
HOUSE RESOLUTION

REQUESTING A STUDY ON INDIRECT COST PROVISIONS AND TIMELINESS OF
STATE OF HAWAII PAYMENTS UNDER DEPARTMENT OF HEALTH,
DEPARTMENT OF HUMAN SERVICES AND DEPARTMENT OF PUBLIC
SAFETY CONTRACTS.

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
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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
32 caused financial pressure on nonprofits and forced them to



1 freeze or reduce employee salaries, draw on reserves, cut back
2 on the number of employees, borrow funds, or reduce the hours of
3 operations; and
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5 WHEREAS, while the State Legislature in 2011 created a
6 Prompt Payment Task Force to look into the recurring problem of
7 late government payments to nonprofits and in 2012 expanded the
8 scope of the initial task force to address the broad array of
9 problems in the government contracting system, stakeholders said
10 this action did not result in the implementation of meaningful
11 recommendations or change; and
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13 WHEREAS, it is in the best interest of the State to promote
14 the effective and efficient delivery of health and human
15 services by nonprofit service providers through the procurement
16 of services under chapter 103F, Hawaii Revised Statutes; now,
17 therefore,
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19 BE IT RESOLVED by the House of Representatives of the
20 Twenty-ninth Legislature of the State of Hawaii, Regular Session
21 of 2018, that the Auditor is requested to conduct a review of
22 the Department of Health, Department of Human Services, and
23 Department of Public Safety contracts awarded to non-profit
24 service providers under chapter 103F, Hawaii Revised Statutes,
25 from 2015 to 2017 to determine the extent to which overhead and
26 indirect costs were contractually limited or restricted; and
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28 BE IT FURTHER RESOLVED that the State Procurement Office
29 Administrator is requested to:
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31 (1) Establish a chapter 103F working group which shall
32 meet at least twice before the start of the 2019
33 Legislature to assess and, if necessary, recommend
34 proposals to address adequate reimbursement for
35 overhead and indirect costs in Department of Health,
36 Department of Human Services and Department of Public
37 Safety contracts under chapter 103F, Hawaii Revised
38 Statutes; and
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40 (2) To invite up to five initial members of the working
41 group, including at least one member from the
42 Department of Health, Department of Human Services,



1 Department of Public Safety, and PHOCUSED or another
2 representative of Hawaii's non-profit service provider
3 sector; and
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- 5 (3) Submit a report summarizing the discussion and
6 recommendations, if any, of the working group to the
7 Legislature no later than twenty days prior to the
8 convening of the regular session of 2019.
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10 BE IT FURTHER RESOLVED that the State Procurement Office
11 Administrator and Auditor are requested to submit reports of
12 findings and recommendations, including any proposed
13 legislation, to the Legislature no later than 20 days prior to
14 the convening of the Regular Session of 2019; and
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16 BE IT FURTHER RESOLVED that certified copies of this
17 Concurrent Resolution be transmitted to the Governor, Auditor,
18 State Procurement Office Administrator, and the Director of the
19 Office of Information Practices.

