



**STATE OF HAWAII  
STATE PROCUREMENT OFFICE**

P.O. Box 119  
Honolulu, Hawaii 96810-0119  
Tel: (808) 587-4700 Fax: (808) 587-4703  
<http://hawaii.gov/spo>

**COMMENTS  
OF  
AARON S. FUJIOKA  
ADMINISTRATOR  
STATE PROCUREMENT OFFICE**

**TO THE  
SENATE COMMITTEE ON WAYS AND MEANS**

April 11, 2012 - 9:35 AM

SCR 40, SD 1

REQUESTING THE RENAMING OF AND THE EXTENSION OF THE PROMPT PAYMENT TASK FORCE TO DEVELOP RECOMMENDATIONS TO ADDRESS ISSUES THAT AFFECT PROCUREMENT FOR GOODS AND SERVICES PURCHASED THROUGH NONPROFIT ORGANIZATIONS, INCLUDING HUMAN SERVICE NONPROFIT ORGANIZATIONS THAT DELIVER PIVOTAL GOODS AND SERVICES TO INDIVIDUALS, FAMILIES, COMMUNITIES, AND OTHER SMALL BUSINESSES.

Chair Ige, Vice-Chair Kidani, and committee members, thank you for the opportunity to submit comments on SCR 40, SD 1. The resolution is requesting to rename the prompt payment task force to the government contracting task force, and to extend its existence to December 31, 2012.

On page 3, line 35, (1) "Examine state contracting and procurement issues from the initial contract phase through service delivery, and issues relating to payment when invoices are submitted." The initial contract phase through service delivery and payments are subsequent to the procurement process; therefore, delete "and procurement issues". The resolution's listed tasks and the recommendations to address the issues reside at the departmental level. The procurement process is used to implement the departmental policy decisions. The tasks to be undertaken are part of (1) the overall planning process which takes place prior to the procurement being conducted, and (2) contracting issues occur subsequent to the procurement.

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On page 3, line 36 replace "contract" with "planning" because the issues raised with the task force are about: scope and unit rate of service, method of payment and payment process, level of funding, population served, geographic area, performance outcome measurements, term of contract, evaluation criteria, etc. are all determined in the department's "planning phase" and subsequently included in the procurement process. The department's policies are determined at the planning phase, the procurement process is used to implement these departmental policy decisions.

On page 3, line 40-43 we suggest Department of Accounting and General Services and the Department of the Attorney General be added.

On page 4, line 5-6 replace "streamline the procurement process" with "streamline the contracting process".

Thank you.

To: The Honorable Senator David Y. Ige, Chair  
The Honorable Senator Michelle N. Kidani, Vice Chair  
Senate Committee on Ways and Means

From: Laura Robertson Smith, President/CEO, Goodwill Industries of Hawaii, Inc.

Date: April 10, 2012

Re: **Letter in Support of SCR 40, SD1 - Requesting an Extension of the Government Contracting Task Force**

Goodwill Industries of Hawaii, Inc. is in support of SCR 40, SD1, Requesting the Extension of the Government Contracting Task Force.

This task force was formed during the last legislative session in order to identify the key problems that nonprofits have identified in doing business with State Government. These issues include not covering full program costs, complex and time-consuming application and reporting midstream contract changes and late payments. In sitting in on several meetings of the task force it became apparent that the issues are extremely complex, and that further time is needed in order to complete a thorough review on the matter.

Goodwill contracts with the State to provide various types of Human Service programs that serve people with disabilities, people transitioning off welfare, youth at risk, those formerly incarcerated and many other people seeking employment. Our contracts with the State government are a partnership, in which we deliver a range of services in exchange for payment on a specified payment schedule.

Payment delays have many effects on us, including affecting our decisions on when to hire staff, purchase equipment, or make other financial commitments, not to mention the excessive time we spend managing our cash flow.

These issues are worthy of examination to determine why the problems exist and how best to cure them. That will help Goodwill and other nonprofits to be able to put more resources into our programs to benefit the populations we serve, and less time and energy on administration and follow up with the government agencies we contract with.

Passage of this resolution will help to assure increased financial stability for nonprofits that contract with State Government and will also lessen the financial risk for nonprofits that provide vital health and human services for the State of Hawaii.

Thank you for the opportunity to testify.



April 10, 2012

Senator David Ige  
Chair, Committee on Ways and Means  
Hawaii State Senate  
State Capitol, Room 211  
Honolulu, HI 96813

**SCR 40, SD 1 -REQUESTING AN EXTENSION OF THE GOVERNMENT  
CONTRACTING TASK FORCE**

Dear Chair Ige, Vice-Chair Kidani and members of the Ways and Means Committee:

The Hawai'i Alliance of Nonprofit Organizations strongly supports SCR 40, SD 1, which calls for a renaming of the Prompt Payment Task Force to the Government Contracting Task Force; extends the deadline for this body to provide findings; and adds the State's Chief Information Officer and a Chamber of Commerce representative to the task force.

HANO, a task force member, is a statewide, sector-wide professional association for nonprofits. HANO members provide essential services to every community in the state. Our mission is to unite and strengthen the nonprofit sector as a collective force to improve the quality of life in Hawai'i.

The task force met over five months in the latter half of 2011 and covered much ground in understanding the obstacles to prompt government contract payments to predominantly nonprofit health and human service providers.

A recent nationwide Nonprofit State of the Sector study conducted by the California-based Nonprofit Finance Fund showed that in 2011, 69% of those polled received state or local funding, 62% said state or local contract payments were late and 65% of those experiencing late payments used reserve funds to fill the gap - evidence that the problems of late payment persist and prevail.

Due to the complexity of the issue and the fact that delayed payments are symptoms of larger systemic challenges, the task force requires more time to define and understand the scope of the issue and to find solutions agreeable to all parties.

If an extension is granted, future task force discussions need to focus on the higher systemic issues that include contracting and payment processes, communication, technology, accountability, transparency, education and training, and capacity of our nonprofit providers.

The fact that many of the prompt payment challenges are technology-oriented presents an opportunity to feed information to and align with the goals of the State's Chief Information Officer in his endeavor to modernize IT, business systems, HR and financial and tax systems for state government. For these reasons, we support SCR 40, SD 1. Thank you.

Lisa Maruyama, President and CEO, HANO

*P.O. Box 240382 • Honolulu, HI 96824-0382  
[info@hano-hawaii.org](mailto:info@hano-hawaii.org) • [www.hano-hawaii.org](http://www.hano-hawaii.org)  
(808) 529-0466*

Member, Prompt Payment Task Force