



TESTIMONY BY KALBERT K. YOUNG
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE SENATE COMMITTEE ON WAYS AND MEANS
ON
HOUSE BILL NO. 1737, H.D. 1

March 21, 2014

MAKING AN APPROPRIATION FOR THE OFFICE OF COMMUNITY SERVICES

House Bill No. 1737, H.D. 1, requires the Office of Community Services (OCS), administratively attached to the Department of Labor and Industrial Relations, to review the statewide grants-in-aid process for all grants submitted, processed, and awarded during the 2013 Legislative Session. The bill further appropriates an unspecified amount of general funds for FY 15 to support the expansion of the Immigrant Resource Centers (IRCs) that provides language-accessible direct information and referral services to new immigrants.

The Department of Budget and Finance has concerns with this bill because grants-in-aid are made for a wide range of programs, activities, and services that go well beyond the scope for which the OCS staff has expertise in. We believe that it is very beneficial to have staff with the necessary expertise to review and administer the respective grants-in-aid.

Further, there appears to be a subject-title conflict because the purpose of the bill is to make an appropriation to OCS to expand the capabilities of IRCs. However, the bill addresses an unrelated requirement for OCS to conduct an assessment of the State grant process that includes the Legislature, State agencies, and counties.



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March 20, 2014

To: The Honorable David Ige, Chair,
The Honorable Michelle Kidani, Vice Chair, and
Members of the Senate Committee on Ways and Means

Date: Friday, March 21, 2014

Time: 9:05 a.m.

Place: Conference Room 211, State Capitol

From: Mila Kaahanui, Executive Director

Re: HB 1737, HD1: Appropriation for Office of Community Services for FY2015.

POSITION: Support OCS appropriation with comments.

I. OVERVIEW OF THE PROPOSED LEGISLATION

HB1737, HD1 proposes to provide an unspecified amount of supplemental funding for the Office of Community Services (OCS) for FY2015. However, the bill, in its initial form, has specified \$700,000 to support the expansion of existing Immigrant Resource Centers. In FY14, OCS has issued purchase of service contracts with Child and Family Service, Susannah Wesley Community Center, Catholic Charities, and Parents and Children Together to provide outreach, intake, case management, information and referral services to immigrants and migrants in Ewa Beach, Hilo, East Kauai, and Kalihi respectively. The supplemental funding would allow these agencies to expand into unserved and underserved areas, such as the Kona side of Hawaii, West Kauai, and Waipahu, including other urban-core areas in Honolulu.

II. COMMENTS ON HOUSE BILL 1737, HD1

The House Committee on Labor and Public Employment inserted into HB1737, HD1, a mandate for OCS to review all Grants-in-Aid (GIAs) that have been appropriated by the 26th Legislature and to report its findings and recommendations to the Legislature. Section 2 of HD1 also requires OCS to review the current process for solicitation and administration of the grants-in-aid programs, the feasibility of delegating the processing of all Grants-in-Aid requests to

OCS, the necessity of hiring additional staffing at OCS to process the Grants-in-Aid, and submit its findings and recommendations for streamlining the process.

We would appreciate two clarifications in Section 2: a) whether the proposed mandate relates to HRS Chapter 42F grants: and b) whether Capital Improvement Projects (CIPs) are covered under this measure.

In light of the provisions under Section 2, OCS estimates that OCS would require approximately \$104,000 for two additional staff who will review all the Grants-in-Aid submitted and granted by the Legislature, conduct the study and prepare the reports from July to December, 2014.

A. Conclusion

For these reasons, OCS respectfully requests that the Senate Committee on Ways and Means approve an appropriation for OCS in the amount of \$700,000 to support the expansion of existing IRCs, plus \$104,000 for additional staffing to carry out the provisions under Section 2 of this bill. Furthermore, OCS requests clarification on the scope of work related to the review of all Grants-in-Aid

Thank you very much for this opportunity to comment on this legislation.



