
A BILL FOR AN ACT

RELATING TO GRANTS-IN-AID.

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

1 SECTION 1. The legislature finds that in June 2005,
2 Hawai'i's 30 member Economic Momentum Commission (EMC) was
3 formed with the goal of prolonging the state's current economic
4 vitality. To accomplish this, the EMC was tasked to develop an
5 action plan to sustain the state's current economic momentum
6 over the longer term, reduce the traditional peaks and valleys
7 of economic cycles, and enhance Hawai'i's natural and cultural
8 resources. Drawing members from business, government, the
9 military, cultural organizations, education, non-profits, labor
10 unions, and others, the EMC held meetings throughout the rest of
11 2005 in an effort to make recommendations to the Legislature to
12 achieve the EMC's goal.

13 One area the EMC touched on was changes to the way the
14 state delivers grants-in-aid. The EMC found that the process of
15 planning and delivering social services in Hawai'i is not well
16 coordinated and potentially leads to inefficient use of limited
17 resources. This leads to a short-term focus that inhibits
18 effective resource allocation and beneficial cooperation between



1 organizations with common interests, sacrificing potential
2 positive opportunities toward human development.

3 The legislature also finds that recently, the Honolulu
4 Advertiser ran a three-part series highlighting the connections
5 between political fundraising and control of grant monies. This
6 specter of "pay-to-play" and the perception of politics as usual
7 create an atmosphere of voter disgust and low turnout, which
8 serves to perpetuate the status quo. If this perception turns
9 out to be true, it also causes the economic inefficiencies cited
10 by the EMC.

11 Finally, the State's Council on Revenues appears poised to
12 issue an updated prediction on revenue growth that will show a
13 downturn in predicted growth by at least two percentage points.
14 In plain numbers, the Council on Revenues downsized prediction
15 means that state revenue projection last quarter will be reduced
16 by at least \$120 million. That downturn in the revenue forecast
17 is seen by many economists as a signal that the growth cited by
18 the EMC cited in 2005 may be moderating, making implementation
19 of the parts of the action plan to sustain the state's current
20 economic momentum over the longer term, that much more important
21 today.

1 Accordingly, the purpose of this Act is to improve the
2 process for administering grants-in-aid and to begin to restore
3 trust in government.

4 SECTION 2. There is created a Social Services Planning
5 Committee to develop a long-range state plan which coordinates
6 the various sectors of Hawai`i's social service framework. The
7 plan shall focus on defining specific quality of life
8 indicators, improving the specific quality of life indicators,
9 establishing the criteria for grant allocation by the grant
10 review committee as established by this Act, and developing
11 industry leadership.

12 The members of this committee shall include the following,
13 or their designees:

- 14 (1) the director of human services, who shall serve as
15 chairperson of the committee;
- 16 (2) the director of the office of community services;
- 17 (3) the director of health;
- 18 (4) four members of the social services industry, as
19 selected by the Governor.

20 The committee created under this section shall dissolve
21 upon completion of the long-range state plan. Adoption of the
22 plan shall require a majority vote in favor of the plan.



1 SECTION 3. There is appropriated out of the general
2 revenues of the State of Hawaii the sum of \$_____, or so much
3 thereof as may be necessary for fiscal year 2008-2009, for the
4 expenses of the Social Services Planning Committee.

5 SECTION 4. The sum appropriated shall be expended by the
6 department of human services for the purposes of this Act.

7 SECTION 5. Upon completion of the long-range state plan,
8 there shall be established a grant review committee to review
9 applications for grants-in-aid. The committee shall use the
10 criteria established in the long-range state plan to allocate
11 grant moneys. The members of this committee shall include the
12 following:

13 (1) five members of the social services industry, with the
14 advice and consent of the Senate, as selected by the
15 Governor, provided that the initially appointed
16 members under this classification cannot have served
17 on the Social Services Planning Committee;

18 (2) the director of human services, or their designee;

19 (3) the director of the office of community services,
20 who shall serve as chairperson of the committee, or
21 their designee;

22 (4) the director of health, or their designee; and



1 (5) the director of budget and finance, or their designee.
2 Each appointed person shall serve for a four-year term, except
3 for the initial appointment of the members of the social
4 services industry, who shall serve two-year terms. This
5 committee shall be administratively attached to the department
6 of human services.

7 SECTION 6. The grant review committee shall adopt rules
8 pursuant to chapter 91 necessary for the purposes of this Act,
9 provided that the grant review committee shall adopt the long-
10 range state plan as decided by the Social Services Planning
11 Committee into their rules without amendment.

12 SECTION 7. Section 42F, Hawaii Revised Statutes, is
13 amended to read as follows:

14 "[§42F-101] **Definitions.** As used in this [chapter],
15 unless the context clearly requires otherwise:

16 "Block grant" means an aggregate appropriation of state
17 funds awarded by the legislature to be used to fund grants whose
18 specific recipient shall be determined by the grant review
19 committee.

20 "Grant" means an award of state funds [~~by the legislature~~]
21 as determined by the grant review committee, by an appropriation
22 to a specified recipient, to support the activities of the



1 recipient and permit the community to benefit from those
2 activities.

3 "Recipient" means any organization or person receiving a
4 grant or subsidy.

