

JAN 21 2011

S.B. NO. 777

A BILL FOR AN ACT

RELATING TO PAYMENT FOR GOODS AND SERVICES.

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

1 SECTION 1. The legislature finds that nationally, state
2 and local governments contract with nonprofits - particularly
3 human service organizations - to deliver pivotal services to
4 individuals, families and communities. In October 2010, the
5 Urban Institute released three related reports, including a
6 "National Study of Nonprofit-Government Contracting, State
7 Profiles", which outlined a variety of problems faced by these
8 nonprofits.

9 Nationally, nearly thirty-three thousand human service
10 providers had almost two hundred thousand government contracts
11 in 2009. Despite the prevalence and importance of government
12 contracting, most nonprofits experienced some problem with their
13 government contracts and grants. Key problems include payments
14 not covering full program costs, complex and time-consuming
15 applications and reporting, changes to contractual and grant
16 agreements, and late payments. In Hawaii, one hundred sixty-one
17 human service nonprofits provided services to governments in
18 2009, and fifty per cent reported problems with late payments -



1 substantially higher than the national average of forty-one per
2 cent.

3 The legislature further finds that nonprofits are not alone
4 in dealing with the problems outlined in the Urban Institute
5 data. Small businesses that contract with governments report
6 the same concerns and face the same negative consequences. Both
7 nonprofits and businesses struggle to make ends meet in an
8 economy that continues to falter.

9 In 2010, the senate committee on economic development and
10 technology and the house committee on economic revitalization,
11 business, and military affairs convened an informal small
12 business discussion group to address the most critical issues
13 facing the small business sectors within Hawaii's economy.
14 Representatives from the Chamber of Commerce of Hawaii,
15 construction and trades industries, community nonprofits, the
16 agricultural sector, food and restaurant industries, retailing,
17 the science and technology sector, the commercial transportation
18 industry, and interested stakeholders developed a package of
19 bills that address the most pressing problems facing Hawaii's
20 small business community.



1 The purpose of this Act is to support the findings of the
2 small business working group and recommendations to require more
3 timely payments by governments for goods and services.

4 SECTION 2. Section 103-10, Hawaii Revised Statutes, is
5 amended by amending subsection (a) to read as follows:

6 "(a) Any person who renders a proper statement for goods
7 delivered or services performed, pursuant to contract, to any
8 agency of the State or any county, shall be paid no later than
9 [~~thirty~~] fifteen calendar days following receipt of the
10 statement or satisfactory delivery of the goods or performance
11 of the services. In the event circumstances prevent the paying
12 agency from complying with this section, the person shall be
13 entitled to interest from the paying agency on the principal
14 amount remaining unpaid at a rate equal to the prime rate for
15 each calendar quarter plus two per cent, commencing on the
16 [~~thirtieth~~] sixteenth day following receipt of the statement or
17 satisfactory delivery of the goods or performance of the
18 services, whichever is later, and ending on the date of the
19 check[-]; provided that the check shall be dispersed not later
20 than forty-five calendar days following receipt of the statement
21 or satisfactory delivery of the goods or performance of the
22 services. As used in this subsection, "prime rate" means the



1 prime rate as posted in the Wall Street Journal on the first
2 business day of the month preceding the calendar quarter."

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

5 SECTION 4. This Act shall take effect upon its approval.
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Report Title:

Public Money; Payment for Goods and Services

Description:

Requires payments by governments for goods and services to be made within fifteen days of receipt of the statement or satisfactory delivery of the goods or performance of the services; if mitigating circumstances, interest begins on sixteenth day; payment required no later than forty-five days from receipt of the statement or satisfactory delivery of the goods or performance of the services.

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