



STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES
P. O. Box 339
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February 13, 2014

MEMORANDUM

TO: The Honorable David Y. Ige, Chair
Senate Committee on Ways and Means

FROM: Barbara Yamashita, Acting Director

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

Hearing: Thursday, February 13, 2014, 9:30 a.m.
Conference Room 211, 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 Special Fund, into which shall be deposited funds received from the federal government pursuant to section 346-57, Hawaii Revised Statutes, which authorizes state loans to applicants of federal Supplemental Security Income (SSI). The special fund requires the DHS to expend Interim Assistance Reimbursements (IAR) for state-funded financial assistance payments and programs that support and assist recipients to qualify for supplemental security income; 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 account, designated as the interim assistance reimbursement special 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 would have been possible.

Although the Department does not anticipate a significant amount of funding that would carryover to subsequent fiscal years because these funds will likely be utilized annually to avert reductions when caseloads rise or if there is an increase to the standard of assistance, the Department recommends that this special account be limited to a carryover of no more than \$5,000,000 in a given fiscal year and any carryover balance in excess of \$5,000,000 shall be lapsed to the general treasury. Further, a report shall be submitted to the Legislature detailing the amount and basis for the expenditure, within ten business days of a transfer out of the special account.

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