

DAVID Y. IGE  
GOVERNOR



SARAH ALLEN  
ADMINISTRATOR  
MARA SMITH  
ASSISTANT ADMINISTRATOR

**STATE OF HAWAII**  
**STATE PROCUREMENT OFFICE**

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TESTIMONY  
OF  
SARAH ALLEN, ADMINISTRATOR  
STATE PROCUREMENT OFFICE

TO THE HOUSE COMMITTEE  
ON  
HEALTH AND HUMAN SERVICES  
Wednesday, March 21, 8:30 A.M.

HCR 63/HR 49  
REQUESTING STUDIES ON INDIRECT AND OVERHEAD COST REIMBURSEMENTS AND  
TIMELINESS OF PAYMENTS TO NONPROFIT HEALTH AND HUMAN SERVICE  
PROVIDERS CONTRACTED BY THE GOVERNMENT.

Chair Mizuno, Vice-Chair Kobayashi, and members of the committee, thank you for the opportunity to submit testimony on HCR 63/HR49

The State Procurement Office (SPO) supports the intent of HCR 63/HR 49 as it is "... in the best interest of the State to promote the effective and efficient delivery of health and human services by nonprofit service providers through the procurement of services under chapter 103F, Hawaii Revised Statutes."

Page 2, lines 27-35 requests the SPO Administrator to:

- "(1) Conduct a review of indirect costs and limits, if any, imposed by the contracts awarded to nonprofit service providers under chapter 103F, Hawaii Revised Statutes over the period of 2015 to 2017, and  
(2) Address processes, policies, or practices that impact the ability of nonprofit service providers to adequately be reimbursed for administrative and overhead costs."

Currently, all procurements are conducted and awarded through a manual process as the state does not possess an eProcurement System. However, HRS 103F allows several types of contracts of which only one is cost reimbursement.

SPO does not have the resources to review hundreds of contracts to determine whether:

- The provider is a non-profit,
- The contract is in fact, cost reimbursement
- There are limits on indirect costs as the limits may not be included in the contract itself.

The SPO does not have the expertise to determine indirect costs and whether they have been limited. To conduct such a review would require dedicated accounting resources and audit expertise.

A considerable source of health and human services funding is from varying federal sources, all of whom may have some variation in requirements for indirect cost.

The SPO would need to contract for such a sizable task and would need a minimum of \$500,000 to outsource the tasks as described in HCR 63/HR 49.

Additional time would also be required to procure, contract, obtain the data, perform analysis and submit reports of findings, recommendations, including any proposed legislation. The SPO estimates such a report could be compiled no earlier than 20 days prior to the convening of the Regular Session of 2021 and possibly later if it is difficult to locate a contractor.

Alternatively, the Legislature can consider funding the implementation of an eProcurement system which would ultimately give accessibility to data analytics on health and human services cost contracts, would delineate burdened and indirect line items, and would include the awarded contract with which to view for further overhead details. The eProcurement system, would include six modules covering the full procurement and contracting life-cycle including a contract management component and a data analytics component, accessible by all executive department procuring agencies. Due to a nation-wide market shift, only a single initial investment of \$4,500,000 would be required to implement across the 21 Executive departments. Thereafter, the system would be managed and maintained through a self-funded mechanism through catalog purchasing so no additional monies would be needed. Attachment I clarifies the modules and delineates a Return on Investment of 160%.

Thank you.

# Resounding Gains from eProcurement

State Procurement Office 2018

# What's wrong with what we've got?

## Disparate Front Ends

Confusion for Vendors on where to look for work & where to post for State Buyers

Reduced outreach to Market

Reduced reach to Competition

Increased Overall costs per market (oligopoly/monopoly)

## No Transparency on Spend Analysis

Duplication of effort and redundancy

Failure to leverage economies of scale

No data for decision-making

Increased costs to State Budget

## Inconsistency & Incongruent Processes

Increased procurement processing time per requirement

Increased time spent by State Buyers

Reduced efficiency of procuring personnel

Increased confusion and money spend by vendors to adjust to many inconsistent requirements

# Return on Investment

## Our Gains are 160x what our Costs are!

### DEFINITION of 'Return On Investment - ROI'

A performance measure used to **evaluate the efficiency of an investment** or to compare the efficiency of a number of different investments. To calculate ROI, the benefit (return) of an investment is divided by the cost of the investment; the result is expressed as a percentage or a ratio.

The return on investment formula:

$$\text{ROI} = \frac{\text{Gain from Investment} - \text{Cost of Investment}}{\text{Cost of Investment}}$$

# Gain from the Investment

- ▶ Gains for the Taxpayers -
  - ▶ cost reductions due to leveraging economies of scale,
  - ▶ saves time taxpayers have to wait for services,
  - ▶ greater transparency into the process
- ▶ Gains for the Vendors -
  - ▶ consistency of system and one stop shop will increase competition and make it easier for vendors to bid.
  - ▶ Decrease time between notice of award and notice to proceed.
  - ▶ Business analytics to show the landscape of small business owners.
- ▶ Gains for the Departments -
  - ▶ dashboards with analytics to give Department Heads real-time information on their contracts to enhance oversight/governance and business decision-making.
- ▶ The SIX-STREAM System

# Six Work-streams of eProcurement

Procure- to Pay  
Automation

Catalog  
Establishment

Vendor  
Enablement/  
Management

Sourcing  
Enablement/  
Management

Contract  
Management

Spend Analysis

# Electronic Procurement Work Streams

Work Steams	Functionality
<b>Procure to Pay Automation</b>	<ul style="list-style-type: none"> <li>• Full Requisition to Order, standard &amp; adaptable to organization</li> <li>• Approvals on-line, Mobile app, Enterprise &amp; org-specific rules</li> <li>• eOrders (email, fax, EDI, cXML)</li> <li>• Receiving &amp; Asset Management data</li> <li>• Real-time integration w/Financials, Inventory, Asset, other systems</li> <li>• eInvoice, 3-way match &amp; payment authorization</li> </ul>
<b>Catalog Capability</b>	<ul style="list-style-type: none"> <li>• Hosted &amp; Punchout</li> <li>• Contract – State &amp; Agency; Non-Contract option</li> <li>• Vendor create/maintain tools</li> <li>• Buyer review, approve tools</li> </ul>
<b>Vendor/Supplier Enablement</b>	<ul style="list-style-type: none"> <li>• Self-service Registration</li> <li>• All Finance and Procurement data/information</li> <li>• Real-time integration w/Financials &amp; MBE program</li> </ul>
<b>Sourcing/Bid Management</b>	<ul style="list-style-type: none"> <li>• On-line Sourcing, all types (Formal, Informal, Reverse Auctions)</li> <li>• Automated public posting and vendor notifications (Transparency)</li> <li>• Secure on-line bidding, evaluation &amp; award</li> <li>• Integrated w/ Requisitioning, Catalogs, Ordering &amp; Contract Management</li> </ul>
<b>Contract Management</b>	<ul style="list-style-type: none"> <li>• Contract document authoring (templates, libraries, version control)</li> <li>• Contract administration (Expiration, Renewals, Licenses, Bonds)</li> <li>• Vendor performance management</li> <li>• MBE &amp; Subcontracting Plans and monitoring</li> </ul>
<b>Spend Management</b>	<ul style="list-style-type: none"> <li>• Spend Analytics, Contract use/leakage, Enterprise spend; Vendor &amp; MBE</li> <li>• Ad Hoc reporting &amp; dashboards</li> <li>• Public reports (Transparency)</li> <li>• Integrated Reporting with external systems (e.g. Finance, Inventory)</li> </ul>



# Gains from the Investment

## ▶ The Numbers

- ▶ A. Increase Accessibility with Cataloging, 10 new catalogs

= \$11.6M in Gain p.a.

