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# 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.

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  
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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  
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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  
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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  
32 caused financial pressure on nonprofits and forced them to



1 freeze or reduce employee salaries, draw on reserves, cut back  
2 on the number of employees, borrow funds, or reduce the hours of  
3 operations; and  
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5 WHEREAS, while the State Legislature in 2011 created a  
6 Prompt Payment Task Force to look into the recurring problem of  
7 late government payments to nonprofits and in 2012 expanded the  
8 scope of the initial task force to address the broad array of  
9 problems in the government contracting system, stakeholders said  
10 this action did not result in the implementation of meaningful  
11 recommendations or change; and  
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13 WHEREAS, it is in the best interest of the State to promote  
14 the effective and efficient delivery of health and human  
15 services by nonprofit service providers through the procurement  
16 of services under chapter 103F, Hawaii Revised Statutes; now,  
17 therefore,  
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19 BE IT RESOLVED by the House of Representatives of the  
20 Twenty-ninth Legislature of the State of Hawaii, Regular Session  
21 of 2018, that the Auditor is requested to conduct a review of  
22 the Department of Health, Department of Human Services, and  
23 Department of Public Safety contracts awarded to non-profit  
24 service providers under chapter 103F, Hawaii Revised Statutes,  
25 from 2015 to 2017 to determine the extent to which overhead and  
26 indirect costs were contractually limited or restricted; and  
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28 BE IT FURTHER RESOLVED that the State Procurement Office  
29 Administrator is requested to:  
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31 (1) Establish a chapter 103F working group which shall  
32 meet at least twice before the start of the 2019  
33 Legislature to assess and, if necessary, recommend  
34 proposals to address adequate reimbursement for  
35 overhead and indirect costs in Department of Health,  
36 Department of Human Services and Department of Public  
37 Safety contracts under chapter 103F, Hawaii Revised  
38 Statutes; and  
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40 (2) To invite up to five initial members of the working  
41 group, including at least one member from the  
42 Department of Health, Department of Human Services,



1 Department of Public Safety, and PHOCUSED or another  
2 representative of Hawaii's non-profit service provider  
3 sector; and  
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5 (3) Submit a report summarizing the discussion and  
6 recommendations, if any, of the working group to the  
7 Legislature no later than twenty days prior to the  
8 convening of the regular session of 2019.  
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10 BE IT FURTHER RESOLVED that the State Procurement Office  
11 Administrator and Auditor are requested to submit reports of  
12 findings and recommendations, including any proposed  
13 legislation, to the Legislature no later than 20 days prior to  
14 the convening of the Regular Session of 2019; and  
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16 BE IT FURTHER RESOLVED that certified copies of this  
17 Concurrent Resolution be transmitted to the Governor, Auditor,  
18 State Procurement Office Administrator, and the Director of the  
19 Office of Information Practices.

