

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:

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

SECTION 2. The legislature finds that the department of human services administers the supplemental nutrition assistance program for eligible households that meet income and other program requirements. The legislature further finds that during the coronavirus disease 2019 pandemic (COVID-19), the department of human services requested and received approval from the federal government to waive numerous requirements related to the processing of supplemental nutrition assistance program benefits. These waivers allowed the department to quickly respond to an increased demand for benefits while maintaining a safe working environment for staff and the public.

Following the end of the COVID-19 pandemic, the United States Department of Agriculture Food and Nutrition Service required states to end waivers and resume normal benefits processing requirements. From approximately October 2021 through September 2023, Hawaii and other states experienced increased payment error rates in processing supplemental nutrition assistance benefits. The increased error rates were related to the changes in requirements during and following the COVID-19 pandemic, as well as the high vacancy and turnover rates for eligibility worker staff.

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

The legislature further finds that the State is pursuing the reinvestment option to resolve the penalty. The department of human services plans to reinvest fifty per cent of the assessed penalty to complete the development of a new eligibility system, which is anticipated to be completed in late 2025. Notably, under the terms of the reinvestment option, if the reinvestment results in the payment error rate falling under and remaining below the national average, which is currently 11.68 per cent, the State will not be required to pay the remaining fifty per cent of the penalty.

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

Funding for this reinvestment option is required in fiscal year 2024-2025 to make necessary modifications to the ongoing development of the department of human services' new eligibility system to specifically support automation of eligibility worker tasks that will increase efficiency and reduce worker errors. Reinvestment funding is also required this fiscal year to avoid project delays and ensure that the new system includes the technical capabilities required to reduce the payment error rate.

The purpose of this Act is to make an emergency appropriation of \$5,467,164 for fiscal year 2024-2025, which is fifty per cent of the payment error penalty assessed by the United States Department of Agriculture Food and Nutrition Service, to the department of human services to support the necessary modifications to the ongoing development of a new eligibility system.

SECTION 3. There is appropriated out of the general revenues of the State of Hawaii the sum of \$5,467,164 or so much thereof as may be necessary for fiscal year 2024-2025 to be used to reinvest in the ongoing development of a new eligibility system that will result in reduced payment error rates.

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

SECTION 4. 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 at the beginning of the regular session of 2025, the general fund expenditure ceiling for fiscal year 2024-2025 was exceeded by \$8,551,795, or one per cent. The appropriations contained in Act 1, Session Laws of Hawaii 2025, caused the general fund expenditure ceiling for fiscal year 2024-2025 to be further exceeded by an additional \$30,334,159. Therefore, the general fund expenditure ceiling for fiscal year 2024-2025 has already been exceeded by \$38,885,954, or one per cent.

The appropriation contained in this Act will cause the general fund expenditure ceiling for fiscal year 2024-2025 to be further exceeded by \$5,467,164, or one per cent. This declaration takes into account the additional general fund appropriation authorized for fiscal year 2024-2025 in this Act only. 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.

SECTION 5. This Act shall take effect upon its approval.

(Approved May 14, 2025.)