- ▶ B. Assess Tangible benefits at 2.25% p.a. supported by actual cost savings

= \$41M in Gain p.a.

- ▶ C. Total Gains over a 15 year life-cycle, using Present Value of Growing Annuity

= \$728M Gain over Life

# Cost of the Investment

## ▶ Initial Cost

- ▶ Typical Cost of full eProc system lies between \$2.5 and \$8M, with \$1M-\$1.5M operating costs per annum.
- ▶ The ASK is for **\$4.5M** for setup over 3.5 years, with no continuing maintenance cost requirements.

## ▶ Sustainability Strategy

- ▶ Vendor Fee of 1% on Catalog Awards, Starting mid-Yr 3, with full implementation of all work streams from Yr 5. Vendor fee to cover SAAS license fees, upgrades, service desk etc.
  - ▶ 15 Year Life-cycle Costs: PV of Growing Annuity
- ▶ Total Cost for Initial implementation and 15 year life-cycle

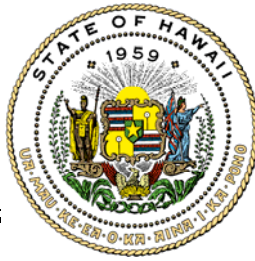
= **\$4.5M over life**

# Initial Return on Investment (ROI)

$$\text{ROI} = \frac{(\text{Gain from Investment} - \text{Cost of Investment})}{\text{Cost of Investment}}$$

► ROI =  $\frac{(\text{Gain from Cataloging: } \$11.5\text{M} + \text{Gain from System Benefits } \$41\text{M}) - \$4.5\text{M}}{\$4.5\text{M}}$

= 160%



HOUSE COMMITTEE ON HEALTH & HUMAN SERVICES  
The Honorable John M. Mizuno, Chair  
The Honorable Bertrand Kobayashi, Vice Chair

**H.C.R. NO. 63, REQUESTING STUDIES ON INDIRECT AND OVERHEAD  
COST REIMBURSEMENTS AND TIMELINESS OF PAYMENTS TO  
NONPROFIT HEALTH AND HUMAN SERVICE PROVIDERS  
CONTRACTED BY THE GOVERNMENT**

**H.R. NO. 49, REQUESTING STUDIES ON INDIRECT AND OVERHEAD  
COST REIMBURSEMENTS AND TIMELINESS OF PAYMENTS TO  
NONPROFIT HEALTH AND HUMAN SERVICE PROVIDERS  
CONTRACTED BY THE GOVERNMENT**

Hearing: Wednesday, March 21, 2018, 8:30 a.m.

The Office of the Auditor **has no position** regarding H.C.R. No. 63 and H.R. No. 49, which request our office to conduct a review of the timeliness of payments to nonprofit health and human service providers contracted by the government and to “address processes, policies, or practices” that contribute to delayed government payments. **However, we have concerns about the breadth of the requested study and request clarification.**

Specifically, the resolutions require our office to conduct a review of the timeliness of *all* payments to nonprofit health and human service providers under contracts awarded under Chapter 103F, Hawai‘i Revised Statutes, from 2015 to 2017. Additionally, the resolutions requests that we “address processes, policies, or practices that contribute to delayed government payments . . . and include proposed contingency plans.”

First, we typically perform financial or performance audits, which evaluate the financial or management operations of specific agencies or programs. If the intent of these resolutions is to request a financial or performance audit of the program or agency responsible for the timely payments to nonprofit health and human services providers of the State, we suggest that the resolution be amended to reflect this.

Second, considering our on-going audits and the work likely to be requested through bills or resolutions from the current legislative session, we will likely be required to narrow the scope of this review/study/audit, which may not provide the level or areas of review that may be helpful to the Legislature. We recommend the Legislature identify the specific departments, agencies, and/or programs that it is interested in having us assess and amend the resolution to identify those departments, agencies, and/or programs.

Thank you for considering our testimony regarding H.C.R. No. 63 and H.R. No. 49.

# OFFICE OF INFORMATION PRACTICES

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250 SOUTH HOTEL STREET, SUITE 107  
HONOLULU, HAWAII 96813  
TELEPHONE: 808-586-1400 FAX: 808-586-1412  
EMAIL: oip@hawaii.gov

To: House Committee on Health & Human Services

From: Cheryl Kakazu Park, Director

Date: March 21, 2018, 8:30 a.m.  
State Capitol, Conference Room 329

Re: Testimony on H.C.R. No. 63 / H.R. No. 49  
Requesting Studies on Indirect and Overhead Cost Reimbursements  
and Timeliness of Payments to Nonprofit Health and Human Service  
Providers Contracted by the Government

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Thank you for the opportunity to submit testimony on this resolution, which would request studies, with findings and recommendations, to be done by the State Procurement Office Administrator and the Auditor. The Office of Information Practices (OIP) takes no position on this resolution, but is testifying to seek clarification of why OIP is listed as a recipient of the resolution.

The resolution does not call upon OIP to do a study or other action, and its subject matter does not appear to concern areas within OIP's jurisdiction, but at page 3, lines 17-18, the resolution calls for OIP to receive a certified copy of the resolution. If the Legislature's intent is that OIP play some part in the studies called for, OIP would appreciate clarification of what it is being asked to do. Alternatively, if OIP was included as a recipient in error, OIP would recommend that it be deleted from the list of recipients (at page 3, lines 17-18).

Thank you for the opportunity to testify.



**TO: Chair Mizuno, Vice Chair Kobayashi, and Members of the House Committee on Health and Human Services**

**FROM:** Ryan Kusumoto, President & CEO of Parents And Children Together (PACT)

**DATE/LOCATION:** March 21, 2018; 8:30 a.m., Conference Room 329

**RE: COMMENTS ONLY FOR HCR 63– REQUESTING STUDIES OF PAYMENTS TO GOVERNMENT CONTRACTED NON-PROFIT HEALTH AND HUMAN SERVICE PROVIDERS**

**We are providing comments for HCR 63**, requesting studies on indirect and overhead costs reimbursements and timeliness of payments to non-profit health and human service providers contracted by the government.

We recognize that to address the needs of our communities, government, businesses and the nonprofit sectors must be in sync with one another. As a contractor for health and human services, Parents And Children Together has worked together with multiple sectors to ensure that the needs of the community are met. Working together to address the needs of the community is critical to ensuring our community is moving forward.

The nonprofit sector and government have partnered over the years to address these complicated issues. We understand that there are many challenges that all parties face in doing this critical work and we understand the challenges of being constrained by limited funds. We hope to have continued discussions to support these partnerships, address the full costs of service delivery, and explore the issues at hand in order to promote the effective and efficient delivery of services.

Founded in 1968, Parents And Children Together (PACT) is one of Hawaii’s not-for-profit organizations providing a wide array of innovative and educational social services to families in need. Assisting more than 18,000 people across the state annually, PACT helps families identify, address and successfully resolve challenges through its 16 programs. Among its services are: early education programs, domestic violence prevention and intervention programs, child abuse prevention and intervention programs, child and adolescent behavioral health programs, sex trafficking intervention, and community building programs.

