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P. O. Box 339
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February 28, 2022

TO: The Honorable Senator Donovan M. Dela Cruz, Chair
Senate Committee on Ways & Means

FROM: Cathy Betts, Director

SUBJECT: **SB 2393 SD1 – RELATING TO ASSISTANCE FOR PERSONS COMPLETING A TERM OF IMPRISONMENT.**

HEARING: March 2, 2022, 1:00 p.m.
Via Videoconference, State Capitol

DEPARTMENT'S POSITION: The Department of Human Services (DHS) appreciates the intent of this measure, provides comments, and requests clarification. The Department defers to the Departments of Public Safety (PSD) and Taxation. Lastly, DHS respectfully requests that any appropriation not reduce or replace budget priorities identified in the executive budget.

PURPOSE: The purpose of this measure is to establish within the Department of Human Services a four-year pilot program to provide housing and child care vouchers to qualified applicants who will soon complete, or have recently completed, a term of imprisonment as a sentenced offender, and who have or will have sole or primary custody of one or more children under the age of eighteen. Income tax credit to employers who employ qualified program participants for up to two years after the qualified program participant is released from a correctional facility. Requires reports to the Legislature. Appropriates funds. (SD1) The SD1 amended the measure by:

- (1) Including in the four-year pilot program, an income tax credit for taxpayers who employ qualified program participants; and

- (2) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

Per the committee report, the added excise tax provisions are from SB2775 that was deferred.

The Department agrees that more resources are needed to support inmates exiting the State's jails and prisons and appreciates this comprehensive proposal. The Department will work with PSD to develop a process for jail and prison inmates before their release to improve access to existing DHS benefits and programs. For example, the DHS Med-QUEST division has a working relationship with PSD to have prison inmates apply for Medicaid coverage before exiting. In addition, our staff has provided training to community groups working with former inmates on accessing DHS programs.

The Department requests clarification if the Legislature intends to provide state general funds for the identified vouchers or whether the expectation is that former inmates will access existing federally or state-funded programs. Notably, the primary resource that men and women exiting jail or prison need is safe housing; it is challenging to follow up with individuals who do not have an address.

The Department requests the Legislature consider that depending upon the individual's household size upon exiting jail or prison; if these are new kinds of vouchers, it is unclear how DHS programs will consider these vouchers for eligibility for existing programs.

The Department is open to discussion on how to maximize existing resources to accomplish the purpose of this measure. The Department also asks the Legislature to support SB2306/HB1741 Relating to Children and Family of Incarcerated Individuals, which proposes a small pilot to work with inmates exiting from Waiawa Correctional Center.

Additionally, for DHS to implement a new program, it will need an appropriation for additional staff and operational resources, including funds for contract services, to establish this pilot. As the bill can appropriate only one-year funding, DHS suggests that available appropriations go toward procuring a planner or consultant to facilitate the development of the pilot and give additional time to develop the idea. The Department also does not have any expertise or experience regarding tax credits and will require funds to procure technical

assistance to implement the proposed tax credit. As the bill progresses through session, DHS will update its resources needs.

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

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To: The Honorable Donovan M. Dela Cruz, Chair;
The Honorable Gilbert S.C. Keith-Agaran, Vice Chair;
and Members of the Senate Committee on Ways and Means

The Honorable Karl Rhoads, Chair;
The Honorable Jarrett Keohokalole, Vice Chair;
And Members of the Senate Committee on Judiciary

From: Isaac W. Choy, Director
Department of Taxation

Date: Wednesday, March 02, 2022
Time: 9:30 A.M.
Place: Via Video Conference, State Capitol

**Re: S.B. 3293, S.D. 1, Relating to Assistance for Persons
Completing a Term of Imprisonment.**

The Department of Taxation (Department) appreciates the intent of S.B. 3293, S.D. 1, and offers the following comments.

S.B. 3293, S.D. 1, creates a four-year pilot program to include a housing voucher program, child care voucher program, and a nonrefundable income tax credit for employers of program participants. This measure takes effect on July 1, 2022 with section 2(c) applying to taxable years beginning after December 31, 2021.

The income tax credit for employers of program participants, as written in Section 2 subsection (c)(4) of the measure, is “equal to the amount of contribution paid by the taxpayer pursuant to section 383-61, Hawaii Revised Statutes (HRS), for the qualified program participant-employee.” Section 383-61, HRS, relates to contributions for Hawaii Employment Security Law, labor and industry.

The Department appreciates the inclusion of a procedure for verification of eligible employees when taxpayers claim this tax credit as outlined in Section 2, subsections (c)(1) and (2). Similarly, the Department appreciates the inclusion of statutory language allowing the Department of Labor and Industrial Relations (DLIR) to provide necessary data pertaining to

section 383-61, HRS, in order for the Department to administer the tax credit portion of this bill, as outlined in Section 2, subsection (c)(4).