HAWAI'I EDUCATIONAL POLICY CENTER TESTIMONY

Presented by Jim Shon, Director
March 21, 2014

COMMITTEE ON WAYS AND MEANS

DATE: Friday, March 21, 2014
TIME: 9:05 a.m.
PLACE: Conference Room 211

RE HB 1737 HD1 MAKING AN APPROPRIATION FOR THE OFFICE OF COMMUNITY SERVICES

HEPC SUPPORTS SIGNIFICANTLY MORE FUNDING AND STAFF FOR THIS OFFICE

Summary of Concerns:

- OCS has not always been able to process, review and enable the release of Chapter 42F GIAs in a timely fashion. I am personally aware of one GIA that was approved in the 2012 Budget but not released until June of 2013. *That is one full year.* When the Governor's office has to intervene to retrieve forms that have been laying on a desk for 12 months, there is obviously a capacity issue.
- Implementation of Chapter 42 following approval of the budget is inconsistent, and arguably in violation of the spirit and letter of the law. Obviously, nonprofits may not feel comfortable bringing their specific concerns forward.
- The Legislative review and approval is not particularly transparent. This may be one reason that executive agencies begin the review process almost from scratch.
- There is unnecessary duplication of information and forms. The Legislature has a form, OCS has a form, and B&F has a form. After that, nonprofits often rework these forms to a letter to the Governor's office asking for release of the funds. It is a red-tape nightmare for smaller organizations that the legislature has already deemed worthy of funding.

The Law

Chapter §42F is a brief law (see below). I have underlined pertinent sections worthy of note or discussion.

Specifically:

- The law does not require that a recipient be a nonprofit organization, per se. However the recipient organization must have some state or federal license or authority to conduct the activities under the grant.

- The recipient must agree not to use the funds for lobbying or entertainment, must not discriminate against anyone, must be incorporated by the state, have by-laws or policies that permit it to conduct the activities under the grant, and must **allow various agencies full access to its internal documents for ongoing monitoring of the grant.**
- If awarded to a nonprofit, it must be recognized by the IRS, and cannot have board members who have conflicts or receive compensation.
- The agency assigned the grant must execute a contract with the recipient **which shall be effective the first day of the fiscal year, i.e. July 1, ,** and **shall** monitor it for ongoing compliance. Regular allotments may be part of the payment schedule.
- If the funds are not allocated within 90 days of the effective date (roughly October 1) the governor must notify the recipient of the status and whether the funds will be withheld.

General Comments and Recommendations

The Legislative Review and Approval Process. Other than some very basic information that must be provided to the Legislature, Chapter 42F is silent on the process for review and approval.

- *At times the Legislature has held hearings on all Chapter 42F applications, but these have been pro-forma – 3 minutes for each - and seldom provide meaningful input or opportunities for meaningful question and answer exchanges.*
- *Other times, the entire process has been hidden from public view or input, with decisions coming at the end of the Session with the posting of a list.*
- *Neither of these provide significant transparent or objective scrutiny. This could be part of the reason that the Executive agencies have sought to impose their own criteria for release of the funds.*

RECOMMENDATIONS:

- Develop a review process in partnership with agencies such as OCS so that once a GIA is approved in the budget, additional review would be minimal.

The Forms.

The legislative GIA application for a grant or subsidy is *far more detailed* than the brief outline provided in Ch42F-102.

- *The subsequent forms required by agencies, including the Department of Budget and Finance, are often duplicative of the legislative application, or add few additional details.*
- *There is evidence that agencies do not access the on-line complete applications accepted by the Legislature. I have personally had conversations with agency employees who did not even know the original applications were available on line. There is evidence that the plethora of forms have created a bureaucratic environment of red tape and dependency*

on individual agency employees to move approvals up and down the chains of command.

RECOMMENDATIONS:

1. Whatever additional information B&F and other agencies feel is missing from the original application packet should be incorporated at the time it is filed with the Legislature. In addition, the application packet should include specific reference to bylaws or policies required by the law.
2. Agencies should not require any additional information not included in the original packet, and should be required to access the applicants' information from the web as posted by the Legislature.
3. Agencies should provide the Legislature with their initial review of federal or state compliance (i.e. no entertainment or lobbying, no discrimination, etc.) This could be under Recommendation #2 above.
4. These recommendations may not require amendment of the law.

