March 27, 2020

Dear Governor Ige,

Hawai`i’s social safety net is being stretched more than ever before, with an unprecedented number of Hawai`i’s residents falling back on it. To ensure they don’t fall through it, the organizations signed below—which represent many of the weavers of the safety net—are writing to raise three primary issues that we want to work with you to quickly address:

1. Providing flexibility in contracted outcome requirements so existing resources can be focused on where they are most needed to respond to the most immediate and significant threats;

2. Ensuring timeliness of payments to service providers so they have the resources necessary to do the work that needs to be done; and

3. Ensuring that the federal COVID-19 response funds being appropriated are distributed quickly and in a way that will make the greatest positive impact.

We propose convening a stakeholder group of nonprofit and philanthropic leaders plus representatives from the Departments of Human Services, Health, Labor, Public Safety, and the counties. As time is of the essence, we ask that you coordinate with Christy MacPherson (christy@phocused.org, 808-544-3833) in an effort to arrange a video conference at the earliest available time. Additional detail regarding each of the issues identified above, along with proposed meeting times, is included in the attachment that follows this letter.

Addressing these issues immediately is critical to ensuring that the urgent needs of Hawai`i’s residents are met at a time when those needs are surging. Aloha United Way’s 211 hotline received 2,878 calls from March 1 to March 25—a nearly four-fold increase from the previous
year. And the volume has ballooned week by week, going from 287 calls, to 655, to 1203 during weeks one, two, and three of March respectively.

Our nonprofits are bracing for the increased demand for their services at the same time as they themselves are being impacted by the circumstances brought on by COVID-19. They are struggling with the increased costs of keeping their front-line workers safe from infection. They have been forced to cancel fundraising events that provide the revenue necessary to supplement government funding for their work. Some nonprofits have already had to lay off hundreds of workers.

Hawai`i needs greater social services capacity to address the unprecedented challenges we will be facing in the coming months, and if we do not take quick, decisive action, we’ll be headed in the opposite direction, losing nonprofits and the services they provide at the time our community needs them most. So far this month, more than 80,000 Hawai`i workers filed for unemployment, and that number is predicted to soon exceed 100,000. This dwarfs the 44,000 jobs lost during the entire Great Recession. With Hawai`i nonprofits themselves providing 56,000 jobs, we cannot afford to have the people who are holding up our social safety net become additional weights upon it. We need to quickly bring together representatives of the nonprofit, social services providers and government to address the issues highlighted above and ensure that we have a well-coordinated response that moves quickly and makes the most of the resources that we have.

Thank you for the work that you are doing during this difficult time. We are already seeing some departments taking actions to address the issues described above, and we are looking forward to coming together to work through comprehensive solutions on these issues that are so important for the wellbeing of Hawai`i’s people.

In solidarity and with aloha,

Aloha United Way  
Bridging the Gap  
Hawai`i Alliance of Nonprofit Organizations  
Hawai`i Children’s Action Network  
Hawai`i Youth Services Network  
PHOCUSED (a project of Hawaii Appleseed)
Flexibility in Grant and Contract Terms

To address the rapidly evolving COVID-19 crisis, nonprofits need to have greater flexibility in their grant and contract terms to respond in the most effective way. As stated in a memo from the federal Office and Management and Budget providing for additional flexibility in federal grants, “Many of the operational impacts and costs are unknowable at this point, as they will depend on the spread of the coronavirus and response dictated by public health needs.”10 Hawai`i should follow this model and conform with the federal government’s removal of grant restrictions to respond to COVID-19 threats. Under Governor and Mayor proclamations deeming nonprofit social services as essential in response to COVID-19, contracts should relax requirements on existing scope to include new scopes put upon contractors to respond to the virus.