Thank you for the opportunity to provide comments for **HCR 63**, please contact me at (808) 847-3285 or [rkusumoto@pacthawaii.org](mailto:rkusumoto@pacthawaii.org) if you have any questions.

# HAWAII YOUTH SERVICES NETWORK

677 Ala Moana Boulevard, Suite 904 Honolulu, Hawaii 96813

Phone: (808) 489-9549

Web site: <http://www.hysn.org> E-mail: [info@hysn.org](mailto:info@hysn.org)

Rick Collins, President

Judith F. Clark, Executive Director

Bay Clinic

Big Brothers Big Sisters of  
Hawaii

Bobby Benson Center

Child and Family Service

Coalition for a Drug Free Hawaii

Domestic Violence Action Center

EPIC, Inc.

Family Programs Hawaii

Family Support Hawaii

Friends of the Children of  
West Hawaii

Hale Kipa, Inc.

Hale 'Opio Kauai, Inc.

Hawaii Children's Action  
Network

Hawaii Student Television

Ho'ola Na Pua

Kahi Mohala

Kokua Kalihi Valley

Maui Youth and Family Services

P.A.R.E.N.T.S., Inc.

Parents and Children Together  
(PACT)

Planned Parenthood of the  
Great Northwest and  
Hawaiian Islands

PHOCUSED

Salvation Army Family

Intervention Services

Sex Abuse Treatment Center

Susannah Wesley Community  
Center

The Catalyst Group

March 17, 2018

To: Representative John Mizuno, Chair  
And members of the Committee on Health and Human Services

**TESTIMONY IN ASTRONG SUPPORT OF HCR 63/SR 49**  
**REQUESTING STUDIES ON INDIRECT AND OVERHEAD COST**  
**REIMBURSEMENTS AND TIMELINESS OF PAYMENTS TO**  
**NONPROFIT HEALTH AND HUMAN SERVICE PROVIDERS**  
**CONTRACTED BY THE GOVERNMENT.**

Hawaii Youth Services Network (HYSN), a statewide coalition of youth-serving organizations, strongly supports HCR 63/SR 49.

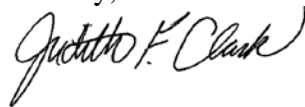
Every direct service program or project incurs administrative or indirect costs, and it is reasonable and necessary to include those costs in government contracts.

Organizations that provide services to vulnerable populations such as young children or persons with disabilities incur risks and must maintain liability insurance. In fact, all state contracts and grants include requirements for maintaining liability insurance, with the State of Hawaii named as additional insured. Fiscal management staffing and an independent audit are needed to assure accurate accounting and appropriate use of state funds. These essential costs should be included in government contracts.

When adequate reimbursement for administrative costs is not offered, providers must determine whether they can pay for them through other sources and how critically important the service is to their target population. This may deter the most qualified and effective providers from accepting contracts. The result in unmet needs for services for vulnerable members of our community – children, elderly, disabled, and more.

Thank you for this opportunity to testify.

Sincerely,



Judith F. Clark, MPH  
Executive Director



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Ewa Beach, Hawaii 96706  
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Fax 808.681.5280  
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Council on Accreditation  
Better Business Bureau

AFFILIATIONS

Alliance for Strong Families and  
Communities  
Kauai United Way  
Maui United Way  
Hawaii Island United Way



Child & Family  
SERVICE

A private nonprofit serving Hawai'i since 1899

March 18, 2018

House Committee on Health and Human Services  
Hawaii State Legislature  
State Capitol  
Honolulu, Hawaii 96813

Re: Support for HCR 63

Chair Mizuno, Vice Chair Kobayashi and members of the committee:

My name is Karen Tan and I am the President & CEO of Child & Family Service (CFS), one of Hawaii's oldest, most comprehensive non-profit human service organizations. CFS provides services to over 16,000 individuals and touches the lives of over 40,000 across the State of Hawaii yearly. I am writing in full support HCR 63, requesting studies on indirect and overhead cost reimbursements and timeliness of payments to non-profit health and human service providers contracted by the government.

Nonprofit service providers have reported working under government contracts and grants that have limited or excluded administrative and overhead cost reimbursements and report ongoing concerns over delayed payments and reimbursement. This resolution is needed to help resolve payment issues which threaten the very existence of some nonprofit organizations.

I have worked in human services in Hawaii for over 26 years. Over this period of time, I have seen significant shifts in contracts with the State that have created increased challenges for organizations such as CFS. Regulations and oversight have gone up tremendously, yet administrative costs are kept minimal and are highly scrutinized.

Regarding timely payments, CFS has experienced challenges in this area. Our annual operating budget is close to 30 million dollars, and we employ close to 500 individuals across the State. We are a significant employer, yet we often operate with less than 1 week of cash on hand. Our cash flow challenges are a direct result of a 90+ day accounts receivable timeframe, most of which is State funding. While CFS has a line of credit to help us cover payroll, many smaller organizations do not. Also, when we use our line of credit, our expenses increase as we must pay interest on the funds used. Timely payments would help us to increase our cashflow and meet our obligations without having to use our line of credit.

Child & Family Service has been serving families in Hawaii for 119 years, and we hope with the support of this resolution, that we will be here for Hawaii's families for many more years to come.

Thank you for this opportunity to testify.

Sincerely,

Karen Tan, LCSW  
President & CEO

"We're all about FAMILY"

Mission: Strengthening Families and Fostering the Healthy Development of Children





**Testimony to the House Health and Human Services Committee  
Representative John Mizuno, Chair  
Representative Bertrand Kobayashi, Vice Chair  
Wednesday, March 21, 2018  
Conference Room 229  
HCR 63/HR 49 - Relating to Charitable Organizations**

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Dear Chair Mizuno and Vice Chair Kobayashi, and members of the HHS Committee:

On behalf of the Hawai'i Alliance of Nonprofit Organizations, I would like express **support of HCR 63/HR 49**, requesting studies on indirect and overhead cost reimbursements and timeliness of payments to nonprofit health and human service providers contracted by government.

Hawai'i Alliance of Nonprofit Organizations (HANO) is a statewide, sector-wide professional association of nonprofits. Our mission is to unite and strengthen the nonprofit sector as a collective force to improve the quality of life in Hawai'i. Our member organizations provide essential services to every community in the state and across all missions.

HANO joins with PHOCUSED and other health and human service advocates to echo the concerns outlined in this resolution. Health and Human service nonprofits make up over half of nonprofits in the sector. The financial stability of these nonprofits affects the overall viability of our sector, and the communities that we serve.

The 2015 Nonprofit Finance Fund State of the Sector Survey is the most up-to-date data available with regard to government grants/contracts. There were 304 responses from Hawaii nonprofits. The findings revealed, amongst other things:

- The number one concern reported is achieving long-term financial sustainability (39%)
- 22% of nonprofits reported ending 2014 with a deficit
- 55% report having 3 months or less of cash on hand
- Demand for services is going up while capacity of nonprofit providers to respond to complex social issues is decreasing.

