# LATE TESTIMONY

To:
House of Representatives
Twenty-seventh Legislature, 2013
State of Hawaii

From:
Terry Brooks, President
Housing Solutions, Inc.
Non-profit provider of transitional housing for the homeless

Re: House Concurrent Resolution No. 73

HCR 73 represents an unconscionable attack on Hawaii non-profits, and Housing Solutions is strongly opposed to its adoption by the legislature.

By their nature, nonprofits that serve the homeless are an opportunity for the Hawaii taxpayer to obtain needed services without the restrictions of government. HCR 73, however, attempts to subvert that taxpayer advantage by restricting nonprofit salaries to a 75 % limit of a benchmark state salary (director of Department of Human Services) that is artificially below what would be considered market rate in the private sector.

Nonprofit agencies today face an extremely competitive market for competent personnel, many of whom must carry educational and experience requirements, and the only way to obtain and retain these people is to pay market salaries. To have salary levels artificially reduced by government would be devastating to our missions, and to the taxpayers' interest in seeing their objectives for the homeless efficiently and intelligently carried out.

The major fault of HCR 73, however, is that it fails to consider the many complexities of nonprofits receiving homeless stipend funding. Housing Solutions, for example, is a licensed real estate brokerages that receives about $100,000 per year in fees for managing apartment buildings whose owners have agreed to keep rents affordable. As principal broker for Housing Solutions, I have effectively reduced the cost of my compensation by the same amount.

Some nonprofit agencies have missions that extend far beyond serving the homeless. What sense does it make if the CEO of a large and diverse nonprofit agency has his or her salary restricted by one of the minor services of the agency? Catholic Charities, for example, seems to be a perfect example of this.

What HCR 73 attempts to do is force unreasonable and destructive restrictions upon the private sector. Why punish nonprofits for doing what they do best? Why attack their ability to attract key personnel who are fully qualified to do the job Hawaii taxpayers want done?

# LATE TESTIMONY

HANO
Hawai`i Alliance of Nonprofit Organizations

March 20, 2013

Chair Mele Carroll
House Committee on Human Services
Chair Della Au Belatti
House Committee on Health
Hawaii State Capitol
415 South Beretania Street
Honolulu, HI 96813

**RE: HCR 73 REQUESTING NONPROFIT ORGANIZATIONS THAT PROVIDE OUTREACH SERVICES TO HOMELESS INDIVIDUALS TO EVALUATE OFFICER AND EMPLOYEE COMPENSATION.**

Dear Chair Carroll, Chair Belatti and Human Service and Health Committee members,

HANO is a statewide, sector-wide alliance of nonprofit organizations working to strengthen and unite Hawaii's nonprofit sector as a collective force to improve the quality of life in Hawai`i. HANO members provide essential services to every community in the state.

HANO staunchly opposes HCR 73, which proposes that nonprofit organizations providing services to homeless populations through contract with the state of Hawaii cap their executive and officer salaries to no less than 75% of the salary of the Director of Human Services. The following points support our opposition:

- Nonprofit contractors are NOT subsidiaries of government but rather, independent private contractors with their own governing entities. Government-imposed salary caps challenge the independence of nonprofit entities.
- The IRS already provided standards for nonprofit executive compensation when the nonprofit 990 Tax form was revised in 2007. Best practice dictates that executive compensation oversight should be provided by the organization's Board of Directors, not by a contracting partner.

- Salary caps are arbitrary and do not take into consideration the diversity of nonprofit providers - their size; experience; other programs within the organization; revenue and what of that is unrestricted revenue and restricted revenue; cost of living; salaries of their peer organizations; and salary ranges within the organization.
- There is already a vehicle by which salary expectations can be communicated by government entities. They can instead be reflected via the maximum allowable cost allocations written into contracts with nonprofit providers but should also reflect the true cost incurred by nonprofits providers. Often, nonprofit providers are not adequately compensated for the services they provide, prompting them to absorb the cost, or fundraise to responsibly deliver on their contract obligations.
- Nonprofit organizations, just like for-profit entities need to attract, incentivize and retain talented, resilient, qualified individuals to manage very challenging , ever-changing, under-resourced work environments. As such, salaries need to be competitive. In fact, under-compensation is more prevalent in the nonprofit sector than over-compensation.
- The real issue must be about how government and nonprofits can work together as partners to better serve homeless populations and our community at large. We urge you to focus on strengthening and equalizing that partnership, not creating a harmful, authoritative power dynamic that will hinder it.

For these reasons, we ask that you hold HCR 73. Thank you for the opportunity to submit written testimony.

Lisa Maruyama
President and CEO