

MAR 08 2018

S.R. NO. 33

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## SENATE RESOLUTION

REQUESTING STUDIES ON INDIRECT AND OVERHEAD COST REIMBURSEMENTS  
AND TIMELINESS OF PAYMENTS TO NONPROFIT HEALTH AND HUMAN  
SERVICE PROVIDERS CONTRACTED BY THE GOVERNMENT.

1           WHEREAS, a recent national study noted that half of  
2 nonprofit service providers working under government contracts  
3 and grants reported that the government limited reimbursements  
4 to nonprofits or excluded nonprofits from administrative and  
5 overhead cost reimbursements; and  
6

7           WHEREAS, roughly 20 to 25 percent of the study respondents  
8 said the government paid no administrative expenses, while  
9 nearly 75 percent said the government limited reimbursements to  
10 10 percent or less; and  
11

12           WHEREAS, the majority of nonprofits in thirty-four states  
13 said government contracts and grants limited reimbursement for  
14 overhead costs, and a majority of nonprofits in twenty-seven  
15 states reported limits on administration expenses; and  
16

17           WHEREAS, nonprofits are still suffering financially from  
18 the 2008 recession and are additionally burdened by late  
19 payments from the government; and  
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21           WHEREAS, according to a more recent national report, 68  
22 percent of human service nonprofits reported concerns with the  
23 government not paying the full cost of services and about 75  
24 percent of respondents reported that the complexity and time  
25 required for applying and reporting on contracts was a problem;  
26 and  
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28           WHEREAS, as a result of the recession, many Hawaii  
29 nonprofits have faced reduced revenues from individuals,  
30 foundations, corporations, investments, and government sources,  
31 but have experienced an increased demand for services that has



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1 caused financial pressure on nonprofits and forced them to  
2 freeze or reduce employee salaries, draw on reserves, cut back  
3 on the number of employees, borrow funds, or reduce the hours of  
4 operations; and  
5

6 WHEREAS, while the State Legislature in 2011 created a  
7 Prompt Payment Task Force to look into the recurring problem of  
8 late government payments to nonprofits and in 2012 expanded the  
9 scope of the initial task force to address the broad array of  
10 problems in the government contracting system, stakeholders said  
11 this action did not result in the implementation of meaningful  
12 recommendations or change; and  
13

14 WHEREAS, it is in the best interest of the State to promote  
15 the effective and efficient delivery of health and human  
16 services by nonprofit service providers through the procurement  
17 of services under chapter 103F, Hawaii Revised Statutes; now,  
18 therefore,  
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20 BE IT RESOLVED by the Senate of the Twenty-ninth  
21 Legislature of the State of Hawaii, Regular Session of 2018,  
22 that the State Procurement Office Administrator is requested to:  
23

- 24 (1) Conduct a review of indirect costs and limits, if any,  
25 imposed by the contracts awarded to nonprofit service  
26 providers under chapter 103F, Hawaii Revised Statutes,  
27 over the period of 2015 to 2017; and  
28
- 29 (2) Address processes, policies, or practices that impact  
30 the ability of nonprofit service providers to  
31 adequately be reimbursed for administrative and  
32 overhead costs; and  
33

34 BE IT FURTHER RESOLVED that the Auditor is requested to:  
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- 36 (1) Conduct a review of the length of time payment is  
37 received by nonprofit service providers under  
38 contracts awarded under chapter 103F, Hawaii Revised  
39 Statutes, over the period of 2015 to 2017; and



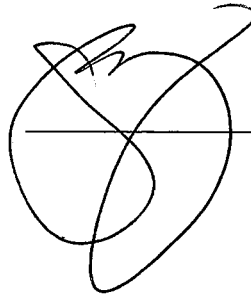
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1           (2) Address processes, policies, or practices that  
2           contribute to delayed government payments to nonprofit  
3           service providers, and include proposed contingency  
4           plans, such as allowing nonprofit service providers to  
5           resubmit invoices at later dates to avoid the payment  
6           of interest or other fees; and  
7

8           BE IT FURTHER RESOLVED that the State Procurement Office  
9           Administrator and Auditor are requested to submit reports of  
10          findings and recommendations, including any proposed  
11          legislation, to the Legislature no later than 20 days prior to  
12          the convening of the Regular Session of 2019; and  
13

14          BE IT FURTHER RESOLVED that certified copies of this  
15          Resolution be transmitted to the Governor, Comptroller, Auditor,  
16          State Procurement Office Administrator, Chief Information  
17          Officer, and the Director of the Office of Information  
18          Practices.  
19  
20  
21

OFFERED BY: \_\_\_\_\_

A handwritten signature in black ink, consisting of several overlapping loops and a long horizontal stroke extending to the right, positioned over the signature line.