We hope to work together to find ways to increase flexibility of nonprofit contracts, including:

- No cost extensions on expiring awards so these resources remain available at a time of increasing demand for services

- Removal of matching requirements in light of an anticipated reduction in private funding due to cancelation of fundraising events and other circumstances

- Allowing a shift of contract funds into unemployment trust funds for the 130+ nonprofits who opted out of the state unemployment insurance plan and who now face this unanticipated and unprecedented threat

- Allowing, in appropriate circumstances, continued charging of salaries and benefits for staff whose positions have experienced interruption due to COVID-19 to ensure that service capacity is maintained to address increased needs (consistent with actions currently underway with state contracts for Department of Human Services homelessness service providers, and Department of Health behavioral health providers)

- Allow recipients who incur costs related to the cancellation of events, travel, or other activities necessary and reasonable for the performance of the award—or the pausing and restarting of grant funded activities due to the public health emergency—to charge these costs to their award

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10 M. Weichert, Office of Management and Budget, Executive Office of the President, Memorandum to the Heads of Executive Departments and Agencies, March 19, 2020 (available at: https://www.whitehouse.gov/wp-content/uploads/2020/03/M-20-17.pdf)
• Allowing grantees to delay submission of financial, performance and other reports for an appropriate period of time while still being able to draw down funds

• Making available additional funding to address increased caseloads, and allowing funds to be shifted to cover overhead costs necessary to run the organization as federal funding that may be limited to direct service comes available

**Timeliness of Payments**

With massive increases in need coming so quickly, the timeliness of payments is more important than ever. Every delay in payments will be amplified. Most nonprofits have little reserve to draw from to cover the costs of increased demand, and little cushion to fall back on when there are disruptions in their revenue streams. In the past, when service providers have faced delays in receiving their payments, they have had to take out lines of credit, diverting resources toward interest payments and away from the desperate needs the resources were intended to address. In a time like this, delayed payments can mean layoffs and closure for nonprofits at the moment they are most needed.

Some of our nonprofits have experienced payment delays in ordinary times, as their requests for reimbursement work their way through multiple layers of review and approval, sometimes halted by the prolonged absence of a staff member. In these extraordinary times, where we are all having to shift away from working together in offices, nonprofits are concerned about the potential that payments will be subject to significant delay during a time that it is most vital for payments to flow quickly. We hope to work together to find ways to streamline the payment process so payments can be expedited, and where appropriate, front-loaded to ensure that nonprofits have the resources necessary to meet increasing needs.

**Distributing Federal Funds Quickly and Effectively**

We are anticipating that COVID response funds will soon be arriving from Washington D.C., including $1.25 billion from a Coronavirus Relief fund and additional funding for homelessness assistance, child care, head start, Small Business Administration (SBA) loans and grants, and other purposes. The nonprofit sector is ready to respond to help use these resources to meet the needs of Hawai`i residents. To do so in the most effective way possible, we want to work together to ensure that we are able to draw down every eligible federal dollar, and that those dollars are put to their best use. We need to ensure the same for our state funds as well.

We don’t have much time to create the infrastructure to accomplish this end. We are hoping that we can build off this initial discussion and form a stakeholder group that represents the broad scope of relevant interests--nonprofits, government, and others--that is structured in a way that
ensures that we are capturing the resources available; ensuring they are distributed in a thoughtful, streamlined, coordinated way; and tracking the resources available/secured and how they are used.

**Proposed Meeting Times**

Recognizing the necessity of convening quickly in light of the circumstances, but the difficulty in doing so, we are hoping that some of the following times will work for the appropriate representative from your office to participate in a video conference to begin to work through these issues:

- Wednesday, Apr. 1 from 1-2pm
- Wednesday, Apr. 1 from 2-3pm
- Wednesday, Apr. 1 from 4-5pm
- Thursday, Apr. 2 from 1:30-2:30pm
- Thursday, Apr. 2 from 2:30-3:30pm
- Thursday, Apr. 2 from 3:30-4:30pm
- Friday, Apr. 3 from 9:00-10:00am
- Friday, Apr. 3 from 11:30-12:30pm
- Friday, Apr. 3 from 2:00-3:00pm

For context, we are requesting that a representative from the following organizations/offices will be able to attend:

- County of Hawai`i
- County of Honolulu, Department of Community Service
- County of Kauai
- County of Maui
- Department of Health
- Department of Human Services
- Department of Labor and Industrial Relations
- Department of Public Safety
- Nonprofit Representatives (the signatories to this letter, joined by social service providers)

Please contact Christy MacPherson (christy@phocused.org, 808-544-3833) at PHOCUSED to provide availability and contact information for the person attending. If there are other stakeholders that you believe should be in attendance, please share that as well.