HOUSE RESOLUTION

REQUESTING A STUDY ON INDIRECT COST PROVISIONS AND TIMELINESS OF STATE OF HAWAII PAYMENTS UNDER DEPARTMENT OF HEALTH, DEPARTMENT OF HUMAN SERVICES AND DEPARTMENT OF PUBLIC SAFETY CONTRACTS.

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

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

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

WHEREAS, nonprofits are still suffering financially from the 2008 recession and are additionally burdened by late payments from the government; and

WHEREAS, according to a more recent national report, 68 percent of human service nonprofits reported concerns with the government not paying the full cost of services and about 75 percent of respondents reported that the complexity and time required for applying and reporting on contracts was a problem; and

WHEREAS, as a result of the recession, many Hawaii nonprofits have faced reduced revenues from individuals, foundations, corporations, investments, and government sources, but have experienced an increased demand for services that has caused financial pressure on nonprofits and forced them to
freeze or reduce employee salaries, draw on reserves, cut back
on the number of employees, borrow funds, or reduce the hours of
operations; and

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

WHEREAS, it is in the best interest of the State to promote
the effective and efficient delivery of health and human
services by nonprofit service providers through the procurement
of services under chapter 103F, Hawaii Revised Statutes; now,
therefore,

BE IT RESOLVED by the House of Representatives of the
Twenty-ninth Legislature of the State of Hawaii, Regular Session
of 2018, that the Auditor is requested to conduct a review of
the Department of Health, Department of Human Services, and
Department of Public Safety contracts awarded to non-profit
service providers under chapter 103F, Hawaii Revised Statutes,
from 2015 to 2017 to determine the extent to which overhead and
indirect costs were contractually limited or restricted; and

BE IT FURTHER RESOLVED that the State Procurement Office
Administrator is requested to:

(1) Establish a chapter 103F working group which shall
meet at least twice before the start of the 2019
Legislature to assess and, if necessary, recommend
proposals to address adequate reimbursement for
overhead and indirect costs in Department of Health,
Department of Human Services and Department of Public
Safety contracts under chapter 103F, Hawaii Revised
Statutes; and

(2) To invite up to five initial members of the working
group, including at least one member from the
Department of Health, Department of Human Services,
(3) Submit a report summarizing the discussion and recommendations, if any, of the working group to the Legislature no later than twenty days prior to the convening of the regular session of 2019.

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

BE IT FURTHER RESOLVED that certified copies of this Concurrent Resolution be transmitted to the Governor, Auditor, State Procurement Office Administrator, and the Director of the Office of Information Practices.