

Honolulu, Hawaii

March 24, 2006

RE: S.B. No. 2997
S.D. 1

Honorable Calvin K.Y. Say
Speaker, House of Representatives
Twenty-Third State Legislature
Regular Session of 2006
State of Hawaii

Sir:

Your Committee on Economic Development & Business Concerns,
to which was referred S.B. No. 2997, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO PROCUREMENT,"

begs leave to report as follows:

The purpose of this measure is to provide for certain
exemptions to the Hawaii public procurement code.

Specifically, this measure would provide exemptions from the
Hawaii public procurement code for:

- (1) The services of contractors under contract with a
governmental body for the purpose of preparing a report
or study for submission to the Legislature;
- (2) The Hawaii Strategic Development Corporation; and
- (3) The National Energy Laboratory of Hawaii Authority.

This measure would also restore the procurement code
exemption for the High Technology Development Corporation.

Your Committee received testimony in favor of this measure
from the Hawaii Strategic Development Corporation and the High
Technology Development Corporation. The Legislative Reference
Bureau supported extending an exemption to contractors preparing
reports or studies for submittal to the Legislature. The State



Procurement Office, the American Council of Engineering Companies, and the Coalition of Hawaii Engineering and Architectural Professionals submitted testimony in opposition. The Department of Accounting and General Services provided testimony stating the measure was unnecessary.

The University of Hawaii submitted testimony in support of this measure, with a request for an amendment to restore the University of Hawaii's exemption from the procurement code. At this time, your Committee is unable to amend this measure to incorporate the exemption for the University of Hawaii and requests that the House Committee on Finance consider restoring the exemption for the University of Hawaii. The restoration of the exemption for the University of Hawaii will grant the University the flexibility it needs to be a major engine for the economic diversification of the State.

Your Committee notes that contracting for the preparation of a report or study to be submitted to the Legislature many times may not afford the time to comply with the procurement code in order to file a timely report or study to the Legislature. Providing this exemption would greatly benefit the Legislature in its own work.

With regard to the exemption for the Hawaii Strategic Development Corporation, your Committee notes that the primary purpose of the Corporation is the provision of venture capital investment financing. Your Committee does not believe that this function is in the nature of a "procurement". Finally, with regard to the exemptions for the High Technology Corporation and the National Energy Laboratory of Hawaii Authority, your Committee believes that both entities are involved on the cutting edge of technology and require the flexibility that an exemption from the procurement code could provide.

As affirmed by the record of votes of the members of your Committee on Economic Development & Business Concerns that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2997, S.D. 1, and recommends that it pass Second Reading and be referred to the Committee on Finance.



Respectfully submitted on
behalf of the members of the
Committee on Economic
Development & Business
Concerns,


JO RIKI KARAMATSU, Chair



