



HAWAI‘I STATE ETHICS COMMISSION

State of Hawai‘i · Bishop Square, 1001 Bishop Street, ASB Tower 970 · Honolulu, Hawai‘i 96813

Committee: Committee on Judiciary
Bill Number: S.B. 556
Hearing Date/Time: February 4, 2021, 9:15 a.m.
Re: Testimony of the Hawai‘i State Ethics Commission **SUPPORTING**
S.B. 556, Relating to Grants

Dear Chair Rhoads, Vice Chair Keohokalole, and Committee Members:

The Hawai‘i State Ethics Commission (“Commission”) supports S.B. 556, which seeks to eliminate potential conflicts of interests in the Grant-in-Aid (“GIA”) funding process.

The bill prohibits a nonprofit organization with a legislator on its governing board from receiving state funding under Hawai‘i Revised Statutes (“HRS”) chapter 42F. S.B. 556 promotes integrity in government by addressing potential conflicts of interests.

The existing Conflicts of Interests law, HRS § 84-14(a), applies differently to state legislators compared with other state employees: legislators are unique in that the Ethics Code does not specifically prohibit legislators from taking official action affecting nonprofit organizations on which they serve as an officer or director.¹ As a result, the State Ethics Code does not prohibit legislators from awarding GIA funding to their own nonprofit organizations.

By amending the requirements under HRS chapter 42F – and limiting which nonprofit organizations are eligible to receive funding – S.B. 556 would help to avoid the appearance of conflicts of interests in the award of GIA funds, thus promoting integrity in state government. The Legislature would still maintain control over its own conflicts of interests rules, but nonprofit organizations would be prohibited from obtaining a GIA if a legislator sat on the nonprofit’s governing board.

The Commission supports this measure and respectfully asks that the Committee pass it. Thank you for your continuing support of the Commission’s work and for considering the Commission’s testimony on S.B. 556.

Very truly yours,

Bonita Chang
Staff Attorney

¹ When it comes to voting on legislation, legislators are bound by the conflicts of interests rules set by the Senate and the House of Representatives rather than by this portion of the Ethics Code (HRS § 84-14(a)).

DAVID Y. IGE
GOVERNOR

JOSH GREEN
LIEUTENANT GOVERNOR



ANNE E. PERREIRA-EUSTAQUIO
DIRECTOR

JOANN A. VIDINHAR
DEPUTY DIRECTOR

JOVANIE DOMINGO DELA CRUZ
EXECUTIVE DIRECTOR

STATE OF HAWAII
DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS
OFFICE OF COMMUNITY SERVICES
830 PUNCHBOWL STREET, ROOM 420
HONOLULU, HAWAII 96813
www.hawaii.gov/labor
Phone: (808) 586-8675 / Fax: (808) 586-8685
Email: dlir.ocs@hawaii.gov

IN REPLY, REFER TO:
OCS 21.1024

To: The Honorable Karl Rhoads, Chair,
The Honorable Jarrett Keohokalole, Vice Chair, and
Members of the Senate Committee on Judiciary

Date: Thursday, February 4, 2021
Time: 9:15 a.m.
Place: Via Videoconference

From: Jovanie Domingo Dela Cruz, Executive Director
Office of Community Services, an attached agency of the
Department of Labor and Industrial Relations (DLIR)

Re: S.B. No. 556 RELATING TO GRANTS

I. OVERVIEW OF PROPOSED LEGISLATION

This measure seeks to bar grants made by the Legislature to non-profit organizations pursuant to Chapter 42F, Hawaii Revised Statutes, if a Legislator is a member of the governing board of the non-profit organization.

The Office of Community Services supports this measure.

II. CURRENT LAW

Under current legislation, there is no bar to Chapter 42F grants where a Legislator sits on the board of directors of a non-profit organization that seeks such a grant.

III. COMMENTS ON THE SENATE BILL

The Office of Community Services is regularly designated by the Legislature as an expending agency for many Chapter 42F grants, and OCS has developed an expertise in administering them. In 2019, the last year before the Covid pandemic, out of 75 total Chapter 42F CIP grants, the Legislature designated OCS as the expending agency for 63 of them.

We believe that this legislation will help eliminate a potential for conflicts of interest, which are problematic in a grant process that is based inherently on legislative activity. Further, this legislation will help provide the public a sense of confidence that the process for Chapter 42F grants is a level playing field in which no applicant has an unfair advantage.

Hawaii*Holding Power Accountable*

Statement Before The
Thursday, February 4, 202
9:15 AM
Via Videoconference

in consideration of
SB 556

RELATING TO CAMPAIGN FINANCE REPORTS.

Chair RHOADS, Vice Chair KEOHOKALOLE, and Members of the Senate Judiciary Committee

Common Cause Hawaii supports SB 556, which specifies that nonprofits with a legislator on its governing board shall not be eligible to receive a grant pursuant to chapter 42F, Hawaii Revised Statutes.

Common Cause Hawaii is a nonprofit, nonpartisan, grassroots organization dedicated to reforming government and strengthening democracy through ethics, accountability, and transparency reforms. Common Cause Hawaii works to ensure that our government amplifies the voices of everyday Americans and everyone plays by the same commonsense rules.

Common Cause Hawaii supports SB 556, because it eliminates a specter of undue influence in the awarding of grants and an appearance of impropriety or favoritism in the awarding of grants. SB 556 would allow organizations and the public some measure of confidence that merit was the reason for an award versus a legislator on the Board played a role in the award.

Common Cause Hawaii supports SB 556 to restore ethics and confidence, and Common Cause Hawaii respectfully urges the Committee members to pass SB 556 out of your Committee.

Thank you for the opportunity to testify in support of SB 556. If you have further questions of me, please contact me at sma@commoncause.org.

Very respectfully yours,

Sandy Ma
Executive Director, Common Cause Hawaii



**Testimony to the Senate Committee on Judiciary
Senator Karl Rhoads, Chair
Senator Jarrett Keohokalole, Vice Chair
Thursday, February 4, 2021 at 9:15 a.m.
Via Videoconference
SB 556 Relating to Grants**

Dear Chair Rhoads, Vice Chair Keohokalole and Members of the Judiciary Committee:

On behalf of the Hawai'i Alliance of Nonprofit Organizations (HANO), I would like to offer our comments in support of **SB 556** which aims to level the playing field for all nonprofits in obtaining Grants-in-Aid pursuant to Chapter 42F, HRS.

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.

HANO supports all efforts to improve the transparency and fairness of the Grants-In-Aid review and approval process, including the removal of any perceived or real legislator influence, as intended by this bill.

Thank you for the opportunity to testify.

Mahalo,

Lisa Maruyama
President and CEO

SB-556

Submitted on: 2/1/2021 10:19:50 AM

Testimony for JDC on 2/4/2021 9:15:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Banner Fanene	Individual	Support	No

Comments:

I support SB 556, because it eliminates a specter of undue influence in the awarding of grants and an appearance of impropriety or favoritism in the awarding of grants. SB 556 would allow organizations and the public some measure of confidence that merit was the reason for an award versus a legislator on the Board played a role in the award.

Mahalo