5 "Subsidy" means an award of state funds by the legislature,
6 by an appropriation to a recipient specified in the
7 appropriation, to reduce the costs incurred by the organization
8 or individual in providing a service available to some or all
9 members of the public.

10 **[§42F-102] Applications for grants and subsidies.**

11 Requests for grants and subsidies shall be submitted to the
12 ~~[appropriate standing committees of the legislature at the start~~
13 ~~of each regular session of the legislature.]~~ grant review
14 committee, by a deadline as established by rule. Each request
15 shall state[+:

- 16 ~~(1) The name of the requesting organization;~~
17 ~~(2) The public purpose for the grant or subsidy;~~
18 ~~(3) The services to be supported by the grant or subsidy;~~
19 ~~(4) The target group; and~~
20 ~~(5) The cost of the grant or subsidy and the budget.]~~ such
21 information as required by rule.



1 **§42F-103 Standards for the award of grants and subsidies.**

2 (a) Grants and subsidies shall be awarded only to individuals
3 who, and organizations that:

4 (1) Are licensed or accredited, in accordance with
5 federal, state, or county statutes, rules, or
6 ordinances, to conduct the activities or provide the
7 services for which a grant or subsidy is awarded;

8 (2) Comply with all applicable federal and state laws
9 prohibiting discrimination against any person on the
10 basis of race, color, national origin, religion,
11 creed, sex, age, sexual orientation, or disability;

12 (3) Agree not to use state funds for entertainment or
13 lobbying activities; [~~and~~]

14 (4) Allow the state agency to which funds for the grant or
15 subsidy were appropriated for expenditure, legislative
16 committees and their staff, and the auditor full
17 access to their records, reports, files, and other
18 related documents and information for purposes of
19 monitoring, measuring the effectiveness, and ensuring
20 the proper expenditure of the grant or subsidy; and

21 (5) Comply with rules promulgated by the grant review
22 committee.

1 (b) In addition, a grant or subsidy may be made to an
2 organization only if the organization:

3 (1) Is incorporated under the laws of the State; and

4 (2) Has bylaws or policies that describe the manner in
5 which the activities or services for which a grant or
6 subsidy is awarded shall be conducted or provided.

7 (c) Further, a grant or subsidy may be awarded to a non-
8 profit organization only if the organization:

9 (1) Has been determined and designated to be a non-profit
10 organization by the Internal Revenue Service; and

11 (2) Has a governing board whose members have no material
12 conflict of interest and serve without compensation.

13 (d) If a grant or subsidy is used by an organization for
14 the acquisition of land, when the organization discontinues the
15 activities or services on the land acquired for which the grant
16 or subsidy was awarded and disposes of the land in fee simple or
17 by lease, the organization shall negotiate with the expending
18 agency for a lump sum or installment repayment to the State of
19 the amount of the grant or subsidy used for the acquisition of
20 the land. This restriction shall be registered, recorded, and
21 indexed in the bureau of conveyances or with the assistant
22 registrar of the land court as an encumbrance on the property.



1 Amounts received from the repayment of a grant or subsidy under
2 this subsection shall be deposited into the general fund.

3 **[§42F-104] Contracts for grants and subsidies.** An
4 appropriation for a grant or subsidy shall be disbursed by a
5 contract between the state agency designated the expending
6 agency [~~for the appropriation by the legislature,~~] and the
7 recipient of the grant or subsidy. The contract shall be
8 effective as of the first day of the fiscal year for which the
9 funds for the grant or subsidy are appropriated, provided that
10 up to one-fourth of the total amount appropriated may be
11 disbursed prior to the execution of the contract.

12 ~~[§42F-105] Allotment. Contracts to disburse and~~
13 ~~appropriations for grants and subsidies shall be subject to the~~
14 ~~allotment system generally applicable to all appropriations made~~
15 ~~by the legislature.]~~

16 **§42F-105 Block grant.** The legislature shall determine an
17 aggregate amount of state funds, if any, to be appropriated to
18 the grant review committee for distribution to specific
19 recipients according to criteria promulgated by rule.

20 **[§42F-106] Monitoring and evaluation.** Every grant or
21 subsidy shall be monitored by the expending agency to ensure
22 compliance with this chapter, relevant administrative rules, and



1 the public purpose [~~and legislative intent~~] of the grant or
2 subsidy.

3 [§42F-107] Grants; release by the governor. If [~~a grant~~
4 ~~awarded by the legislature~~] block grant moneys pursuant to this
5 chapter [~~is~~] are not allocated or released by the governor
6 within ninety days of the effective date of the legislation
7 awarding the block grant, the governor shall notify, in the
8 manner prescribed in section 1-28.5, [~~the~~] recipients of the
9 unreleased grant on the status of whether the grant is still
10 pending or will not be released. The governor shall provide the
11 notice once every quarterly allotment period (as the periods are
12 defined in section 37-32), beginning on the ninety-first day
13 after the effective date of the legislation awarding the grant
14 and until a final determination is made on the status of the
15 grant."

16 SECTION 7. Statutory material to be repealed is bracketed
17 and stricken. New statutory material is underscored.

18 SECTION 8. This Act shall take effect upon its approval,
19 except for sections 3 and 4, which shall take effect on July 1,
20 2008.

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INTRODUCED BY:

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Report Title:

Grants-in-aid

Description:

Changes current grants-in-aid for social services process to a community planning and delivery process.

