

SB3070

Measure Title: RELATING TO GRANTS.

Report Title: Grants; Legislative Policies

Description: Establishes legislative policies to: (1) make appropriations for grants during the regular session of each odd-numbered year for the ensuing fiscal biennium; (2) appropriate funds for not more than one grant for each grant recipient during a fiscal biennium; and (3) place a low priority on requests to fund the general and administrative expenses of a grant applicant. States that adherence to the policies shall be subject to legislative discretion and funding availability.

Companion:

Package: None

Current Referral: GVO, WAM

Introducer(s): TOKUDA



CATHOLIC CHARITIES HAWAII

TO: Senator Donna Mercado Kim, Chair
Senator Les Ihara, Jr., Vice Chair
Committee on Government Operations

FROM: Stella M.Q. Wong, Vice President of Programs

DATE: Thursday, February 11, 2016 (1:15 p.m., Room 414)

RE: **SB 3070, Relating to Grants**

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 appreciate the opportunity to offer comments on SB 3070, which would establish legislative policies regarding the Grant In Aid process:

(1) To make appropriations for grants during the regular session of each odd-numbered year for the ensuing fiscal biennium, but still permit the legislature to add new or amend or repeal existing grant appropriations during the regular session of an even-numbered year or a special session

COMMENT: If this may allow organizations to extend a Grant In Aid with additional funding for a two year period, we strongly support this policy as single year funding often will not allow programs sufficient time to plan ahead.

(2) To appropriate funds for not more than one grant for each grant recipient during a fiscal biennium;

COMMENT: This seems to be a reasonable policy that allows GIA funding to be spread across more recipients.

(3) To place a low priority on requests to fund general and administrative expenses.

COMMENT: CCH is concerned that this policy does not recognize the overhead costs that a nonprofit will incur when carrying out any successful project or program. **Catholic Charities Hawai'i urges the Senate Committee on Government Operations to amend SB 3070 to modify the new proposed language for Section 42F to allow for reimbursement of the costs that nonprofits incur when providing critical services on behalf of the State and its residents.**



Catholic Charities Hawai'i has depended on Grant In Aid funding for over ten years for our program, Lanakila Multi-Purpose Senior Center. The Center is one of the largest and oldest senior centers in the State, serving hundreds of seniors each month. While successful at providing programs that enable seniors to remain independent and active in the community, the Center has had a volatile funding history and would not have survived to this day without the support of the Hawaii State Legislature through Grant In Aid funding.

- The Center's funding was cut nearly in half in 1996 and has never recovered.
- In 2004, all State funds were eliminated for Lanakila as well as Moiliili Senior Center, leaving the two centers reliant only on Grant In Aid funding to continue.
- A third of the funding for both centers were restored in 2005, but both Centers continue to rely on Grant In Aid funding to keep the centers alive.
- For Lanakila, Grant In Aid funding currently provides another third of the funding needed to operate the Center. The final third of funding is supported through CCH as well as client & donor contributions.

Catholic Charities Hawai'i would like to thank the Hawaii State Legislature for supporting programs that meet the needs of the people of our State through the Grant In Aid process. Thank you for the opportunity to provide comment and for opening up discussion about this process. For more information or questions, please feel free to contact me at 524-4673.



**Testimony to the Senate Government Operations Committee
Senator Donna Mercado Kim, Chair
Senator Les Ihara, Vice Chair
Thursday February 11, 2016, 1:15 p.m.
Conference Room 414
SB 3070 Relating to Grants**

Dear Chair Kim, Vice Chair Ihara and members of the Government Operations Committee:

On behalf of the Hawai'i Alliance of Nonprofit Organizations, I would like to offer comments for SB 3070 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.

First and foremost, we would like to thank the Hawaii State Legislature for providing a regular and consistent funding source like the Grant-in-Aid program for nonprofits statewide to access. As you know, diversified funding sources are limited for charitable nonprofits that are working to strengthen our communities statewide and in partnership with government.

While recognizing that like any other funder - public or private - the Legislature has full prerogative over how it decides to administer its grant in aid, we have a few suggestions to offer regarding proposed changes to Section 42(c):

If indeed we are interpreting the proposed language correctly to mean that grants will be decided on in every odd year session, and to be administered in the fiscal year that immediately starts in the same year of that session, is it safe to assume that two-year grants could conceivably be made to organizations over the course of the biennium? If that is the case, we wholeheartedly support this idea of multi-year funding, recognizing that single year funding may be too short of a duration to support the organization's endeavors. We often hear anecdotally, and have also experienced this ourselves, that one-year funding does not give an organization sufficient time to build programs, make impact, to leverage other resources, and to see returns on investment – and particularly if the use of the grant is for seed and/or for developing earned income strategies that will support the nonprofit over the long term.