In 2010, The Urban Institute released a report, "Human Service Nonprofits and Government Collaboration," which cast light on the strained government contracting relationship with nonprofits nationwide. The Urban Institute study extracted state-specific data. In Hawai'i, of 161 human service organizations surveyed, the report found that **Hawaii ranked 20<sup>th</sup> nationwide in contracts not covering the full costs of contracted services.**

**In 2015, the federal Office of Management and Budget (OMB) issued a Uniform Guidance stipulating that all federal contracts must include a minimum of 10% in overhead. The guidance also defined direct costs, indirect costs, administrative expenses and overhead, which are used interchangeably in this resolution language but are distinctly different. We suggest state conformity to what is already federal requirement and where there are clear definitions.**

**House Health and Human Services Committee  
HANO Testimony, HCR 63/HR 49  
Page Two**

The Nonprofit Finance Fund 2015 State of the Sector Report for Hawaii (N=304) found that **57% of the time, reimbursement for indirect costs is below the minimum requirement of 10 percent of Modified Total Direct Costs established in the OMB Uniform Guidance.**

As for the issue of late payments, according to the Nonprofit Finance Fund survey, Hawaii nonprofits reported that **payments from State agencies were late 79% of the time.** The Urban Institute study also showed that:

- Hawaii was notoriously ranked **15<sup>th</sup> highest in the nation in the problem area of late payments to nonprofit contractors.**
- The most common **past due period for state government contracts was 90 days or more.**

Nonprofit providers deliver services in good faith and are bound legally by their government contracts to deliver the service. Late payments and not being paid the true cost force them to front the resources to sustain the service and essentially provide **interest-free loans** to their government partners.

At the time, nonprofits cited they had to do any or all of the following to compensate for these problems:

- Freeze or reduce employee salaries
- Draw on reserves
- Reduce numbers of employees
- Reduce other benefits
- Borrow funds or reduce lines of credit
- Reduce programs

As a named organization to the Prompt Payment Task Force (2011-2013) where stakeholders studied this issue extensively, we would be happy to provide information to further this discussion. We recommend *not* studying durations of late payments, but instead using the time and resources to discuss *solutions*. As you can see, this issue has plagued nonprofits for years. We are seeking solutions now.

Thank you for the opportunity to provide testimony in support.

Mahalo,  
Lisa Maruyama  
President & CEO



PROTECTING HAWAII'S OHANA, CHILDREN, UNDER SERVED, ELDERLY AND DISABLED

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John McComas  
PHOCUSED  
1822 Keeaumoku St; Ulu House, Honolulu, HI, 96822

March 19, 2018

House Committee on Health and Human Services  
Hawaii State Legislature  
State Capitol  
Honolulu, Hawaii 96813

Re: Support for HCR 63

Chair Mizuno, Vice Chair Kobayashi and members of the committee:

Testimony offered by John McComas, Board President for PHOCUSED and recently retired CEO for AlohaCare. I am writing to support HCR 63, requesting studies on indirect and overhead cost reimbursements and timeliness of payments to non-profit health and human service providers contracted by the government.

Nonprofit service providers have reported working under government contracts and grants that have limited or excluded administrative and overhead cost reimbursements and report ongoing concerns over delayed payments and reimbursement. This resolution is needed to help resolve payment issues which threaten the very existence of some nonprofit organizations.

The State has wisely chosen to often contract with numerous private non-profit health and social service agencies to provide needed, high quality cost effective care and services to our most needy and underserved populations. Historically, these agencies have succeeded year after year to do more with less. This has allowed the State to stretch limited resources aimed at serving our communities of need. However, two factors maybe emerging that negatively impact the abilities of these non-profit entities to serve the needs of our communities as effectively as they would like to and should be able to.

The first is the potential impact of the new Federal tax laws that may result in diminished contributions to non-profits, resulting from limiting tax deductions on donations. The second are barriers that may exist in getting non-profits to be paid fairly, timely and consistently when under contract with the State. The



PROTECTING HAWAII'S OHANA, CHILDREN, UNDER SERVED, ELDERLY AND DISABLED

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*Trisha Kajimura*  
*Debbie Shimizu, Ex Officio*

solution to the first issue is being explored by non-profits and their supporters. Solutions to the second issue involving the State's working relationship with non-profits revolves around having processes, policies and practices that are clearly defined and consistently applied and can have outcomes that are able to be measured.

We strongly support HCR 63 as a first step in defining any issues, problems or concerns and then based on this analysis producing mutually agreeable solutions to major problems so identified. In this way our mutual goals of cost effectively and efficiently providing services to our communities of need can be achieved.

PHOCUSED is a membership and advocacy organization for health and human services in Hawaii, which works together with community stakeholders to impact program and policy change for the most vulnerable in our state. Our commitment to the people is reflected in our name – Protecting Hawaii's Ohana, Children, Under-Served, Elderly, and Disabled. We are guided by the shared commitment of our members to protect the interest of Hawaii's most vulnerable people.

**HCR-63**

Submitted on: 3/18/2018 3:02:27 PM

Testimony for HHS on 3/21/2018 8:30:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Scott Foster	The Kupuna Caucus of the Democratic Party of Hawaii.	Support	No

Comments:

## Helping Hawai'i Live Well

To: Representative John Mizuno, Chair, Representative Bertrand Kobayashi, Vice Chair, Members, House Committee on Health and Human Services

From: Trisha Kajimura, Executive Director

**Re: TESTIMONY IN SUPPORT OF HCR 63**

**Hearing: March 21, 2018, 8:30 am, CR 329**

Thank you for the opportunity to provide testimony in support of HCR 63, requesting studies on indirect and overhead cost reimbursements and timeliness of payments to non-profit health and human service providers contracted by the government.

Mental Health America of Hawaii is a 501(c)3 organization founded in Hawai'i 76 years ago, that serves the community by promoting mental health through advocacy, education and service.

Nonprofit service providers have reported working under government contracts and grants that have limited or excluded administrative and overhead cost reimbursements and report ongoing concerns over delayed payments and reimbursement. This resolution is needed to help resolve payment issues which threaten the very existence of some nonprofit organizations.

Please contact me at [trisha.kajimura@mentalhealthhawaii.org](mailto:trisha.kajimura@mentalhealthhawaii.org) or (808)521-1846 if you have any questions.



Aloha United Way

Aloha United Way  
200 N. Vineyard Blvd., Suite 700  
Honolulu, Hawaii 96817

Representative John Mizuno, Chair  
Representative Bertrand Kobayashi, Vice Chair  
House Committee on Health & Human Services

**RE: HCR 63/HR 49 - REQUESTING STUDIES ON INDIRECT AND OVERHEAD COST REIMBURSEMENTS AND TIMELINESS OF PAYMENTS TO NONPROFIT HEALTH AND HUMAN SERVICE PROVIDERS CONTRACTED BY THE GOVERNMENT - IN STRONG SUPPORT**  
March 21, 2018; 8:30 AM; Conference Room 329

Aloha Chair Mizuno, Vice Chair Kobayashi and Committee Members:

Aloha United Way strongly supports HCR 63/HR 49 which requests studies of the impact of indirect cost and overhead reimbursements and the timeliness of payments to nonprofit health and human service providers contracted by the government.

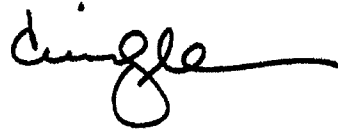
It is more expensive to run a business in Hawaii than in most mainland locations. Nonprofits are, at their core, businesses that file a different IRS tax form at the end of the year. High operating costs also impact nonprofits. Nonprofits are reimbursed for operating costs for government contracts through indirect and overhead cost reimbursements allowed in contracts. These rates must realistically reimburse nonprofits for these costs if the nonprofit is to remain in business and be able to serve the community. Continuously escalating demands for higher and higher quality service delivery and expanding performance reporting must be accompanied by higher indirect and overhead reimbursement rate.