The Requirements & Conditions. There are very few restrictions on the recipient in 42F, namely, that funds not be used for entertainment or lobbying, that there is some policy or bylaw that references the services for which funds are sought, and that pertinent financial records be made available for ongoing monitoring.

- *Agencies have imposed additional, seemingly arbitrary, requirements of recipients. B&F has taken the position that a recipient must have proof of commitments for all costs of a project before release of the funds (while it is common practice for other funders to not be the first dollars in a project).*
- *At the same time, agencies do not appear interested in ongoing monitoring once funds are released. This provision of ongoing monitoring, combined with the allocation system, may impose unrealistic workloads on agencies for which GIA monitoring is a low priority.*

RECOMMENDATIONS

1. If agencies desire additional conditions be imposed on a grant, they should forward these in writing to the Legislature in a timely manner. It should then be up to the Legislature to accept (through provisos or other language) or reject these.
2. The Executive and Legislature should incorporate into the application packet a universal contract (preapproved by the AG) and universal quarterly reporting forms that facilitate easy reporting and oversight once funds are allocated.
3. Eventually Chapter 42F should be amended to reflect these changes and prohibit the imposition of conditions or restrictions not cited by the statute.

Release of Funds. The law does not explicitly require that funds be released within 90 days, but it is strongly implied, for if this deadline is not met, the governor is instructed by law to provide notification of the status and why timely allocation has not been made.

- *There is little evidence that the executive branch feels any urgency or responsibility to release funds in a timely manner. Even high profile GIA recipients may wait six or more months. In one case, it took the executive a year to release funds after the paperwork sat on a desk for months without action.*
- *There is little evidence that the executive branch complies with the 90 day notification.*

RECOMMENDATIONS

1. OCS should be required to complete its review and processing within a reasonable time that will not create financial hardship on nonprofits who cannot finalize their business plans without a timely decision.
2. The contract between the agency and the recipient could and should be sent by registered mail no later than August 1 of each fiscal year. The contract shall include provisions for quarterly reports and submission of documents required for good fair monitoring by the agency.
3. Upon signing of the contract by the recipient, the executive should release the funds no later than September 1 of each fiscal year.
4. Should there be a delay in this process, the executive should inform in writing the recipient, the Legislature, and the appropriate House and Senate legislators of the reasons for the delays and remedies.
5. Chapter 42F may need to be amended to reflect these recommendations. Amending the OCS law or a inclusion of a budget proviso may accomplish a similar goal.

HAWAII REVISED STATUES CHAPTER 42F (Pertinent sections are underlined and in bold).

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

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

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

"Subsidy" means an award of state funds by the legislature, by an appropriation to a recipient specified in the appropriation, to reduce the costs incurred by the organization or individual in providing a service available to some or all members of the public. [L 1997, c 190, pt of §3]

[§42F-102] Applications for grants and subsidies. Requests for grants and subsidies shall be submitted to the appropriate standing committees of the legislature at the start of each regular session of the legislature. Each request shall state:

- (1) The name of the requesting organization;
- (2) The public purpose for the grant or subsidy;
- (3) The services to be supported by the grant or subsidy;
- (4) The target group; and
- (5) The cost of the grant or subsidy and the budget. [L 1997, c 190, pt of §3]

§42F-103 Standards for the award of grants and subsidies. (a) Grants and subsidies shall be awarded only to individuals who, and organizations that:

- (1) **Are licensed or accredited**, in accordance with federal, state, or county statutes, rules, or ordinances, **to conduct the activities or provide the services for which a grant or subsidy is awarded;**
- (2) **Comply with all applicable federal and state laws** prohibiting discrimination against any person on the basis of race, color, national origin, religion, creed, sex, age, sexual orientation, or disability;
- (3) **Agree not to use state funds for entertainment or lobbying activities; and**
- (4) **Allow** the state agency to which funds for the grant or subsidy were appropriated for expenditure, legislative committees and their staff, and the auditor **full access to their records, reports, files, and other related documents and information for purposes of monitoring, measuring the effectiveness, and ensuring the proper expenditure of the grant or subsidy.**

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

- (1) **Is incorporated** under the laws of the State; and
- (2) **Has bylaws or policies that describe the manner in which the activities or services for which a grant or subsidy is awarded shall be conducted or provided.**

