

Written Comments

DAVID Y. IGE
GOVERNOR



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INTERIM SUPERINTENDENT

STATE OF HAWAII
DEPARTMENT OF EDUCATION
P.O. BOX 2360
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Date: 02/22/2022

Time: 10:00 AM

Location: Conference Room 211 &
Videoconference

Committee: Senate Ways and Means

Department: Education

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

Title of Bill: SB 3090, SD1 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. (SD1)

Department's Position:

The Hawaii State Department of Education (Department) supports SB 3090, SD 1 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.

Pursuant to the law as it exists, 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 for discretionary grants 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.