The timeliness of payments by government can also significantly impact contracted nonprofit financial health. Most government contracts are “cost reimbursement” meaning the contracted agency must provide the service at their expense and then claim and wait on reimbursement payments by the contracting government agency. Multiple layers of bureaucracy in the payment process often cause long delays in delivery of the earned dollars to the nonprofit resulting in significant cash flow issues. Addressing the cash flow problem often involves short-term, costly borrowing, seeking advance payments from other funders or simply declining to accept government contracts.

Government contracts with nonprofits because we can deliver the needed service more effectively and more efficiently. However, the financial health of the nonprofit industry must be protected through reasonable indirect and overhead rates and timely payment for services rendered.

Thank you for the opportunity to submit testimony. We urge your favorable consideration of these resolutions.

Sincerely,

A handwritten signature in black ink, appearing to read "Cindy Adams", with a long horizontal flourish extending to the right.

Cindy Adams  
President & CEO



**From:** [Carol Ai](#)  
**To:** [hhstestimony](#)  
**Subject:** HCR 63 - In Support of this Bill  
**Date:** Monday, March 19, 2018 4:46:25 PM  
**Attachments:** [image001.png](#)  
[image002.png](#)

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Dear Representatives Learnmont and Mizuno,

My name is Carol Ai May and I am Vice President and Co-owner of 119-year old City Mill, a locally owned and family operated business with approximately 400 employees. I am also on the board of several non-profit organizations including Child & Family Service, Girl Scouts, Retail Merchants of Hawaii and the Straub Foundation. I have had previous Board positions on the University of Hawaii Foundation, American Heart Association and some other non-profit.

One theme many of these organizations have dealt with is financial uncertainty, partly due to cash flow issues resulting from delayed government payments and restrictions on administrative costs.

Non-profit organizations provide a great service to our community and their financial stability/health, because of delayed payment following services performed, should not be a hindrance to providing superior human services. All of us have needed or know someone who has needed or used a local non-profit service. Their organizational health is critical to our community which is why I urge you to support this Bill HCR 63.

Thank you for the opportunity to testify.

Respectfully yours,

Carol Ai May

**Carol Ai May**

Vice President | Administration - City Mill

**City Mill Co. Ltd.** | 660 N. Nimitz Highway

(t) 808.529.5806 | (f) 808.524.0256

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**MARK H. YAMAKAWA**  
700 Bishop Street, Suite 700  
Honolulu, Hawaii 96813

March 19, 2018

House Committee of Health and Human Services  
Hawaii State Legislature  
State Capitol  
Honolulu, Hawaii 96813

**RE: SUPPORT FOR HCR 63**

Aloha Chair Mizuno, Vice Chair Kobayashi and Members of the Committee:

I'm writing in strong support of HCR 63 requesting studies on indirect and overhead cost reimbursements and timeliness of payments to non-profit health and human services providers contracted by government.

As a member of the Board of Directors of Child & Family Service, our ability to continue to serve the beneficiaries of these government contracts is challenged by reimbursements that do not fully cover administrative expenses required to manage the contacts. Timeliness of reimbursements also affects our organization's ability to manage cashflow.

Child & Family Service has served Hawaii families for over 100 years. Your support of HCR 63 will help Child & Family Service to continue its mission.

Mahalo,



Mark H. Yamakawa  
Member, Board of Directors

**HCR-63**

Submitted on: 3/19/2018 5:40:02 PM

Testimony for HHS on 3/21/2018 8:30:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Marcia Sumile	Child and Family Service Guild	Support	No

Comments:

**HCR-63**

Submitted on: 3/19/2018 9:08:02 PM

Testimony for HHS on 3/21/2018 8:30:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Joe Young	Child and Family Services	Support	No

Comments:

Chair Mizuno, Vice Chair Kobayashi and members of the committee:

I am writing to express my full support of HCR 63. As a member of our community and a board member of Child & Family Service, it is imperative that attention and action is brought to this matter to provide support to the numerous organizations across the State of Hawaii that are committed to helping our people and their families without fear of interruption or potential discontinuation of providing help and services.

Thank you for your consideration.

Sincerely,

Joe Young

Shayne Kukunaokalā Yoshi  
Blueprint for Change  
677 Ala Moana Blvd., Ste. 1005

March 15, 2018

House Committee on Health and Human Services  
Hawaii State Legislature  
State Capitol  
Honolulu, Hawaii 96813

Re: STRONG SUPPORT for HCR 63

Chair Mizuno, Vice Chair Kobayashi and members of the committee:

My name is Shayne Kukunaokalā Yoshimoto, Program Specialist for Blueprint for Change. I am writing to SUPPORT HCR 63, requesting studies on indirect and overhead cost reimbursements and timeliness of payments to non-profit health and human service providers contracted by the government.

Nonprofit service providers have reported working under government contracts and grants that have limited or excluded administrative and overhead cost reimbursements and report ongoing concerns over delayed payments and reimbursement. This resolution is needed to help resolve payment issues which threaten the very existence of some nonprofit organizations.

Blueprint for Change (BFC) currently has two (2) contracts with the Department of Human Services (DHS). We operate through a reimbursement process, which is continually late. The lateness really puts a strain not only on BFC, but also on our subcontractors, who also operate on a reimbursement schedule.

On average, reimbursements from DHS are 3-4 months behind. There were a few instances where payments were 5-6 months behind. This has proven to be extremely problematic. BFC and the majority of our subcontractors are small in size, which makes it difficult to sustain and/or keep up with operational costs when reimbursement payments are so far behind.

Blueprint for Change is in STRONG SUPPORT of HCR 63.



# Adult Friends for Youth

*"Redirecting lives to stop Violence"*

PRESIDENT AND  
CHIEF EXECUTIVE  
OFFICER

*Deborah L.K. Spencer-Chun, M.S.W.*

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*\*Past Chair of the Board*

Submitted to Committee on Health and Human Services  
Representative John Mizuno, Chair  
Representative Bertrand Kobayashi, Vice Chair

Submitted by: Deborah L.K. Spencer-Chun  
President and CEO of Adult Friends for Youth

Wednesday, March 21, 2018  
State Capitol, Conference Room 329

Chair Mizuno, Vice Chair Kobayashi and members of the Committee on Health and Human Services please accept my written testimony in support of HCR 63 relating to *Requesting studies on indirect and overhead cost reimbursements and timeliness of payments to nonprofit Health and Human Service providers contracted by the Government.*

Nonprofits play a vital role in the health and safety of our communities and the State at large. Every dollar that comes to a nonprofit is wisely spent to provide services to the citizens (of all ages) of Hawaii.

In regards to timeliness:

Although payments are often delayed as mentioned in this resolution. I strongly recommend an amendment to the resolution that would include the timely manner it takes to EXECUTE a government contract for nonprofit sector as well as provide a reasonable timeline to execute a contract. We believe the intent of the Legislature is to implement services beginning with the fiscal year following the close of session. At AFY we understand that from the time the Legislature approves contracts in April, that it takes several steps before actual implementation. It is unconscionable that it would take eleven months as we are currently experiencing. (Note: As an administrator not having a contract executed in the first two quarters of the fiscal year is an inconvenience and not smart business sense for the government.) These delays profoundly impact the health and safety of our communities and the state as a whole.

I humbly ask that you consider support HCR 63 with amendments recommended in this testimony. Thank you for your time.

