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KA HOPE LUNA HO'OKELE

STATE OF HAWAII
KA MOKU'ĀINA O HAWAI'I
DEPARTMENT OF HUMAN SERVICES
KA 'OIHANA MĀLAMA LAWE LAWE KANAKA
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TRISTA SPEER
DEPUTY DIRECTOR
KA HOPE LUNA HO'OKELE

February 1, 2025

TO: The Honorable Senator Joy A. San Buenaventura, Chair
Senate Committee on Health and Human Services

FROM: Ryan I. Yamane, Director

SUBJECT: **SB 1418 – MAKING AN EMERGENCY APPROPRIATION TO THE DEPARTMENT OF HUMAN SERVICES.**

Hearing: Wednesday, February 5, 2025, 1:00 p.m.
Conference Room 225 & Videoconference, State Capitol

DEPARTMENT'S POSITION: The Department of Human Services (DHS) supports this administrative measure and defers to the Department of Budget & Finance.

PURPOSE: This measure provides an emergency appropriation for fifty percent of the penalty assessed by the United States Department of Agriculture Food and Nutrition Service (FNS). The funds will be reinvested in the continued development of a new eligibility system that will assist in reducing the rate, which, if successful, may result in the State's not being required to pay the remaining fifty percent of the penalty.

On June 28, 2024, FNS notified DHS that it had incurred a penalty of \$10,934,327 because the State's payment error rate for the Supplemental Nutrition Assistance Program (SNAP) was above the national average for two consecutive federal fiscal years. The national average in federal fiscal year (FFY) 2023 was 11.68 percent, and Hawaii's payment error rate during this period was 20.94 percent. Contributing to the high payment error rate were the impacts of the COVID-19 pandemic, including the many changes that came with program waivers, increased applications, expanded caseloads, the SFY 2021 executive hiring freeze, Act

9, Session Laws of Hawaii (SLH) of 2020, defunding of 319 positions, and Act 88, SLH 2021, defunding of 18 positions, retirements, resignations, and new programs. All of these put an enormous strain on staff and operations.

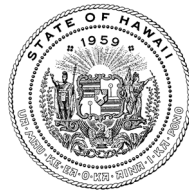
FNS offered DHS the option of paying the penalty in full or reinvesting fifty percent of the penalty amount in improvements that would lead to a reduction of the SNAP payment error rate. Under the terms of the reinvestment option, DHS needs only fifty percent of the assessed penalty now, as FNS may waive 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. The current DHS error rate for FFY 2024 is 8.23 percent, which is below the current national average of 10.96% and is less than half of Hawaii's payment error rate for FFY 2023.

Hawaii is opting to reinvest fifty percent of the penalty amount towards the ongoing development of its new Benefits Eligibility Solution (BES), which will replace the nearly forty-year-old Hawaii Automated Welfare Information (HAWI) eligibility system. BES is currently scheduled for statewide implementation in October 2026. 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.

DHS is concerned that the funds become available this fiscal year through the emergency appropriation. Without additional funds to reinvest fifty percent of the penalty this fiscal year, there will be adverse impacts to other programs and services for low-income households statewide. Additionally, the FNS penalty amount designated for reinvestment must be funded with new general funds, and failure to pay the penalty reinvestment will result in the total penalty needing to be paid.

The reinvestment in the development of BES will support increased automation and other functionality 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.

Thank you for the opportunity to testify in support of this measure.



JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
LIEUTENANT GOVERNOR

LUIS P. SALAVERIA
DIRECTOR

SABRINA NASIR
DEPUTY DIRECTOR

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

STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE
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ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT

WRITTEN ONLY

TESTIMONY BY LUIS P. SALAVERIA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE SENATE COMMITTEE ON HEALTH AND HUMAN SERVICES
ON
SENATE BILL NO. 1418

February 5, 2025
1:00 p.m.
Room 225 and Videoconference

MAKING AN EMERGENCY APPROPRIATION TO THE DEPARTMENT OF HUMAN SERVICES

The Department of Budget and Finance (B&F) supports this Administration bill but offers a technical amendment to add an expenditure ceiling declaration clause because the general fund expenditure ceiling for FY 25 has already been exceeded.

