



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

March 18, 2014

MEMORANDUM

TO: The Honorable Mele Carroll, Chair
Committee on Human Services

FROM: Patricia McManaman, Director

SUBJECT: **S.B. 2841, S.D. 1 - RELATING TO THE ESTABLISHMENT OF
THE INTERIM ASSISTANCE REIMBURSEMENT SPECIAL FUND**

Hearing: Tuesday, March 18, 2014; 9:45 a.m.
Conference Room 329, State Capitol

PURPOSE: The purpose of this bill is to allow the Department of Human Services (DHS) to establish a special fund, the interim assistance reimbursement (IAR) special fund, into which interim assistance reimbursements received from the Social Security Administration are deposited for repayment of state-funded financial assistance provided under the general assistance, aged, blind, and disabled, or temporary assistance for needy families programs for recipients who are retroactively approved for supplemental security income and authorizes DHS to expend the funds for state-funded financial assistance programs; and to make an appropriation out of the fund.

DEPARTMENT'S POSITION: The Department of Human Services (DHS) strongly supports this Administration bill.

In accordance with section 346-57, Hawaii Revised Statutes, state-funded financial assistance is paid to qualified general assistance (GA), assistance to the aged,

blind and disabled (AABD) and temporary assistance for needy families (TANF) program recipients while their applications for SSI is pending a determination with the federal Social Security Administration (SSA). If the SSI is approved, the SSA will retroactively reimburse Hawaii for the state-funded assistance provided.

The determination for SSI may take several months or years if an SSI appeal is filed. At one time the average length of time for an initial SSI determination took from three to five months. Presently the average length of time has grown to four to eight months. Consequently, the IAR in a majority of cases is not received in the fiscal year in which the state-funded benefits were paid. The Department of Human Services is not allowed to retain interim assistance reimbursements received for a prior fiscal year and instead is required to deposit the IAR into the state treasury.

In state fiscal year 2013, the State received interim assistance reimbursements totaling \$1,679,716 of which \$623,496 was retained by the Department for state-funded benefits paid, with \$1,056,219 lapsing to the general fund. In state fiscal year 2012, the State received interim assistance reimbursements totaling \$1,529,409 of which \$632,074 was retained by the Department for state-funded benefits paid, with \$897,335 lapsing to the general fund.

The General Assistance program is the largest of the three programs and therefore receives the largest IAR. Pursuant to section 346-53(b), Hawaii Revised Statutes, General Assistance is a block grant program. The DHS must adjust GA payments to remain within the GA appropriation when caseloads increase or decrease.

In recent years the Department has requested several emergency appropriations for the GA program with the latest request for fiscal year 2012. For fiscal year 2012, the payment level began at \$353, but due to caseload increases the benefit payment amount was reduced to \$319 in October 2011. The benefit payment would have been reduced further to \$275 in April 2012 without the approval of an emergency

appropriation of \$736,478 in general funds by the 2012 Legislature. Had the Department been able to retain the \$897,335 that lapsed to the general fund, the emergency appropriation of \$736,478 to maintain and stabilize payment levels for fiscal year 2012 would not have been necessary.

For FY 2013, the payment level began at \$319. A projected rise in the caseload required a reduction in the monthly benefit to \$298 in February 2013. An emergency appropriation was not requested and the monthly benefit amount remained at \$298 for the rest of the fiscal year. For the FY 2014, the monthly benefit payment began at \$298 and was readjusted upward to \$319 in October 2013 based on a current slight decline in caseload.

The necessity for the reductions and fluctuations in benefit payments provide no stability to households who already live far below poverty levels. Reducing the amount of the benefit payment for these individuals poses a real threat to the individuals' health and safety. It is also almost certain to trigger increased homelessness.

