institutions. The state is currently in the process of procuring a new Enterprise Resource Planning (ERP) system that would replace the state's current human resource, payroll and financial systems. New ERP systems are designed to include various payment methods such as check, debit or pay card, and electronic funds transfer. We believe that the state's limited resources should be directed to the procurement, development and implementation of the new ERP system and therefore we recommend that S.B. 1331 be held.

Thank you for the opportunity to testify on this matter.

From: mailinglist@capitol.hawaii.gov
To: [HMS Testimony](#)
Cc: curryd@hiers.org
Subject: *Submitted testimony for SB1331 on Feb 7, 2013 14:30PM*
Date: Wednesday, February 06, 2013 10:43:08 AM

SB1331

Submitted on: 2/6/2013

Testimony for HMS/TEC/JDL on Feb 7, 2013 14:30PM in Conference Room 016

Submitted By	Organization	Testifier Position	Present at Hearing
ERS Administration	Employees' Retirement System of the State of Hawaii	Oppose	Yes

Comments:

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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