Senate Bill (S.B.) No. 1418 makes an emergency appropriation of \$5,467,164 in general funds to the Department of Human Services to reinvest in the development of a new eligibility system for the Supplemental Nutrition Assistance Program (SNAP) as part of corrective actions assessed by the U.S. Department of Agriculture, Food and Nutrition Service, in June 2024.

B&F suggests that S.B. No. 1418 be amended by adding a new section as follows:

“SECTION _____. In accordance with section 9 of article VII of the Constitution of the State of Hawaii and sections 37-91 and 37-93, Hawaii Revised Statutes, the legislature has determined that the state general fund expenditure ceiling for fiscal year 2024-2025 has already been exceeded by \$8,551,795 or 1 per cent. In addition, the

appropriations contained in this Act will cause the state general fund expenditure ceiling for fiscal year 2024-2025 to be further exceeded by \$5,467,164, or 1 per cent. The reasons for exceeding the general fund expenditure ceiling are that the appropriation made in this Act is necessary to serve the public interest and to meet the needs addressed by this Act."

Thank you for your consideration of our comments.



**Testimony to the Senate Committee on Health and Human Services
Wednesday, February 5, 2025; 1:00 p.m.
State Capitol, Conference Room 225
Via Videoconference**

**RE: SENATE BILL NO. 1418, MAKING AN EMERGENCY APPROPRIATION TO THE
DEPARTMENT OF HUMAN SERVICES.**

Chair San Buenaventura, Vice Chair Aquino, and Members of the Committee:

The Hawaii Primary Care Association (HPCA) is a 501(c)(3) organization established to advocate for, expand access to, and sustain high quality care through the statewide network of Community Health Centers throughout the State of Hawaii. The HPCA **SUPPORTS** Senate Bill No. 1418, MAKING AN EMERGENCY APPROPRIATION TO THE DEPARTMENT OF HUMAN SERVICES.

By way of background, the HPCA represents Hawaii's Federally Qualified Health Centers (FQHCs). FQHCs provide desperately needed medical services at the frontlines to over 150,000 patients each year who live in rural and underserved communities. Long considered champions for creating a more sustainable, integrated, and wellness-oriented system of health, FQHCs provide a more efficient, more effective and more comprehensive system of healthcare.

This measure, as received by your Committee, would provide funding for the Department of Human Services 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.

Testimony on Senate Bill No. 1418

Wednesday, February 5, 2025; 1:00 p.m.

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SNAP, formally known as the "Food Stamps Program", is the largest federal food assistance program that is currently in operation. It provides food-purchasing assistance for low- and no-income people. SNAP provided assistance to approximately 40 million persons in 2018, at an expenditure of \$57.1 billion. Approximately 9.2% of American households received SNAP benefits at some point during 2017, with approximately 16.7 of all children living in households receiving SNAP benefits.

Founded during the height of the Great Depression, SNAP is the cornerstone of our national social safety net. It is intended to prevent mass starvation precipitated from unemployment and homelessness. The program was also seen as a way of helping the poor while boosting the economy and ensuring that America's farmers would obtain a fair price for their labors by allowing government to purchase and distribute excess goods in time of crisis.

The COVID-19 Pandemic demonstrated how food scarcity and poverty threatened the health and welfare of our citizens in times of dire crisis. With so many people unemployed, entire families struggled to put food on the table on a consistent basis. Lines at the food bank and food drives stretched for miles and people waited for hours to receive surplus food.

While COVID-19 no longer poses the threat it did in years past, Hawaii is still having to address its ramifications. Changed requirements intended to first expand during the pandemic, then restrict once the pandemic ended, led to payment errors precipitating penalties to the State. If this measure is not approved, the penalty will double and force the State to utilize limited resources intended for benefits to pay the penalty.

For this reason, the HPCA respectfully urges your favorable consideration of this measure.

Thank you for the opportunity to testify. Should you have any questions, please do not hesitate to contact Public Affairs and Policy Director Erik K. Abe at 536-8442, or eabe@hawaiiipca.net.



