



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

Date: 04/06/2022

Time: 02:45 PM

Location: 308 Via Videoconference

Committee: House Finance

Department: Education

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

Title of Bill: SB 3090, SD1, HD1 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. Effective 7/1/2050. (HD1)

Department's Position:

The Hawaii State Department of Education (Department) supports SB 3090, HD 1 and appreciates the support of this bill.

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 Section §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 indirect cost funds received are based on a rate negotiated annually with the federal government, which is assessed against the allowable federal grant expenditures. The Department is required by statute to retain all federal indirect cost funds it realizes.

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

execution, compliance with grant requirements, and 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 Section §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.

SB-3090-HD-1

Submitted on: 4/6/2022 8:34:26 AM

Testimony for FIN on 4/6/2022 2:45:00 PM

Submitted By	Organization	Testifier Position	Testify
Keith Hayashi	Hawaii Department of Education	Support	Remotely Via Zoom

Comments:

Requesting Zoom link. Mahalo!