(c) Further, a grant or subsidy **may be awarded to a nonprofit** organization only if the organization:

- (1) Has been determined and designated **to be a nonprofit organization by the Internal Revenue Service;** and
- (2) Has a governing board whose **members have no material conflict of interest and serve without compensation.**

(d) If a grant or subsidy is used by an organization **for the acquisition of land**, when the organization discontinues the activities or services on the land acquired for which the grant or subsidy was awarded and disposes of the land in fee simple or by lease, **the organization shall negotiate with the expending agency for a lump sum or installment repayment to the State of the amount of the grant or subsidy used for the acquisition of the land.** This restriction shall be registered, recorded, and indexed in the bureau of conveyances or with the assistant registrar of the land court as an encumbrance on the property. Amounts received from the repayment of a grant or subsidy under this subsection shall be deposited into the general fund. [L 1997, c 190, pt of §3; am L 2007, c 184, §1]

[§42F-104] Contracts for grants and subsidies. An appropriation for a grant or subsidy shall be disbursed **by a contract** between the state agency designated the expending agency for the appropriation by the legislature, and the recipient of the grant or subsidy. **The contract shall be effective as of the first day of the fiscal year for which the funds for the grant or subsidy are appropriated, provided that up to one-fourth of the total amount appropriated may be disbursed prior to the execution of the contract.** [L 1997, c 190, pt of §3]

[§42F-105] Allotment. Contracts to disburse and appropriations for grants and subsidies **shall be subject to the allotment system generally applicable to all appropriations made by the legislature.** [L 1997, c 190, pt of §3]

[§42F-106] Monitoring and evaluation. Every grant or **subsidy shall be monitored by the expending agency to ensure compliance with this chapter and the public purpose and legislative intent of the grant or subsidy.** [L 1997, c 190, pt of §3]

[§42F-107] Grants; release by the governor. If a grant awarded by the legislature pursuant to this **chapter is not allocated or released by the governor within ninety days of the effective date of the legislation awarding the grant, the governor shall notify, in the manner prescribed in section 1-28.5, the recipient of the unreleased grant on the status of whether the grant is still pending or will not be released. The governor shall provide the notice once every quarterly allotment period (as the periods are defined in section 37-32), beginning on the ninety-first day after the effective date of the legislation awarding the grant and until a final determination is made on the status of the grant.** [L 2005, c 195, §1]



CATHOLIC CHARITIES HAWAII

TO: Senator David Y. Ige, Chair
Senator Michelle N. Kidani, Vice Chair
Committee on Ways and Means

FROM: Diane M. Terada, Division Administrator

DATE: Friday, March 21, 2014 (9:05 a.m., Room 211)

RE: **IN SUPPORT of HB 1737, HD1, Making an Appropriation for the Office of Community Services**

Catholic Charities Hawai'i (CCH) strongly supports HB 1737, HD1, Sections 1 and 3, which would provide funding to support the expansion of the existing state-funded community resource centers, contracted by the Office of Community Services. **We ask that additional funding of \$700,000 be provided through this measure and designated to the current Immigrant Resource Center providers:**

- \$200,000 Hawaii (Catholic Charities Hawaii)
- \$100,000 Kauai (Child & Family Service)
- \$400,000 Oahu (\$200,000 each for Susannah Wesley Community Center and Parents and Children Together)

CCH is a tax exempt, non-profit agency that has been providing services to immigrants and refugees for more than 30 years and has witnessed the struggles that our newly arrived neighbors go through to understand and navigate our system of government so that they can access the resources that they need to successfully transition to life in Hawai'i.

In August, 2013, CCH opened an Immigrant Resource Center (IRC) in Hilo, Hawaii to serve as the "first stop" for immigrants, migrants, and low-income persons to improve access to needed services, resources, and benefits with the goal to increase economic self-sufficiency and eliminate barriers to social adjustment. The program has primarily assisted migrants from the Compact of Free Association (Chuuk, Palau, Marshall Islands). In addition immigrants from the Philippines, Mexico, Thailand, Costa Rica, Portugal, Iran and Russia have also been served.

