

JAN 18 2008

A BILL FOR AN ACT

RELATING TO GRANTS AND SUBSIDIES.

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

1 SECTION 1. The legislature finds that the Hawaii non-
2 profit community and the public at-large share a perception that
3 grants and subsidies awarded by the legislature are selected by
4 a small number of legislators, behind closed doors, and without
5 formal criteria to guide them. The community also has raised
6 concerns about the status and qualifications of some applicants,
7 and the adequacy of the reports required of award recipients.

8 The legislature further finds that potential applicants and
9 the community would benefit from a process for awarding grants
10 and subsidies that:

11 (1) Requires more detailed background information from
12 applicants;

13 (2) Provides for transparency and public participation in
14 the selection process; and

15 (3) Requires increased financial accountability for
16 selected recipients.



1 The purpose of this Act is to provide for more complete
2 disclosures by grant applicants; increased transparency in the
3 legislature's selection process, including opportunities for
4 public participation; and greater accountability for grant
5 awardees. The provisions of this Act are intended to provide
6 the non-profit community and the public-at-large with a better
7 understanding of, and more confidence in, the legislature's
8 award of grants and subsidies.

9 SECTION 2. Section 42F-101, Hawaii Revised Statutes, is
10 amended to read as follows:

11 "**[+]§42F-101[+]** **Definitions.** As used in this
12 **[+]chapter[+]**, unless the context clearly requires otherwise:

13 "Applicant" means any organization or person that has
14 submitted an application under this chapter.

15 "Grant" means an award of state funds by the legislature,
16 by an appropriation to a specified recipient, to support the
17 activities of the recipient and permit the community to benefit
18 from those activities.

19 "Recipient" means any organization or person receiving a
20 grant or subsidy.

21 "Subsidy" means an award of state funds by the legislature,
22 by an appropriation to a recipient specified in the



1 appropriation, to reduce the costs incurred by the organization
2 or individual in providing a service available to some or all
3 members of the public."

4 SECTION 3. Section 42F-102, Hawaii Revised Statutes, is
5 amended to read as follows:

6 **"[+]§42F-102[+] Applications for grants and subsidies.**

7 Requests for grants and subsidies shall be submitted to the
8 appropriate standing committees of the legislature at the start
9 of each regular session of the legislature. Each request shall
10 state:

- 11 (1) The name of the requesting organization;
- 12 (2) The public purpose for the grant or subsidy[+],
13 including a description of the problem or need to be
14 addressed;
- 15 (3) The services to be supported by the grant or subsidy;
- 16 (4) The target group; and
- 17 (5) The cost of the grant or subsidy and the budget."

18 SECTION 4. Section 42F-103, Hawaii Revised Statutes, is
19 amended to read as follows:

20 **"§42F-103 Standards for the award of grants and subsidies.**

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



- 1 (1) Are licensed or accredited, in accordance with
2 federal, state, or county statutes, rules, or
3 ordinances, to conduct the activities or provide the
4 services for which a grant or subsidy is awarded;
- 5 (2) Comply with all applicable federal and state laws
6 prohibiting discrimination against any person on the
7 basis of race, color, national origin, religion,
8 creed, sex, age, sexual orientation, or disability;
- 9 (3) Agree not to use state funds for entertainment or
10 lobbying activities; and
- 11 (4) Allow the state agency to which funds for the grant or
12 subsidy were appropriated for expenditure, legislative
13 committees and their staff, and the auditor full
14 access to their records, reports, files, and other
15 related documents and information for purposes of
16 monitoring, measuring the effectiveness, and ensuring
17 the proper expenditure of the grant or subsidy.
- 18 (b) In addition, a grant or subsidy may be made to an
19 organization only if the organization:
- 20 (1) Is incorporated under the laws of the State; [~~and~~]
21 (2) Has bylaws or policies that describe the manner in
22 which the activities or services for which a grant or



1 subsidy is awarded shall be conducted or provided[=];
2 and

3 (3) Has a certificate of good standing from the department
4 of commerce and consumer affairs.

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

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

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

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



1 (e) The legislature shall disclose the criteria and
2 guidelines used in the selection of recipients of grants and
3 subsidies. The criteria and guidelines shall include the
4 requirement that public comment on all applications be solicited
5 to assist the legislature in the selection process. A list of
6 applicants and the amount of each grant or subsidy applied for
7 shall be available to the public at least forty-eight hours
8 prior to any vote on the approval of a recipient."

9 SECTION 5. Section 42F-106, Hawaii Revised Statutes, is
10 amended to read as follows:

11 "~~§~~**42F-106**~~§~~ **Monitoring and evaluation.** (a) Every
12 grant or subsidy shall be monitored by the expending agency to
13 ensure compliance with this chapter and the public purpose and
14 legislative intent of the grant or subsidy.

15 (b) Within thirty days after the expiration of each grant
16 or subsidy, each recipient shall submit a report to the
17 expending agency and legislature that shall include an
18 accounting for all expenditures and a description of the
19 accomplishments achieved under the grant or subsidy.

20 (c) Within thirty days of receipt of each recipient's
21 report, the expending agency shall submit comments on the
22 recipient's report to the legislature.



1 (d) Each expending agency shall have the authority to
2 conduct compliance audits for each grant or subsidy."

3 SECTION 6. Statutory material to be repealed is bracketed
4 and stricken. New statutory material is underscored.

5 SECTION 7. This Act shall take effect upon its approval.

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Report Title:

Grants and Subsidies Process

Description:

Requires additional information from applicants for grants and subsidies. Provides greater transparency as to the selected recipients. Adds requirement of an accounting from recipients within thirty days of the expiration of their contract.