Finally, the Department respectfully requests that the effective date of this new tax credit be amended so that the new tax credit applies to taxable years after December 31, 2022. This will provide the Department time to make the necessary forms, instructions, and computer system changes.

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



SB3293 SD1 Comprehensive Women Offender Reentry Program

COMMITTEE ON WAYS AND MEANS

Senator Donovan M. Dela Cruz, Chair

Senator Gilbert S.C. Keith-Agaran, Vice Chair

COMMITTEE ON JUDICIARY

Senator Karl Rhoads, Chair

Senator Jarrett Keohokalole, Vice Chair

Wednesday, Mar 2 2022: 9:30 : Videoconference

Hawaii Substance Abuse Coalition Strongly Supports SB3293 SD1:

ALOHA CHAIR, VICE CHAIR AND DISTINGUISHED COMMITTEE MEMBERS. My name is Alan Johnson. I am the current chair of the Hawaii Substance Abuse Coalition (HSAC), a statewide organization for substance use disorder and co-occurring mental health disorder treatment and prevention agencies.

Successful reentry contains these elements *if needed*:

- 1. Substance use disorder treatment or co-occurring substance abuse and mental health treatment**
- 2. Mental health treatment (no substance abuse)**
- 3. Criminality programs to change attitudes and beliefs about crime.**
- 4. Housing**
- 5. Family reunification**
- 6. Employment and/or Education**
- 7. Support from Probation/Parole**
- 8. Case management as needed.**
- 9. Healthcare**
- 10. Mentoring**

Reentry is a highly cost-effective investment.

Motivating programs with encouraging support could make a big difference here.

We appreciate the opportunity to provide testimony and are available for further questions.

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CRAIG K. HIRAI
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**STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE**

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EMPLOYEES' RETIREMENT SYSTEM
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
OFFICE OF THE PUBLIC DEFENDER

ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND
MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

WRITTEN ONLY
TESTIMONY BY CRAIG K. HIRAI
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE SENATE COMMITTEES ON WAYS AND MEANS AND JUDICIARY
ON
SENATE BILL NO. 3293, S.D. 1

**March 2, 2022
9:30 a.m.
Room 211 and Videoconference**

**RELATING TO ASSISTANCE FOR PERSONS COMPLETING A TERM OF
IMPRISONMENT**

The Department of Budget and Finance (B&F) offers comments on this bill.

Senate Bill No. 3293, S.D. 1: 1) establishes a housing and child care voucher pilot program within the Department of Human Services (DHS) for individuals who are exiting incarceration or were recently released and who have or will have sole or primary custody of a minor child for a period of four years; 2) establishes an employer tax credit program to provide income tax credits to employers of qualified program participants for a period of four years; 3) sets eligibility and participation requirements for both programs; 4) sets reporting requirements for DHS for both programs; and 5) appropriates an unspecified amount of general funds to DHS in FY 23 to provide pilot program vouchers.

B&F notes that, with respect to the general fund appropriation in this bill, the federal Coronavirus Response and Relief Supplemental Appropriations Act requires that states receiving Elementary and Secondary School Emergency Relief (ESSER) II funds and Governor's Emergency Education Relief II funds must maintain state support for:

- Elementary and secondary education in FY 22 at least at the proportional level of the state's support for elementary and secondary education relative to the state's overall spending, averaged over FYs 17, 18 and 19; and
- Higher education in FY 22 at least at the proportional level of the state's support for higher education relative to the state's overall spending, averaged over FYs 17, 18 and 19.

Further, the federal American Rescue Plan (ARP) Act requires that states receiving ARP ESSER funds must maintain state support for:

- Elementary and secondary education in FY 22 and FY 23 at least at the proportional level of the state's support for elementary and secondary education relative to the state's overall spending, averaged over FYs 17, 18 and 19; and
- Higher education in FY 22 and FY 23 at least at the proportional level of the state's support for higher education relative to the state's overall spending, averaged over FYs 17, 18 and 19.

The U.S. Department of Education has issued rules governing how these maintenance of effort (MOE) requirements are to be administered. B&F will be working with the money committees of the Legislature to ensure that the State of Hawai'i complies with these ESSER MOE requirements.

B&F also notes that the federal ARP Act restricts states from using ARP Coronavirus State Fiscal Recovery Funds (CSFRF) to directly or indirectly offset a reduction in net tax revenue resulting from a change in law, regulation, or administrative interpretation beginning on March 3, 2021, through the last day of the fiscal year in which the CSFRF have been spent. If a state cuts taxes during this period, it must demonstrate how it paid for the tax cuts from sources other than the CSFRF, such as:

- By enacting policies to raise other sources of revenue;
- By cutting spending; or
- Through higher revenue due to economic growth.

If the CSFRF provided have been used to offset tax cuts, the amount used for this purpose must be repaid to the U.S. Treasury.

The U.S. Department of Treasury has issued rules governing how this restriction is to be administered. B&F will be working with the money committees of the Legislature to ensure that the State of Hawai'i complies with this ARP restriction.

Thank you for your consideration of our comments.