
HOUSE RESOLUTION

REQUESTING STUDIES ON INDIRECT AND OVERHEAD COST REIMBURSEMENTS
AND TIMELINESS OF PAYMENTS TO NONPROFIT HEALTH AND HUMAN
SERVICE PROVIDERS CONTRACTED BY THE GOVERNMENT.

1 WHEREAS, a recent national study noted that half of
2 nonprofit service providers working under government contracts
3 and grants reported that the government limited reimbursements
4 to nonprofits or excluded nonprofits from administrative and
5 overhead cost reimbursements; and
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7 WHEREAS, roughly 20 to 25 percent of the study respondents
8 said the government paid no administrative expenses, while
9 nearly 75 percent said the government limited reimbursements to
10 10 percent or less; and
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12 WHEREAS, the majority of nonprofits in thirty-four states
13 said government contracts and grants limited reimbursement for
14 overhead costs, and a majority of nonprofits in twenty-seven
15 states reported limits on administration expenses; and
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17 WHEREAS, nonprofits are still suffering financially from
18 the 2008 recession and are additionally burdened by late
19 payments from the government; and
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21 WHEREAS, according to a more recent national report, 68
22 percent of human service nonprofits reported concerns with the
23 government not paying the full cost of services and about 75
24 percent of respondents reported that the complexity and time
25 required for applying and reporting on contracts was a problem;
26 and
27

28 WHEREAS, as a result of the recession, many Hawaii
29 nonprofits have faced reduced revenues from individuals,
30 foundations, corporations, investments, and government sources,
31 but have experienced an increased demand for services that has



1 caused financial pressure on nonprofits and forced them to
2 freeze or reduce employee salaries, draw on reserves, cut back
3 on the number of employees, borrow funds, or reduce the hours of
4 operations; and

5
6 WHEREAS, while the State Legislature in 2011 created a
7 Prompt Payment Task Force to look into the recurring problem of
8 late government payments to nonprofits and in 2012 expanded the
9 scope of the initial task force to address the broad array of
10 problems in the government contracting system, stakeholders said
11 this action did not result in the implementation of meaningful
12 recommendations or change; and

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14 WHEREAS, it is in the best interest of the State to promote
15 the effective and efficient delivery of health and human
16 services by nonprofit service providers through the procurement
17 of services under chapter 103F, Hawaii Revised Statutes; now,
18 therefore,

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20 BE IT RESOLVED by the House of Representatives of the
21 Twenty-ninth Legislature of the State of Hawaii, Regular Session
22 of 2018, that the State Procurement Office Administrator is
23 requested to:

- 24
25 (1) Conduct a review of indirect costs and limits, if any,
26 imposed by the contracts awarded to nonprofit service
27 providers under chapter 103F, Hawaii Revised Statutes,
28 over the period of 2015 to 2017; and
29
30 (2) Address processes, policies, or practices that impact
31 the ability of nonprofit service providers to
32 adequately be reimbursed for administrative and
33 overhead costs; and
34

35 BE IT FURTHER RESOLVED that the Auditor is requested to:

- 36
37 (1) Conduct a review of the length of time payment is
38 received by nonprofit service providers under
39 contracts awarded under chapter 103F, Hawaii Revised
40 Statutes, over the period of 2015 to 2017; and



(2) Address processes, policies, or practices that contribute to delayed government payments to nonprofit service providers, and include proposed contingency plans, such as allowing nonprofit service providers to resubmit invoices at later dates to avoid the payment of interest or other fees; and

BE IT FURTHER RESOLVED that the State Procurement Office Administrator and Auditor are requested to submit reports of findings and recommendations, including any proposed legislation, to the Legislature no later than 20 days prior to the convening of the Regular Session of 2019; and

BE IT FURTHER RESOLVED that certified copies of this Resolution be transmitted to the Governor, Comptroller, Auditor, State Procurement Office Administrator, Chief Information Officer, and the Director of the Office of Information Practices.

OFFERED BY:

L. N. S.

John M. Moore

MAR 05 2018