91-1841 Fort Weaver Road  
Ewa Beach, Hawaii 96706  
Phone 808.681.3500  
Fax 808.681.5280  
Email cfs@cfs-hawaii.org  
www.childandfamily.org



March 19, 2018

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Joseph Young  
Michael Young

House Committee on Health and Human Services  
Hawaii State Legislature  
State Capitol  
Honolulu, Hawaii 96813

Re: Support for HCR 63

Chair Mizuno, Vice Chair Kobayashi and members of the committee:

I currently serve as the Chief Financial Officer for Child & Family Service, one of Hawaii's oldest and most comprehensive private, nonprofit human services organization. Our organization serves over 16,000 children and adults, and touches the lives of over 40,000 throughout the State of Hawaii yearly.

I am writing in support of HCR 63, requesting studies on indirect and overhead cost reimbursements and timeliness of payments to nonprofit health and human service providers contracted by the government.

Nationally, nonprofit service providers have reported working under government contracts and grants that have limited or excluded administrative and overhead cost reimbursements and report ongoing concerns over delayed payments and reimbursement. Nonprofit services providers nationally have also reported government pays less than the full cost of services and are burdened by time requirements related to applying for and reporting on contracts.

Nonprofit organizations in Hawaii are a vital part of the local economy. Child & Family Service and its peer nonprofit organizations work in partnership with government agencies to help Hawaii's residents reach their fullest potential through improvements in health and well-being, safety and security. This is a valuable contribution to the economy and positively impacts our current and our future workforce. HCR 63 offers a timely solution to help identify and resolve payment issues which threaten the very existence of some nonprofit organizations.

On behalf of Child & Family Service, I respectfully submit my support of HCR 63.

Sincerely,

  
Vivian Yasunaga  
Chief Financial Officer

ACCREDITATIONS

Council on Accreditation  
Better Business Bureau

AFFILIATIONS

Alliance for Strong Families and  
Communities  
Kauai United Way  
Maui United Way  
Hawaii Island United Way



“We’re all about FAMILY”

Mission: Strengthening Families and Fostering the Healthy Development of Children





## CATHOLIC CHARITIES HAWAII

### **TESTIMONY IN SUPPORT OF HCR 63: REQUESTING STUDIES ON INDIRECT AND OVERHEAD COST REIMBURSEMENTS AND TIMELINESS OF PAYMENT TO NONPROFIT HEALTH AND HUMAN SERVICE PROVIDERS CONTRACTED BY THE GOVERNMENT**

**TO:** Representative John Mizuno, Chair, Representative Bertrand Kobayashi, Vice Chair, and Members, Committee on Health & Human Services  
**FROM:** Terrence L. Walsh, Jr., President and Chief Executive Officer  
**Hearing:** **Wednesday, March 21, 2018; 8:30 AM; CR 329**

Chair Mizuno, Vice Chair Kobayashi, and Members, Committee on Health and Human Services:

Thank you for the opportunity to provide testimony **in support of HCR 63**, which would address processes, policies, or practices that contribute to delays in government payments to nonprofit organizations. I am Terry Walsh, with Catholic Charities Hawai'i.

Catholic Charities Hawai'i (CCH) is a tax exempt, non-profit agency that has been providing social services in Hawai'i for over 60 years. CCH has programs serving elders, children, developmentally disabled, homeless and immigrants. Our mission is to provide services and advocacy for the most vulnerable in Hawai'i. We have over 30 programs, many of which have government funding.

Nonprofits are the bedrock of human services provision in Hawai'i. While we are mission driven, we also must pay our staff and bills and be run efficiently as a business. When government contracts delay payments or provide only limited administrative and overhead costs, the nonprofit's capacity to serve the community may be impacted.

We support studies on indirect and overhead cost reimbursements and timeliness of payments to non-profit health and human services providers contracted by the State government. If the State Auditor conducts a review, the extent of this problem and hopefully possible solutions can then be identified. For example, should the Federal indirect rate be accepted as the state indirect and overhead cost reimbursement rate? If the Federal rate is fair, should it not be used by the State also?

The requested studies/audit would help to resolve payment issues that can threaten the existence of some nonprofits.

Thank you for listening to our concerns and taking action on this important issue for the sustainability of nonprofit organizations in our State.

Please contact our Legislative Liaison, Betty Lou Larson, at 373-0356, or at [bettylou.larson@catholiccharitieshawaii.org](mailto:bettylou.larson@catholiccharitieshawaii.org), if you have any questions.







Protecting Hawaii's 'Ohana, Children, Under-served, Elderly, and Disabled

House Committee on Health and Human Services  
8:30 a.m., March 21, 2018  
Room 329

Re: HCR 63, REQUESTING STUDIES ON INDIRECT AND OVERHEAD COST REIMBURSEMENTS  
AND TIMELINESS OF PAYMENTS TO NONPROFIT HEALTH AND HUMAN SERVICE  
PROVIDERS CONTRACTED BY THE GOVERNMENT

Aloha Chair Mizuno, Vice Chair Kobayashi and members of the committee:

We are testifying in strong support of HCR 63. Hawaii's non-profit health and human services organizations are essential to delivering needed services in the community. This resolution is designed to assist in providing data relevant to the health of the sector.

As noted in the resolution, nonprofit service providers working under government contracts and grants have report that the government limited reimbursements or excluded nonprofits from administrative and overhead cost reimbursements. The timeliness of payments continues to be a concern and we are requesting recent data concerning payments made under Hawaii Revised Statutes Chapter 103F.

This is an especially good time to conduct these studies. We are encouraged by the responsiveness and collaborative relationship that nonprofit organizations have with current government stakeholders. We believe that this resolution is an important step toward ensuring the continued strength of Hawaii's nonprofit health and human services providers.

PHOCUSED is a nonprofit, nonpartisan organization dedicated to increasing the safety for, visibility of, and investment in the children and adults of Hawaii who are marginalized, impoverished, and under-served and for whom access to health, human services, and housing is critical.

Thank you for the opportunity to testify. Please support HCR 63.

**kobayashi2 - Kevin**

---

**From:** Kathy Inouye <kinouye@kobayashi-group.com>  
**Sent:** Tuesday, March 20, 2018 1:05 PM  
**To:** hhstestimony  
**Cc:** 'Karen Tan (ktan@cfs-hawaii.org)'; 'Tony Mizuno (Tony.Mizuno@boh.com)'  
**Subject:** House Committee on Health and Human Services -- HCR 63

To the House Committee on Health and Human Services:

