
A BILL FOR AN ACT

RELATING TO GRANTS IN AID.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The legislature finds that there is a lack of
2 transparency in the grant approval process. There are no clear
3 guidelines or criteria established under chapter 42F, Hawaii
4 Revised Statutes. As a result, the process of awarding grant
5 recipients varies each year and occurs behind closed doors.
6 Additionally, applicants are not informed at the end of the
7 process as to how grant awardees were selected. Grant
8 recipients historically have been nonprofit organizations, but
9 in 2017, a number of lawmakers and individuals were surprised to
10 find out that the legislature had awarded a \$605,000 grant to a
11 for-profit well-drilling company on the island of Hawaii. It is
12 unacceptable for a process that distributes millions of taxpayer
13 dollars every legislative session to be opaque and
14 unaccountable.

15 The purpose of this Act is to reform the approval process
16 for grants in aid to increase transparency and accountability
17 and help grant applicants navigate the approval process. Grant



1 evaluation criteria shall be posted to the legislative website
2 clearly stating the criteria by which grant applications will be
3 evaluated. Applicants for grants-in-aid must be 501 tax-exempt
4 as defined by the Internal Revenue Service. Applicants shall
5 demonstrate that they perform a religious, charitable,
6 scientific, or education purpose, or provide services for
7 economically or socially disadvantaged communities. A "grants
8 in aid advisory commission" is created to review and approve
9 applications according to public, objective criteria. The
10 legislature may only approve applications after initial approval
11 by the advisory committee. Finally, the advisory commission's
12 recommendations shall be posted to the legislative website,
13 along with an explanation for why each applicant was recommended
14 or not recommended to receive a grant.

15 SECTION 2. Chapter §42F, Hawaii Revised Statutes, is
16 amended by adding a new section to be appropriately designated
17 and to read as follows:

18 "§42F- Establishment of grants in aid advisory
19 commission; grants in aid advisory commission functions. (a)
20 There shall be established a grants in aid advisory commission
21 to advise the legislature on grants issued under this section.



1 (b) The commission shall consist of seven members who
2 shall serve for terms of five years and until their successors
3 have been appointed and qualified.

4 (c) The appointments shall commence no later than January
5 1, 2019, and shall be as follows:

6 (1) One member appointed by the House Committee on
7 Finance; and

8 (2) One member appointed by the Senate Ways and Means
9 Committee; and

10 (3) Five members appointed by the Governor of Hawaii.
11 Vacancies in these positions shall be filled in the same manner.
12 The members of the commission shall serve without compensation
13 but shall be reimbursed for expenses, including travel expenses,
14 necessary for the performance of their duties.

15 (d) The commission shall create criteria by which it shall
16 independently evaluate all applications for grants in aid.

17 (e) The commission shall submit a report to the
18 legislature no later than March 30 that identifies:

19 (1) Applications recommended for approval;

20 (2) Applications recommended for rejection; and



1 (3) At least one specific reason for making each
2 recommendation, based upon the commission's criteria."

3 SECTION 3. Chapter 42F, Hawaii Revised Statutes, is
4 amended by adding a new section to be appropriately designated
5 and to read as follows:

6 "§42F- Public notification. (a) Grant evaluation
7 criteria that clearly state how grant applications will be
8 evaluated shall be posted to the legislative website no later
9 than the beginning of each regular session.

10 (b) Upon submittal of the commission's report to the
11 legislature, the report shall be posted to the legislative
12 website in its entirety."

13 SECTION 4. Section 42F-101, Hawaii Revised Statutes, is
14 amended by adding two new definitions to be appropriately
15 inserted and to read as follows:

16 "Domestic" means organized under the laws of this State.

17 "Nonprofit" means exempt from federal income tax pursuant
18 to Section 501(c)(3) of the United States Internal Revenue
19 Code."

20 SECTION 5. Section 42F-103, Hawaii Revised Statutes, is
21 amended to read as follows:



1 "§42F-103 Standards for the award of grants. (a) Grants
2 shall be awarded only to [~~individuals who, and~~] domestic
3 nonprofit organizations that:

- 4 (1) Are licensed or accredited, in accordance with
5 federal, state, or county statutes, rules, or
6 ordinances, to conduct the activities or provide the
7 services for which a grant is awarded;
- 8 (2) Comply with all applicable federal and state laws
9 prohibiting discrimination against any person on the
10 basis of race, color, national origin, religion,
11 creed, sex, age, sexual orientation, or disability;
- 12 (3) Agree not to use state funds for entertainment or
13 lobbying activities; [~~and~~]
- 14 (4) Allow the state agency to which funds for the grant
15 were appropriated for expenditure, legislative
16 committees and their staff, and the auditor full
17 access to their records, reports, files, and other
18 related documents and information for purposes of
19 monitoring, measuring the effectiveness, and ensuring
20 the proper expenditure of the grant [-]; and



1 (5) Are recommended for approval for state funds by the
2 grants in aid advisory commission.

3 (b) In addition, a grant may be made to ~~[an]~~ a nonprofit
4 organization only if the organization:

5 (1) Is incorporated under the laws of the State; and

6 (2) Has bylaws or policies that describe the manner in
7 which the activities or services for which a grant is
8 awarded shall be conducted or provided.

9 ~~[(c) Further, a grant may be awarded to a nonprofit~~
10 ~~organization only if the organization:]~~

11 ~~[(1) Has been determined and designated to be a nonprofit~~
12 ~~organization by the Internal Revenue Service; and~~

13 ~~-(2)-~~ (3) Has a governing board whose members have no
14 material conflict of interest and serve without
15 compensation~~[-]~~; and

16 (4) Is organized and operated exclusively for religious,
17 charitable, scientific, or educational purposes, or
18 provides services to economically or socially
19 disadvantaged populations, or provides services for
20 public benefit in the areas of the arts, culture,
21 economic development, or the environment.



(d) If a grant is used by an organization for the acquisition of land, when the organization discontinues the activities or services on the land acquired for which the grant was awarded and disposes of the land in fee simple or by lease, the organization shall negotiate with the expending agency for a lump sum or installment repayment to the State of the amount of the grant used for the acquisition of the land. This restriction shall be registered, recorded, and indexed in the bureau of conveyances or with the assistant registrar of the land court as an encumbrance on the property. Amounts received from the repayment of a grant under this subsection shall be deposited into the general fund."

SECTION 6. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 7. This Act shall take effect on July 1, 2018.

INTRODUCED BY:

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Tou
Jan 23 2018



H.B. NO. 2487

Report Title:

Grants; Grants in Aid; Legislative Policies

Description:

Amends the approval process for grants in aid. Establishes grants in aid advisory commission and requires that grant recipients be domestic nonprofit organizations.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