Also, regarding the low priority placement of general operating or administrative expenses, it is understandable and again your choice as a funder to not want to fund this in its totality and in and of

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State Senate Government Operations Committee
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itself. We would only ask that you NOT exclude funding of overhead as part of a project request. Overhead is part and parcel of any project and essentially ensures success in project deliverables.

Research consistently shows that failure by governments and others to reimburse nonprofits for their legitimate indirect costs (sometimes called administrative or overhead costs) reduces efficiency and effectiveness, and threatens the sustainability and viability of the nonprofits on which governments depend to deliver services in communities. In our sector, we call this the nonprofit starvation cycle.

In 2010, the [U.S. Government Accountability Office](#) found that failure by governments to reimburse nonprofits for their true costs “potentially limit the [nonprofit] sector’s ability to effectively partner with the federal government, can lead to nonprofits providing fewer or lower-quality federal services, and, over the long term, could risk the viability of the sector.”

In June 2013, Charity Navigator, the Better Business Bureau’s Wise Giving Alliance, and GuideStar launched an effort to “correct a misconception” about what matters most in deciding to support a charity. The three groups published an open letter to donors on the [“Overhead Myth”](#) declaring: “the percent of charity expenses that go to administrative and fundraising costs commonly referred to as ‘overhead’ -- is a poor measure of a charity’s performance.” Their analysis concluded that “many charities should spend MORE on overhead” and that funders failing to pay indirect costs “starve charities of the freedom they need to best serve the people and communities they are trying to serve.”

The problem of failing to pay for indirect costs is particularly troubling in Hawai`i. In a 2014 [study conducted by the Urban Institute](#), Hawai`i ranked the worst in the country with regard to paying “general administrative/overhead” on grants and contracts with nonprofits. Seventy-two percent of Hawai`i nonprofits completing the survey said that government limits payments on general administrative/overhead reimbursement, and of these, 58 percent reported that the caps were 10 percent or less.

We urge the Senate Committee on Government Operations to amend SB 3070 to modify the new proposed language in Section 42F(c) to include reimbursement of charitable nonprofits for the costs they incur in providing the critical goods and services on behalf of the state and its residents. As stated previously, if the intent of the proposed changes to Section 42(c) was also to provide multi-year funding commitments through this new proposed funding cycle, we strongly support that as a best practice, as well.

Thank you for the opportunity to provide testimony and for opening up discussion about this process.

Mahalo,
Lisa Maruyama
President & CEO

HAWAII YOUTH SERVICES NETWORK

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Rick Collins, President

Judith F. Clark, Executive Director

Big Brothers Big Sisters of
Hawaii

Bobby Benson Center

Central Oahu Youth Services
Association

Child and Family Service

Coalition for a Drug Free Hawaii

Domestic Violence Action Center

EPIC, Inc.

Family Programs Hawaii

Family Support Hawaii

Hale Kipa, Inc.

Hale 'Opio Kauai, Inc.

Hawaii Student Television

Hui Malama Learning Center

Kokua Kalihi Valley

Life Foundation

Marimed Foundation

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

Salvation Army Family

Intervention Services

Sex Abuse Treatment Center

Susannah Wesley Community
Center

The Catalyst Group

Uhane Pohaku Na Moku

O Hawai'i

Waikiki Health

February 10, 2016

To: Senator Donna Mercado Kim, Chair,
And members of the Committee on Government Operations

TESTIMONY IN SUPPORT OF THE INTENT OF SB 3070 RELATING TO GRANTS

Hawaii Youth Services Network (HYSN), a statewide coalition of youth-serving organizations, supports the intent of SB 3070 Relating to Grants.

HYSN agrees that

- The Legislature should make appropriations for grants during the regular session of odd numbered years for the ensuing fiscal biennium, while allowing for grants in the even numbered years when they address urgent needs.
- No organization should receive more than one grant during a fiscal biennium.

HYSN has some concern about placing a low priority for grant requests that include administrative or operating funds. Every direct service program or project incurs administrative costs, and it is reasonable and necessary to include those costs in legislative grant-in-aid funding. Here are some examples of reasonable administrative charges. 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 grant-in-aid awards.

Grants should not be awarded solely for the purpose of subsidizing an organization's administrative and operating costs, however, but only as a portion of the costs of operating a program that benefits the people of Hawaii.

Thank you for this opportunity to testify.