My name is Kathy Inouye, Sr. Advisor to Kobayashi Group. I have been on the Board of Child and Family Service for a several years. I'm sure you'll agree that this very worthwhile organization provides critical services to many in our community that government cannot fulfill. While we and our beneficiaries are grateful for your support of its programs, the late payments are causing a significant burden to us financially. I am writing in support of Bill HCR 63 which will study the reasons for the late reimbursements. However, we need to quickly follow up the study with concrete actions to expedite the time in which our community-based organizations receive reimbursements. Thank you.

~~~~~

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**HCR-63**

Submitted on: 3/20/2018 7:58:35 AM

Testimony for HHS on 3/21/2018 8:30:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Shannon Rudolph	Individual	Support	No

Comments:

**Strongly Support!**

**HCR-63**

Submitted on: 3/20/2018 8:18:07 AM

Testimony for HHS on 3/21/2018 8:30:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Carla Plaza	Individual	Support	No

Comments:

March 20, 2018

House Committee on Health and Human Services

Hawaii State Legislature

State Capitol

Honolulu, Hawaii 96813

Re: Support for HCR 63

Chair Mizuno, Vice Chair Kobayashi and members of the committee:

The Alliance for Strong Families and Communities (the Alliance) is a nationwide strategic action network of over 400 human services community-based organizations (CBOs), including four in Hawaii. We are writing in support of HCR 63, which would require the State Procurement Office Administrator to study indirect and overhead cost reimbursements and timeliness of payments to nonprofit health and human service providers contracted by the state of Hawaii.

Building, restoring and sustaining individual, family and community health and well-being through nonprofit CBOs is often thought of charity, but it is not. It is a business, a mission-oriented business. According to the national report, [\*National Imperative: Joining Forces to Strengthen Human Services in America\*](#), there are over 210,000 human services CBOs employing 3.2 million Americans and contributing over \$200 billion a year to the national economy in wages, benefits, rent, fuel and other services needed to

build and support our country's greatest asset – our people. Commissioned by the Alliance and the American Public Human Services Association (APHSA), and written by Oliver Wyman and SeaChange Capital Partners, the report estimates that one in five Americans receive supports or services from human services CBOs each year. However, CBOs are often not valued for the significant economic and material contributions they make to local, state and national economies and to the development of the current and future workforce. A growing number of human services CBOs face financial challenges that can be exacerbated by preventable roadblocks, such as contracts with public agencies that are not aligned with the federal Office of Management and Budget (OMB) Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards, normally referred to as the “Uniform Guidance.” According to the aforementioned report, the 2014 Uniform Guidance is intended to simplify and consolidate guidance to CBOs on which types of costs should be considered allocable to government contracts. Unfortunately, the authors of report found that in discussions with CBOs, many report that understanding of the Uniform Guidance remains uneven within the state and local agencies with whom they contract.

CBOs are an integral partner of an ecosystem that also includes public agencies, elected officials, and private contributors, such as foundations and major donors. All partners within the ecosystem can play a role in strengthening the human services sector, so that it is a durable, reliable infrastructure that helps children, adults, families and communities achieve their full potential. The *National Imperative* report concludes that both recipients of human services and society face significant risks if human services CBOs are not financially strong and able to deliver on their potential. Unfortunately, many of the country's human services organizations are in financial distress. The report found that about half of CBOs run persistent operating deficits, in part due to the constraints imposed by government contracts. Often, these contracts fall short of covering the cost to deliver the quality and outcomes desired, place significant administrative burdens, and are too restrictive on how CBOs can spend the funding. In addition, government partners often pay late, disrupting cash flows – in some cases for years.

The *National Imperative* report offers key solutions, or “North Star” initiatives, including regulatory modernization, deeper strategic partnerships across the human services ecosystem, and improved financial management and practices. Recommendations for entities that provide human services financing, including public agencies, are:

- Committing to contract terms that cover the full costs of providing services and reviewing funding models over time. Full, reasonable costs should include all costs related to delivering services, including both direct program costs and indirect general operating costs, as well as costs related to general operations,

capacity-building, and innovation. Reasonable full cost levels should be estimated and agreed, potentially with independent third parties playing a role in establishing a “standard” view of acceptable expected cost levels.

- Providing CBOs with flexible outcome-based funding that can be allocated as necessary to support both service delivery and the CBOs’ long-term organizational health and development, which is foundational to their capacity to deliver high quality supports and services. Today, contracts typically specify artificially created caps on what portion of contract payments can be used for indirect costs. These restrictions limit CBOs’ ability to manage their businesses in an optimal way. CBOs need the flexibility to invest in innovation and an infrastructure capable of supporting innovation. At times, this may require the flexibility to spend more on administrative functions or technology; at other times, it may require less.
- Committing to contract terms and payment practices that support timely payments to CBOs. Contract terms should specify that late payments will trigger the payment of interest and/or penalties paid to CBOs, as is common in the commercial world.
- Exploring the creation of pooled capital funds that would make financial resources available to CBOs in the event of financial distress. Pooled funds could provide a more capital efficient way of protecting CBOs from financial distress. The funds could be managed as a source of short-term funds, likely provided via loan agreements, but with the same purpose and effect as in-house capital which would normally be drawn down in times of stress and need, and replenished subsequently.

Given the great extent to which governments and the public rely on the human services ecosystem for provision of critical services, government contracting processes should support financially healthy CBOs, not cause financial stress. We commend Representatives Learnmont and Mizuno for introducing this legislation and urge members of the House of Representatives to vote in favor of this resolution. If the Alliance can be helpful, please contact Marlo Nash at 202.429.0270 or [mnash@alliance1.org](mailto:mnash@alliance1.org).

Sincerely,

Marlo Nash

Senior Vice President, Public Policy and Mobilization

March 20, 2018

House Committee on Health and Human Services  
Hawaii State Legislature  
State Capitol  
Honolulu, Hawaii 96814

Re: Support for HCR 63

Dear Chair Mizuno, Vice Chair Kobayashi and members of the committee:

My name is Emily Reber Porter and I am an active member of the business, legal and nonprofit communities in Hawai'i. Currently I serve as Chief Operating Officer of The MacNaughton Group, a local real estate development company which has been active in Hawai'i for decades. I also serve as a board member of Child and Family Service, Hawaii Women's Legal Foundation, and The MacNaughton Group Foundation. My previous volunteer work has also included serving on the board of the Domestic Violence Action Center (then the Domestic Violence Clearinghouse and Legal Hotline) and volunteering with Legal Aid Society of Hawai'i.

I write in support of HCR 63.

For me, Hawai'i is home, and there's nowhere else in the world just like it. It is an incredible place to grow up, raise a family, and grow older and wiser with family and friends. However, due to many factors, Hawai'i is not always an easy place to live, let alone thrive. Non-profit human service organizations – whether they focus on health, safety, social services, or legal services – fill a critical need in Hawai'i. They act as a safety net, a helping hand, a guiding light, and much more to many who need assistance from time-to-time.

The State of Hawai'i has provided strong support for many of these non-profit human service organizations for decades. Supporting these mission-driven organizations, leaders and staff members who are experts in their fields with the necessary resources to do their jobs well can be the very best way to deploy resources to fill critical needs facing our communities. To further strengthen the support of the State of Hawai'i in helping these organizations perform their critical functions, I support HCR 63. Given concerns raised about adequate funding and prompt payment to these organizations, studying the extent to which the State of Hawai'i is adequately funding and promptly paying these organizations seems like a worthwhile endeavor.