HAWAII APPLESEED

CENTER FOR LAW & ECONOMIC JUSTICE

Testimony of the Hawai'i Appleseed Center for Law and Economic Justice
Support for S.B. 1418 – Making an Emergency Appropriation to the Department of Human Services
House Committee on Health & Human Services
Tuesday, February 5, 2025, at 1:00PM

Dear Chair San Buenaventura, Vice Chair Aquino, and members of the Committee:

Thank you for the opportunity to submit testimony in support of **S.B. 1418**, which would provide an emergency appropriation for fifty percent of the penalty assessed by the United States Department of Agriculture (USDA) Food and Nutrition Service (FNS). 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 (SNAP) payment error rate.

While the error rate fee is unfortunate, we support DHS's decision to take advantage of the opportunity to invest half of this penalty into improving the system to avoid future errors. This emergency appropriation will support the much-needed updated Benefits Eligibility Solution (BES) system, designed to automate eligibility worker tasks, increasing efficiency, reducing human error, and ultimately lowering the payment error rate below the national average of 11.68%.

Additionally, because of the recent rule change to eliminate net income limits for eligibility, there is expected to be an extra 14,000 households eligible for SNAP benefits later this year.¹ With large increases in SNAP applications upcoming, it is more urgent than ever to ensure that funds support the new BES system.

Thank you for considering these comments in your deliberation of S.B. 1418. Investing in BES now will prevent project delays and ensure the system includes the necessary technical capabilities to greatly improve SNAP access.

¹ D. Moore & N. Hix, "Hawai'i's Unnecessary Benefit Cliff: How One Small Policy Change Could Deliver Tens of Millions in Federally-Funded SNAP Benefits," University of Hawai'i Economic Research Organization (UHERO), <https://uhero.hawaii.edu/hawai%CA%BBis-unnecessary-benefit-cliff-how-one-small-policy-change-could-deliver-in-45m-per-year-in-federally-funded-snap-benefits/#:~:text=UHERO's%20analysis%20suggests%20that%20eliminating,course%20of%20that%20same%20year>.



LATE

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Hawai'i Oral Health Coalition

Hawai'i Public Health Training Hui

Healthy Eating + Active Living

Kūpuna Collective/Healthy Aging &
Community Living

Public Health Workforce Development

Date: February 5, 2025

To: Senator Joy A. San Buenaventura, Chair
Senator Henry J.C. Aquino, Vice Chair
Members of the Committee on Health and Human Services

RE: Support for SB 1418, Making An Emergency Appropriation to the
Department of Human Services

Hrg: Wednesday, February 5, 2025, at 1:00 PM, Conference Room 225

Hawai'i Public Health Institute (HIPHI)¹ and the Healthy Eating, Active Living²
(HEAL) Coalition **supports SB 1418**, which provides an emergency appropriation
for fifty percent of the penalty assessed by the United States Department of
Agriculture Food and Nutrition Service.

Use It or Lose It

Our SNAP department has received an \$11 million fine for their error rate, but
can spend half of the fine on improvements to our own system. This appropriation
will allow our SNAP department to invest in improvements rather than giving the
entire \$11 million fine to the federal government.

More Investment is Needed

SNAP demand has risen over 50% in recent years, yet staffing levels remain
unchanged. This has resulted in an inaccessible application process, and frustrated
applicants abandoning the process, leaving two in five eligible residents without
the benefits they qualify for. We must significantly invest in the SNAP department
to ensure it can meet this growing need effectively. By improving our system, we
can unlock over \$100 million in unclaimed assistance for our community.

Mahalo,

Nate Hix
Director of Policy and Advocacy

¹ Hawai'i Public Health Institute's mission is to advance health and wellness for the people
and islands of Hawai'i. We do this through expanding our understanding of what creates
health of people and place, fostering partnerships, and cultivating programs to improve
policies, systems, and the environments where people live, learn, work, age, and play.

² The Healthy Eating + Active Living (HEAL) Coalition, formerly known as the Obesity
Prevention Task Force, was created by the legislature in 2012 and is comprised of over 60
statewide organizations. The HEAL Coalition works to make recommendations to reshape
Hawai'i's school, work, community, and health care environments, making healthier
lifestyles obtainable for all Hawai'i residents.