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TESTIMONY OF  
**DENISE ISERI-MATSUBARA**  
**Executive Director, Office of Community Services**  
TO THE  
SENATE COMMITTEE ON WAYS AND MEANS

**SENATE BILL 497, Relating to grants**

Hearing: February 20, 2019, 10:00 a.m.; Rm. 211

Thank you for the opportunity to testify on this measure. The Office of Community Services (OCS) is the expending agency designated by the Legislature for many of the grants awarded under Chapter 42F of the Hawaii Revised Statutes. OCS **supports** this bill and offers the following comments.

SB 497 would codify the documentation that grantees must provide to substantiate their eligibility for grant awards. The measure essentially codifies existing practices and would assist grantees by making them aware of what is needed in order to enter into a contract with the state to receive grant funds.

The proposed amendments help ensure that grantees are in good standing to do business with the State of Hawaii. The requirements related to tax filings would provide additional assurance regarding the grantee's financial integrity before contracting with State. Codifying the requirements that we currently seek in practice would provide greater legal clarity and improve our ability to process contracts for grant awards. Collectively, these clarifications help the Legislature and the state offices charged with administering grants ensure that potential grantees are legally eligible for awards, well-established, and have the infrastructure to successfully execute the program or project.

Regarding the changes proposed under Section 42F-103, item c (1) that limits the types of non-profits that can be eligible to only those that are designated as a 501(c)(3) by the Internal Revenue Service, we offer the following comments. Most of the non-profit organizations that OCS has dealt with have had §501(c)(3) status. However, we do want to note that some non-profits do not have §501(c)(3) status, but might still serve the public's interest. For example, civic leagues or organizations not organized for profit but operating exclusively for the promotion of social welfare have a Internal Revenue Code §501(c)(4) status, and domestic fraternal societies, orders, or associations have a §501(c) (10) status. We are not advocating that these two categories be eligible for Chapter 42F grants, but raise it only as a matter of information.

Thank you for the opportunity to testify in support of this measure.



**LATE**

**Testimony to the Senate Committee on Ways and Means  
Senator Donovan Dela Cruz, Chair  
Senator Gilbert Ketih-Agaran, Vice Chair  
Wednesday, February 20, 2019, 10:00 a.m.  
Conference Room 211  
SB 497, Relating to Grants**

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Dear Chair Dela Cruz, Vice-Chair Keith-Agaran and members of the WAM Committee:

On behalf of the Hawai'i Alliance of Nonprofit Organizations, I would like express **support of SB 497, Relating to Grants.**

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.

SB 497 stipulates additional required documentation by nonprofit organizations for state grant eligibility. Additional documentation includes:

- Proof of tax-exempt status (IRS Letter of Incorporation)
- A copy of organizational By-laws
- DCCA Certificate of Good Standing
- Proof of compliance with HRS 467B-2.1 (charitable registry with the State Attorney General for solicitation of funds), if applicable
- Current tax clearance
- Proof of payment for real property tax (annual fee), if applicable
- Two years of most recent 990 tax forms

These are standard documents that charitable nonprofits should have, that uphold and demonstrate best practices in regulatory compliance and provide a level of transparency that warrants receipt of state monies.

Mahalo for the opportunity to provide written testimony.

Lisa Maruyama  
President and CEO