

**Written Comments**

DAVID Y. IGE  
GOVERNOR



KEITH T. HAYASHI  
INTERIM SUPERINTENDENT

STATE OF HAWAII  
DEPARTMENT OF EDUCATION  
P.O. BOX 2360  
HONOLULU, HAWAII 96804

**Date:** 02/03/2022

**Time:** 02:00 PM

**Location:** 309 Via Videoconference

**Committee:** House Education

**Department:** Education

**Person Testifying:** Keith T. Hayashi, Interim Superintendent of Education

**Title of Bill:** HB 2122 RELATING TO FEDERAL INDIRECT OVERHEAD REIMBURSEMENTS.

**Purpose of Bill:** Broadens the purposes for which indirect costs incurred by the department of education, state public charter school commission, or a charter authorizer from federal grants may be reimbursed.

**Department's Position:**

The Hawaii State Department of Education (Department) supports HB 2122 and appreciates the support of this bill as it is part of the Governor's 2022 Legislative Package.

This bill supports the Department's strategic priority of communication and engagement through greater fiscal transparency and prioritized use of indirect cost funds pursuant to the Federal Grants Revolving Fund guidelines established per §302A-1405, Hawaii Revised Statutes (HRS).

Indirect cost funds are reimbursements from federal grants received by the Department for costs incurred in support of administrative/general business operations. The funds received is based on a negotiated rate with the federal government, which is assessed against the amount of allowable federal grant expenditures. The Department is required by statute to retain all federal indirect cost funds it realizes.

The amendment sought to §302A-1404, HRS would make indirect costs from all federal grants, whether discretionary (competitive) or non-discretionary (formula) grants, available for deposit into the Federal Grants Revolving Fund authorized by §302A-1405, HRS. The allowable use of these funds per §302A-1405, HRS would include the pursuit of additional discretionary grants, monitoring grant execution, compliance with grant

requirements, and the auditing of grant expenditures.

The current practice is that only the difference between the negotiated rate for discretionary and non-discretionary grants are deposited to the Federal Grants Revolving Fund. The balance of indirect cost funds are retained as federal funds, recorded in the Department's Financial Management System, and reported annually to the legislature at each EDN level via the Department's annual §37-47, HRS, legislative report. This practice, while consistent with federal and state guidelines, does not provide a simple and transparent means by which to track and record revenues and expenditures for these indirect cost funds. Depositing all indirect cost funds into the existing revolving fund will support better intentional, planned, and transparent use of these funds.

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



## TESTIMONY HB2122

February 3, 2022

### **SUPPORT with Comments**

Aloha Chair Woodson, Vice Chair Kapela and Committee Members,

The Network supports HB2122 with comments. It is imperative that Hawaii follow the approved indirect cost rates and purposes set by the federal government for use of federal funds otherwise we jeopardize all federal education funding. The networks position is the charter school commission should not be managing any federal funds, they should be managed by the DOE.

Mahalo for your time and service to our communities,

Taffi Wise, Vice President of Legislative Affairs

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