Thank you for your time and consideration.

Respectfully submitted,



Emily Reber Porter

**HCR-63**

Submitted on: 3/20/2018 8:30:15 AM

Testimony for HHS on 3/21/2018 8:30:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Eric Englin	Individual	Support	No

Comments:

March 15, 2018

House Committee on Health and Human Services

Hawaii State Legislature

State Capitol

Honolulu, Hawaii 96813

Re: Support for HCR 63

Chair Mizuno, Vice Chair Kobayashi and members of the committee:

My name is Eric Englin, and I work as a program manager for PHOCUSED. I am writing to support HCR 63, requesting studies on indirect and overhead cost reimbursements and timeliness of payments to non-profit health and human service providers contracted by the government.

Nonprofit service providers have reported working under government contracts and grants that have limited or excluded administrative and overhead cost reimbursements and report ongoing concerns over delayed payments and reimbursement. This resolution is needed to help resolve payment issues which threaten the very existence of some nonprofit organizations.



PHOCUSED is a membership and advocacy organization for health and human services in Hawaii, which works together with community stakeholders to impact program and policy change for the most vulnerable in our state. Our commitment to the people is reflected in our name – **Protecting Hawaii’s Ohana, Children, Under-Served, Elderly, and Disabled**. We are guided by the shared commitment of our members to protect the interest of Hawaii’s most vulnerable people.

**HCR-63**

Submitted on: 3/20/2018 9:14:33 AM

Testimony for HHS on 3/21/2018 8:30:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
CATHERINE M CAMP	Individual	Support	No

Comments:

Chair Mizuno, Vice Chair Kobayashi, and members of the Committee;

I am writing in support of HCR63. Non-profit, community service organizations touch the lives of many of Hawaii's people. Non-profits also provide valuable services to our community.

Many non-profits work under government contracts and it is a shame that the our Government system is not a timely payer of its contractual obligation. The non-profit is expected to provide contracted services in exchange for timely payment. It is a disgrace that our Government does not pay timely, which in effect requires the non-profit to carry the burden of fronting the State's bill. Many of our non-profits are working within tight budgets and have to borrow funds to cover the gap (whether that be payroll, operating, or other expanses) when the state delays payment. Many times non-profits have to borrow funds/utilize lines of credit and incur additional interest expenses to cover the gap in payment. The State's lack of timely payment is simply a poor business practice and must be stopped.

One could argue then that the non-profit shouldn't bid for State contracts- and that may be what happens, but then who suffers... in the ends its Hawaii's most needy people.

Please support this resolution, and mahalo for the opportunity to testify.



615 Piikoi Street, Suite 203  
Honolulu, Hawaii 96814-3139

T 808.589.1829  
F 808.589.2610  
E [info@halekipa.org](mailto:info@halekipa.org)  
W [www.halekipa.org](http://www.halekipa.org)

#### Executive Staff

Punky Pletan-Cross  
*Chief Executive Officer*

Jaque Kelley-Uyeoka  
*Deputy CEO*

Dori Tyau  
*Director of Human Resources*

Cody Barretta  
*Controller*

Laura Brucia Hamm  
*Chief Operating Officer*

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Zadoc W. Brown, Jr.  
*Neighbor Island Board Liaison*

March 19, 2018

Committee on Health and Human Services  
Representative John Mizuno, Chair  
Representative Bertrand Kobayashi, Vice Chair

### RE: HCR 63----IN SUPPORT

Dear Representatives Mizuno and Kobayashi and Committee Members:

Thank you for the opportunity to provide brief testimony in support of HCR 63. Hale Kipa is a private, non-profit agency with over 48 years of vibrant service to the community with an emphasis on supporting children, teenagers and young adults to lead safe, healthy lives and transition to be contributing members of their communities.

As a grass-roots, community-based agency, we have worked diligently with our funders which include government agencies, to provide efficient and effective services to our young people and their families.

There have been times where Hale Kipa has not been paid in a timely manner, has had limited resources to develop and operate a program and has not always been able to recoup necessary administrative costs. On occasion, this has led to us to delay critical salary adjustments, loss of staff and borrow funds.

We are writing to support HCR 63, requesting studies on indirect and overhead cost reimbursements and timeliness of payments to non-profit health and human service providers contracted by the government. We are encouraged by the study which will help to identify reviews, policies and procedures that may be barriers and come to some resolutions which allow for true private and public partnership.

Thank you again for the opportunity to testify.

Sincerely,

Jaque Kelley-Uyeoka, MSW  
Deputy CEO, Hale Kipa, Inc.

## **kobayashi2 - Kevin**

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**From:** JOHN ARIZUMI <jarizumi@carrierhawaii.com>  
**Sent:** Tuesday, March 20, 2018 7:25 AM  
**To:** hhstestimony  
**Subject:** Support HCR 63

As a board member for Child & Family Service for the past 16 years and a member of the Finance/Audit committee, I fully support the bill, as slow payment by the government and restricting administrative costs affect our organization tremendously, just as any private business would. Your consideration of passing this bill is appreciated.

Respectfully submitted,

John Arizumi  
President  
Carrier Hawaii

## **kobayashi2 - Kevin**

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**From:** Mizuno, Tony <Tony.Mizuno@boh.com>  
**Sent:** Monday, March 19, 2018 7:28 PM  
**To:** hhstestimony  
**Subject:** HR 63

Chair Mizuno, Vice Chair Kobayashi, and members of the committee,

I am writing this email in support of HR 63.

As a board member of various charitable non-profit organizations, I have seen firsthand the negative impacts that the State's slow payments has on our service providers and community. The State regularly takes over 90 days to pay invoices that are governed by contracts. That is not acceptable in any other context and certainly should not be the case when the State of Hawaii is paying a non-profit agency for contracted services.

Thank you for taking on this issue.

Tony Mizuno



## Life Foundation & The CHOW Project

677 Ala Moana Boulevard, Suite 226  
Honolulu, HI 96813  
(808) 521-2437 | (808) 853-3292



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### TESTIMONY IN SUPPORT OF HCR63: RELATING TO CHRONIC HEALTH CONDITIONS

TO: Representative John Mizuno, Chair; Representative Bert Kobayashi, Vice Chair; House Committee on Health and Human Services

FROM: Heather Lusk, Executive Director, CHOW Project

Hearing: Wednesday, March 21, 2018 8:30 AM Conference Room 329, State Capitol

Dear Chair Mizuno, Vice Chair Kobayashi, and members of the Committee on Health and Human Services:

I thank you for this opportunity to testify in **support** of HCR 63 relating to chronic health conditions.

The efficient and effective functioning of nonprofit service providers is vital to our community. Local studies on indirect and overhead cost reimbursements and timelines of payments to nonprofit health and human services providers contracted by the government are necessary due to the following findings from a recent national study:

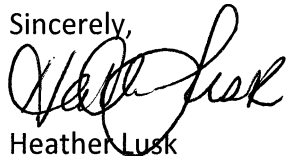
- Half of nonprofit service providers work under government contracts and have experienced significant delays in reimbursement since the recession.
- Roughly 20 to 25 percent of the study respondents said the government paid no administrative expenses, and 75 percent shared limited government reimbursement of 10 percent or less.
- The majority of nonprofits in 34 states shared limited government contract and grant reimbursement for overhead costs.
- The majority in 27 states revealed limits on administrative expenses
- As a result of the 2008 recession, nonprofits in Hawai'i lost major revenue sources from individuals, foundations, corporations, investment, and government sources, all while experiencing an *increase* in demand for their services.

The resulting financial pressure from these limited reimbursements forces nonprofits to freeze or reduce employee salaries, draw on reserves, cut back the total number of employees, borrow funds, or reduce hours of operation. All of these cutbacks have an enormous impact on nonprofit organizations' ability to provide services.

I humbly request that the state auditor conduct a review on the length of time payment is received by nonprofit service providers under contracts awarded under chapter 103F. This is essential to ensure the timely and effective provision of funds and services so greatly needed by our community.

I appreciate the opportunity to provide testimony for SB3107.

Sincerely,

A handwritten signature in black ink, appearing to read "Heather Lusk". The signature is fluid and cursive, with the first name "Heather" written in a larger, more prominent script than the last name "Lusk".

Heather Lusk

Executive Director

CHOW Project + Life Foundation