



**TESTIMONY OF  
THE DEPARTMENT OF THE ATTORNEY GENERAL  
TWENTY-NINTH LEGISLATURE, 2017**

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**ON THE FOLLOWING MEASURE:**

S.B. NO. 897 CRIMINAL HISTORY RECORD CHECKS.

**BEFORE THE:**

SENATE COMMITTEE ON JUDICIARY AND LABOR

SENATE COMMITTEE ON HUMAN SERVICES

**DATE:** Monday, February 13, 2017 **TIME:** 2:45 p.m.

**LOCATION:** State Capitol, Room 325

**TESTIFIER(S):** Douglas S. Chin, Attorney General, or  
Nathan S.C. Chee, Deputy Attorney General

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Chairs Keith-Agaran and Green and Members of the Committees

The Department of the Attorney General supports this administration bill.

The purpose of this bill is to authorize the Child Support Enforcement Agency (CSEA) and the Departments of Taxation, Labor and Industrial Relations, and Human Services to conduct criminal history record checks for employees, applicants for employment, and contractors who will have access to Federal Tax Information (FTI).

The Internal Revenue Service (IRS), through *Publication 1075, Tax Information Security Guidelines for Federal, State and Local Agencies*, recently mandated that all agencies receiving FTI perform background checks, including an FBI fingerprint search, on all employees, applicants for employment, and contractors who have access to FTI.

The CSEA receives FTI for the purposes of locating noncustodial parents and for the enforcement of child support obligations through the interception of federal income tax refunds.

The Department of Taxation receives and relies on FTI to perform audits. Maintaining access to FTI is required for the proper administration and collection of taxes.

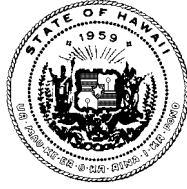
The Department of Labor and Industrial Relations (DLIR) receives FTI for two purposes: (1) to reduce worker misclassification; and (2) to support the Treasury Offset Program (TOP). Worker misclassification occurs when an employee is erroneously

classified by an employer as an independent contractor or not classified at all and becomes part of the underground economy. The TOP is a centralized offset program administered by the Bureau of the Fiscal Service's Debt Management Services to collect delinquent debts owed to federal agencies and states (including past-due child support). On December 26, 2013, President Obama signed into law the Bipartisan Budget Act. The Act requires each state to administer the unemployment insurance programs and to use TOP to recoup certain outstanding debts via intercept of Federal income tax refunds as a condition for receipt of grants. As the DLIR relies on grant funding to operate the unemployment insurance offices, continued access to FTI must be maintained.

The Department of Human Services (DHS) receives FTI from both the IRS and the Social Services Administration (SSA). DHS relies on FTI and other income data sources to accurately determine an individual's eligibility for services and programs.

To ensure the agency and departments discussed above may continue to perform their core functions, we respectfully request passage of this bill.

DAVID Y. IGE  
GOVERNOR



PANKAJ BHANOT  
DIRECTOR

BRIDGET HOLTHUS  
DEPUTY DIRECTOR

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

February 13, 2017

TO: The Honorable Senator Gilbert Keith-Agaran, Chair  
Senate Committee on Judiciary & Labor  
  
The Honorable Senator Josh Green, Chair  
Senate Committee on Human Services

FROM: Pankaj Bhanot, Director

SUBJECT: **SB897 - RELATING TO CRIMINAL HISTORY RECORD CHECKS**

Hearing: February 13, 2017, 2:45 p.m.  
Conference Room 016, State Capitol

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

**PURPOSE:** The purpose of this measure is to add the Child Support Enforcement Agency and the Departments of Taxation, Human Services, and Labor and Industrial Relations to the list of agencies that are authorized to conduct criminal history record checks on employees, prospective employees, and contractors that have access to federal tax information (FTI).

