
A BILL FOR AN ACT

MAKING AN EMERGENCY APPROPRIATION TO THE DEPARTMENT OF HUMAN SERVICES.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. This Act is recommended by the governor for
2 immediate passage in accordance with section 9 of article VII of
3 the Constitution of the State of Hawaii.

4 SECTION 2. The legislature finds that the department of
5 human services administers the supplemental nutrition assistance
6 program for eligible households that meet income and other
7 program requirements. The legislature further finds that during
8 the coronavirus disease 2019 pandemic, the department of human
9 services requested and received approval from the federal
10 government to waive numerous requirements related to the
11 processing of supplemental nutrition assistance program
12 benefits. These waivers allowed the department to quickly
13 respond to an increased demand for benefits while maintaining a
14 safe working environment for staff and the public.

15 Following the end of the coronavirus disease 2019 pandemic,
16 the United States Department of Agriculture Food and Nutrition
17 Service required states to end waivers and resume normal

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1 benefits processing requirements. From approximately October
2 2021 through September 2023, Hawaii and other states experienced
3 increased payment error rates in processing supplemental
4 nutrition assistance benefits. The increased error rates were
5 related to the changes in requirements during and following the
6 coronavirus disease 2019 pandemic, as well as the high vacancy
7 and turnover rates for eligibility worker staff.

8 In June 2024, the United States Department of Agriculture
9 Food and Nutrition Service assessed the department of human
10 services a penalty of \$10,934,327 for having a supplemental
11 nutrition assistance program payment error rate above the
12 national average for two consecutive federal fiscal years.
13 However, in lieu of paying the total penalty, the United States
14 Department of Agriculture Food and Nutrition Service provided
15 the option to the State to reinvest fifty per cent of the
16 penalty amount in program improvements that would reduce the
17 payment error rate.

18 The State is pursuing the reinvestment option to resolve
19 the penalty. The department of human services plans to reinvest
20 fifty per cent of the assessed penalty to complete the
21 development of a new eligibility system, which is anticipated to
22 be completed in late 2025. Notably, under the terms of the

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1 reinvestment option, if the reinvestment results in the payment
2 error rate falling under and remaining below the national
3 average, which is currently 11.68 per cent, the State will not
4 be required to pay the remaining fifty per cent of the penalty.

5 Failure to reinvest fifty per cent of the penalty amount
6 will result in the total penalty amount needing to be paid.
7 Additionally, failure to improve error rates may result in
8 increased financial penalties for the State.

9 Funding for this reinvestment option is required in fiscal
10 year 2024-2025 to make necessary modifications to the ongoing
11 development of the department of human services' new eligibility
12 system to specifically support automation of eligibility worker
13 tasks that will increase efficiency, and which are designed to
14 reduce worker errors. Reinvestment funding is required in this
15 fiscal year to avoid project delays and ensure that the new
16 system includes the technical capabilities required to reduce
17 the payment error rate.

18 The department of human services requires an emergency
19 appropriation of \$5,467,164 for fiscal year 2024-2025 to support
20 the necessary modifications to the ongoing development of a new
21 eligibility system.

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1 SECTION 3. There is appropriated out of the general
2 revenues of the State of Hawaii the sum of \$5,467,164 or so much
3 thereof as may be necessary for fiscal year 2024-2025, which is
4 fifty per cent of the payment error penalty assessed by the
5 United States Department of Agriculture Food and Nutrition
6 Service, to be used to reinvest in the ongoing development of a
7 new eligibility system that will result in reduced payment error
8 rates.

9 The sum appropriated shall be expended by the department of
10 human services for the purpose of this Act.

11 SECTION 4. This Act shall take effect upon its approval.

12
13 INTRODUCED BY:



14 BY REQUEST

JAN 21 2025

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Report Title:

Department of Human Services; Supplemental Nutrition Assistance Program; Emergency Appropriation

Description:

Provides an emergency appropriation for fifty percent of the penalty assessed by the United States Department of Agriculture Food and Nutrition Service. The funds will be reinvested in the continued development of a new eligibility system that will assist in reducing the State's supplemental nutrition assistance program payment error rate, which, if successful, may result in the State's not being required to pay the remaining fifty percent of the penalty.

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JUSTIFICATION SHEET

DEPARTMENT: Human Services

TITLE: A BILL FOR AN ACT MAKING AN EMERGENCY APPROPRIATION TO THE DEPARTMENT OF HUMAN SERVICES.

PURPOSE: To provide funding for system changes for the Department to decrease the error rate in the Supplemental Nutrition Assistance Program (SNAP) as an option to comply with penalties assessed by the United States Department of Agriculture Food and Nutrition Services (FNS).

MEANS: An emergency appropriation of general funds.

JUSTIFICATION: On June 28, 2024, FNS notified the State that it had incurred a penalty of \$10,934,327 because the State's payment error rate was above the national average for two consecutive federal fiscal years. The national average is 11.68 percent; Hawaii's payment error rate for federal fiscal year 2023 was 20.94 percent.

FNS offered Hawaii the option of paying the penalty in full or reinvesting fifty percent of the penalty amount in improvements that would lead to a reduction of the SNAP payment error rate. Under the terms of the reinvestment option, the Department needs only fifty percent of the assessed penalty now, as FNS may waive the remaining fifty percent if the reinvestment results in decreasing the State's payment error rate, and the State remains below the national payment error rate average.

Hawaii is opting to reinvest fifty percent of the penalty amount towards the ongoing development of its new Benefits Eligibility Solution (BES) system. BES is scheduled for statewide implementation in late 2025. Due to the ongoing implementation timeline for BES and to allow time for FNS approval of

the reinvestment plan, funding is required in the current state fiscal year 2024-2025.

The Department needs additional funds to reinvest fifty percent of the penalty in fiscal year 2024-2025 without adversely impacting other programs and services for low-income households statewide. The FNS penalty amount designated for reinvestment must be funded with new general funds. Failure to pay the penalty reinvestment amount will result in the total penalty needing to be paid. It may result in future financial penalties if the payment error rate remains above the national average of 11.68 percent.

The reinvestment of fifty percent of the penalty amount in BES development will support increased automation aimed at increasing efficiency and reducing the likelihood of worker error. Reducing payment errors will prevent FNS from imposing future penalties for high payment error rates.

Impact on the public: SNAP recipients will benefit from more accurate SNAP payments, reducing the need to make calls and requests to review payment amounts and the need for recipients to pay back overpayments based on agency errors.

Impact on the department and other agencies: The Department will address the FNS penalty and improve the SNAP program error rates by reinvesting in the BES improvements. These improvements aim to automate certain functions related to eligibility processing and reduce SNAP payment errors. Reduced payment errors will minimize future FNS penalties and decrease requests for administrative reviews.

GENERAL FUND: \$5,467,164.

OTHER FUNDS: None.

PPBS PROGRAM

DESIGNATION: HMS 903.

OTHER AFFECTED

AGENCIES: None.

EFFECTIVE DATE: Upon approval.