Currently, the IRC on the island of Hawaii is able to provide only limited support for immigrants and migrants in Kona/West Hawaii. Additional funds through this bill would enable CCH to more comprehensively address the needs of immigrants and migrants throughout the island of Hawaii.

Here's an example of how the Hawaii IRC is helping immigrant/migrant families:

A Micronesian family of four (father, mother, adult daughter, and one young grandchild) came to the IRC to get assistance initially for an immigration issue. An IRC staff who is a



Board of Immigration Appeals (BIA) Partially Accredited Representative, was able to assist them to obtain their I-94s and Social Security Cards. Their English is very limited but the IRC's Chuukese-speaking staff was able to speak to them in their native language to identify their needs during the Intake and Assessment process. Based on identified needs, here is how the IRC was able to assist this immigrant family:

- The father who was unemployed, was referred to Goodwill for Employment Core Services. The IRC staff have kept in touch with the counselor there to ensure that he receives help to secure employment. is continuing.*
- The IRC helped the father apply for medical insurance.*
- The mother who is disabled from a stroke is unable to work. The IRC staff helped her complete an application for financial assistance from the Welfare office and IRC staff went with her to serve as interpreter.*
- The family's oldest child, a single parent with a young child, has lived in Hawaii for some time and lost her job recently. However, she was not given a final check upon departure. Our IRC staff contacted her former employer and spoke to the manager who directed our staff to call their main office on another island. Our staff talked with the HR Coordinator and a final paycheck was send to the daughter.*
- The same daughter needed help preparing a resume. IRC staff taught her how to use the computer in the IRC resource library and provided guidance in preparing her resume. She was then directed to Goodwill for Employment Core Services to assist with job search.*
- The parents and daughter are coming to the IRC resource library daily to use Rosetta Stone to improve their English skills. They have also signed up for the free English class at UHH. These classes are being provided as a collaboration of CCH and UHH's Department of English, TESOL program. IRC clients can attend these free non-credit classes without a high school diploma and despite limited or no English skills.*
- This family is at a high risk of being homeless. IRC staff helped them apply for Section 8, low income apartments and State housing.*

The above migrant family, and many other immigrant and migrant families are now on their way to stabilizing their lives and taking concrete steps toward self-sufficiency.

If I can provide any further information, please feel free to contact me at 808-527-4702 or via email at diane.terada@catholiccharitieshawaii.org. Thank you for this opportunity to provide testimony in support of HB1737, HD1.



March 19, 2014

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TO: Senator David Ige, Chair
Members of the Senate Ways and Means Committee

FROM: Ronald M Higashi, Executive Director
Susannah Wesley Community Center

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**Youth Service Center
Program Administrator**
Carol S. Imanaka

Subject: Testimony in support of HB 1737 HD1, Related to the expansion of state funding for the Immigrant Resource Centers, currently funded by the Office of Community Services

Susannah Wesley Community Center supports, for the committee's consideration, the inclusion of an additional funding of \$700,000 for the Immigrant Resources Centers statewide. We request that that funding be designated as follows to the currently existing Immigrant Resource Centers.

- \$200,000 Hawaii (Catholic Charities Hawaii)
- \$100,000 Kauai (Child & Family Service)
- \$400,000 Oahu (\$200,000 each for Susannah Wesley Community Center and Parents and Children Together)

The Susannah Wesley Community Center Immigrant Resource Center on Oahu is a partnership of four agencies with long traditions of servicing immigrants, refugees, and newcomers to the state of Hawaii. Susannah Wesley Community Center operated from its site at our Kalihi location, Child and Family Services from their Ewa/Waipahu site, Pacific Gateway Center from their Chinatown site, and Catholic Charities Hawaii provides acculturation services to clients from all three sites and training for the staff of each site.

Due to a lack of funding currently, all three sites have needed to operate on a very limited base. Additional funding will enable all three sites to increase accessibility and capacity to meet the needs of our population.

We seek for your support of the Immigrant Resource Centers by providing an additional \$700,000 to existing providers. This will enable each Resource Center to better meet the demand on their respective islands to provide a "first stop" to access the services to better become economically self-sufficient and socially integrated into our communities.