Sincerely,



Judith F. Clark, MPH
Executive Director



WEST HAWAI'I MEDIATION CENTER

Staff

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Executive Director

Chelsea LaFrance
Case Manager

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Foreclosure Program Specialist

Robyn Skudlarek
Youth Programs Coordinator

Board of Directors

Janet Marrack
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Secretary

Shane Palacat-Nelsen

The Honorable
Elizabeth A. Strance

Katherine Werner

Michael S. Zola, Esq.

To: The Honorable Donna Mercado Kim, Chair, and Members of the Committee
From: Zaheva Knowles, Esq., Executive Director, West Hawai'i Mediation Center, 65-1291 Kawaihae Road, Suite 202, Kamuela, Hawai'i
Re.: Testimony Submitted to the State Senate Committee on Government Operations Regarding SB 3070 Concerning Changes to the State Legislative Grant-in-Aid Process
Date: February 10, 2016

Chair Kim and distinguished Members of the Committee,

I write on behalf of the West Hawai'i Mediation Center (WHMC) to offer testimony on the proposed changes contemplated under SB 3070. Founded in 1988, WHMC is small non-profit on Hawai'i Island that seeks to empower individuals, organizations and communities to deal with conflict by providing mediation, facilitation and education services to the estimated 85,000 residents in our West Hawai'i service area. WHMC has submitted an application for funding from the 2016 State Legislative Grant-in-Aid program.

While reserving comment on the precise language of the Act, I want to offer support for the Act's emphasis on 1) increased transparency in the grant-making process and 2) increased opportunity for more organizations to receive grants. As a small (less than 5 employees) outer island non-profit organization with somewhat limited access to the State Capitol, increased transparency and opportunity in the grant-making process would assist in ensuring that worthy organizations throughout the state understand the process and have equal access to funds. A clear and level playing field helps us all.

Thank you for the opportunity to submit testimony. I would be happy to answer any questions and can be reached at (808) 885-5525 or zknowles@whmediation.org



From: mailinglist@capitol.hawaii.gov
To: [GVO Testimony](#)
Cc: pohlca@aol.com
Subject: *Submitted testimony for SB3070 on Feb 11, 2016 13:15PM*
Date: Wednesday, February 10, 2016 12:30:52 AM

SB3070

Submitted on: 2/10/2016

Testimony for GVO on Feb 11, 2016 13:15PM in Conference Room 414

Submitted By	Organization	Testifier Position	Present at Hearing
Bill Brown	Pana'ewa Hawaiian Home Lands Community Association	Oppose	No

Comments:

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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TO: Members of the Committee on Government Operations

FROM: Natalie Iwasa, CPA, CFE
Honolulu, HI 96825
808-395-3233

HEARING: 1:15 p.m. Thursday, February 11, 2016

SUBJECT: SB 3070 – Policies Relating to Grants – **Amendments Requested**

Aloha Chair and Committee Members,

Thank you for allowing me the opportunity to provide testimony on SB 3070, which would revise policies related to grants in aid (GIA) authorized by the state legislature. The current process of appropriating grants is open to abuse and inappropriate expenditure of taxpayer funds. Therefore, please include the following changes to the bill:

- **Set up Separate Board to Select Awardees**. Legislators currently choose awardees. In order to reduce perceived conflicts of interest created when potential awardees or their employees donate to politicians' campaigns, a separate board should select awardees. The legislature should be responsible for approving the funding, and the governor should be responsible for the actual expenditure of the funds.

Meetings of the board should be open to the public and subject to the sunshine law.

- **Include Only Charitable Organizations under 501(c)(3) of the Internal Revenue Code (IRC)**. There are over 30 types of nonprofit organizations, and many of them, e.g., labor unions, credit unions and fraternal organizations, qualify for state grants under HRS 42F-103. Some of these nonprofits are organized for the direct benefit of their members, and some of them spend a lot of time and money lobbying. (While the statute specifically prohibits use of state funds for lobbying, a state grant could indirectly provide for lobbying by freeing up other funds.) For-profit entities and individuals also may qualify.

Taxpayer funds should not be given to entities other than charitable, 501(c)(3), organizations. (Some would argue even charitable organizations should not receive taxpayer funding in the form of grants in aid (GIA).) Please restrict grants to only nonprofits that fall under 501(c)(3) of the IRC.

- **Checklist for Compliance.** Taxpayer funds should not be given to entities that are not in compliance with federal, state and local laws. (The first awardee for FY15 provided compensation to its president/CEO during the fiscal year ended June 30, 2014, in apparent violation of HRS 42F-103.)

Note that a certificate of good standing does not include information about compliance with Hawaii's Charity Registration law.

A checklist, similar to the one used by the City and County of Honolulu for its GIA program, would ensure that awardees are in compliance with our laws, at least at the time of application.