To stabilize payments to beneficiaries at a equitable benefit amount and to reduce the future need for emergency appropriations for the GA program, this bill proposes to allow the Department of Human Services to retain the IAR from prior fiscal years in a new special fund, designated as the interim assistance reimbursement revolving account, to be used by the Department of Human Services for state-funded financial assistance programs. The \$1,056,219 which lapsed to the general fund in SFY 2013 would have allowed the Department to increase monthly payments to \$325 and avert the reduction to \$298 that occurred in February 2013. If a similar reimbursement were to be applied to the SFY 2014 caseload which has experienced a slight decline, a payment increase to \$337 effective July 2013 would have been possible.

The Department does not anticipate a significant balance of SSI reimbursements to remain in the revolving account at the end of the fiscal year because funds in the special fund will be used as a supplement to state funded assistance programs during the year to either maintain or avert reductions when caseloads rise; or if the standard of assistance increases. In the unlikely event there is an amount in excess of \$2,642,000, the Department proposes that the amount in excess of \$2,642,000 shall be lapsed to the general treasury.

Additionally, the Department will submit a report to the Legislature detailing the amount and reason for the expenditure from the IAR within ten business days of a transfer out of the revolving account. We would also like to request that this measure be effective upon approval.

This measure is one of three strategies that the DHS is proposing to stabilize GA payments. The second is Administration bill S.B. 2840, S.D. 1, that proposes allow the Department of Human Services to draw from other funds appropriated to the Department of Human Services to maintain the level of General Assistance benefits payments set at the beginning of each fiscal year for the entire fiscal year. The third strategy is an additional appropriation of \$2,642,000 of general funds to increase the current GA appropriation requested in the Executive Supplemental Budget and is currently included in H.B. 1700, H.D. 1.

Thank you for the opportunity to provide testimony on this bill.



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**TESTIMONY IN SUPPORT OF
SB2841 SD1 - RELATING TO THE ESTABLISHMENT OF THE INTERIM ASSISTANCE
REIMBURSEMENT SPECIAL FUND**

Committee on Human Services - Room 329

Representative Mele Carroll, Chair
Representative Bertrand Kobayashi, Vice-Chair

March 18, 2014 at 9:45 a.m.

The Legal Aid Society of Hawaii submits testimony in support of SB2841 SD1 – Relating to the Establishment of the Interim Assistance Reimbursement Special Fund. This bill would create a special fund where funds received by the federal government to reimburse the state for the provision of general assistance upon the successful award of social security benefits to a disabled Hawai'i resident.

For over fifteen years, under contract with the Department of Human Services, Legal Aid has provided legal advocacy to disabled Hawai'i residents who receive state funded general assistance and state funded assistance to the aged blind and disabled to receive federal social security benefits. To receive state funded disability assistance, recipients are required to sign a loan agreement with the state which indicates that the state shall be reimbursed from any retroactive payment for benefits to be paid to the recipient by the federal government. Currently, a large portion of these funds are deposited into the general fund and the Department of Human Services over the last several years has had to seek Emergency Appropriations to maintain a small, but valuable benefit to our disabled residents.

The amount of benefits to brought to the state cannot be understated. Legal Aid's efforts in just the last ten years has netted over \$8.3 million in back payments to reimburse the state and current monthly payments of over \$2 million in previously unrecognized federal funds now flow to the state for use in our economy.

We strongly support this effort to create a special fund so that the Department of Human Services is able to continue to provide adequate benefits to disabled Hawai'i residents without having to seek continued Emergency Appropriation.

Thank you for this opportunity to provide testimony.

Sincerely,

M. Nalani Fujimori Kaina
Executive Director

The Legal Aid Society of Hawaii (Legal Aid) is the only legal service provider with offices on every island in the state, and in 2013 provided legal assistance to almost 10,000 Hawai'i residents in the areas of consumer fraud, public assistance, family law, the prevention of homelessness, employment, protection from domestic violence, and immigration. Our mission is to achieve fairness and justice through legal advocacy, outreach and education for those in need.



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