The Internal Revenue Service (IRS), through Publication 1075, Tax Information Security Guidelines for Federal, State and Local Agencies, recently mandated all agencies that receive Federal Tax Information (FTI) perform background checks, including an FBI fingerprint search, on all employees, applicants for employment, and contractors who access to FTI.

DHS receives FTI from both the Internal Revenue Services (IRS) and the Social Security Administration, and approximately 600 employees have access to FTI. This measure will support the efforts to safeguard FTI and remain compliant with federal law changes.

Thank you for this opportunity to provide comments on this bill.



**STATE OF HAWAII  
DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS**

830 PUNCHBOWL STREET, ROOM 321

HONOLULU, HAWAII 96813

[www.labor.hawaii.gov](http://www.labor.hawaii.gov)

Phone: (808) 586-8844 / Fax: (808) 586-9099

Email: [dlir.director@hawaii.gov](mailto:dlir.director@hawaii.gov)

February 7, 2017

To: The Honorable Gilbert S.C. Keith-Agaran, Chair  
The Honorable Karl Rhoads, Vice Chair, and  
Members of the Senate Committee on Judiciary and Labor

The Honorable Josh Green, Chair  
The Honorable Stanley Chang, Vice Chair, and  
Members of the Senate Committee on Human Services

Date: Monday, February 13, 2017  
Time: 2:45 P.M.  
Place: Conference Room 016, State Capitol

From: Linda Chu Takayama, Director  
Department of Labor and Industrial Relations (DLIR)

**Re: S.B. No. 897 Relating to Criminal History Record Checks**

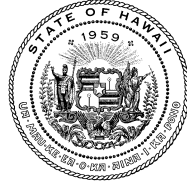
The Department strongly supports SB897 that allows DLIR to conduct criminal history record checks on employees with access to federal tax information.

The Internal Revenue Service (IRS), through Publication 1075, Tax Information Security Guidelines for Federal, State, and Local Agencies, recently mandated all agencies that received Federal Tax Information (FTI) perform background checks, including an FBI fingerprint search, on all employees who access FTI.

The Department participates in the Treasury Offset Program (TOP), which allows the Unemployment Insurance Division to recover certain unemployment debts from federal income tax refunds. Hawaii must participate in TOP to qualify for future supplemental funding available from the U.S. Department of Labor (U.S.DOL).

**DAVID Y. IGE**  
GOVERNOR

**SHAN TSUTSUI**  
LT. GOVERNOR



STATE OF HAWAII  
**DEPARTMENT OF TAXATION**  
P.O. BOX 259  
HONOLULU, HAWAII 96809  
PHONE NO: (808) 587-1540  
FAX NO: (808) 587-1560

**MARIA E. ZIELINSKI**  
DIRECTOR OF TAXATION

**DAMIEN A. ELEFANTE**  
DEPUTY DIRECTOR

To: The Honorable Gilbert S.C. Keith-Agaran, Chair  
and Members of the Senate Committee on Judiciary and Labor

The Honorable Josh Green, Chair  
and Members of the Senate Committee on Human Services

Date: Monday, February 13, 2017  
Time: 2:45 P.M.  
Place: Conference Room 016, State Capitol

From: Maria E. Zielinski, Director  
Department of Taxation

Re: S.B. 897, Relating to Criminal History Record Checks

The Department of Taxation (Department) strongly supports S.B. 897, an Administration measure allowing the Department and other agencies to conduct criminal history record checks on employees. S.B. 897 is effective upon its approval.

The Internal Revenue Service (IRS), through Publication 1075, Tax Information Security Guidelines for Federal, State and Local Agencies, recently mandated that all agencies that receive Federal Tax Information (FTI) perform background checks, including an FBI fingerprint search, on all employees who access FTI.

The Department of Taxation relies on FTI received from the IRS to target and perform audits. Maintaining access to FTI is critical to the administration of taxes. There will be a definite decrease in tax revenue collected without the ability to receive FTI.

Thank you for the opportunity to provide testimony in support.