

LINDA LINGLE  
GOVERNOR



RUSS K. SAITO  
Comptroller

BARBARA A. ANNIS  
Deputy Comptroller

**STATE OF HAWAII  
DEPARTMENT OF ACCOUNTING  
AND GENERAL SERVICES**  
P.O. BOX 119  
HONOLULU, HAWAII 96810-0119

TESTIMONY  
OF  
RUSS K. SAITO, COMPTROLLER  
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES  
TO THE  
HOUSE COMMITTEE  
ON  
ECONOMIC DEVELOPMENT & BUSINESS CONCERNS  
ON  
March 11, 2008

S.B. 2824, S.D. 2

RELATING TO PROCUREMENT

Chair Yamashita and members of the Committee, thank you for the opportunity to testify on S.B. 2824, S.D. 2.

The Department of Accounting and General Services (DAGS) opposes this bill. In its original form, S.B. 2824 called for "the auditor to conduct a compliance, performance, and management audit of Chapter 103D, Hawaii Revised Statutes, and the administrative rules adopted pursuant to Chapter 103D."

On page 1 lines 5 to 13, the bill does not address any procurement issue; it simply imposes the Legislative will upon the governmental body that solicits funds "to cover the costs and expenses of state-sponsored endeavors to generate business opportunities and goodwill for the State". By requiring that the funds raised by the governmental body be deposited in the general fund and disbursed pursuant to legislative appropriation, the Legislature appears to be saying that it is better able to determine how funds should be

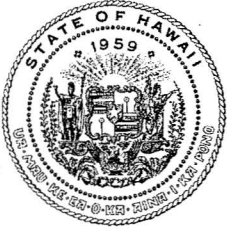
spent in spite of the fact that the contributors were willing to entrust the funds to the disposition of the fundraising government body.

The bill in its current form also inserts a provision requiring the Comptroller to become an ex-officio nonvoting member of the State Procurement Policy Board (Board). There is no basis in the bill's language or the committee report for taking away the Comptroller's vote.

The state procurement code applies to state and county agencies. The State Procurement Policy Board adopts rules to implement the state procurement code. The Board has seven members, all with voting rights. Two members are government employees, one representing the counties and one, the Comptroller, representing the State. The other five members are not state or county employees. If the Comptroller's vote is taken away, there will be only one vote representing the government agencies to whom the state procurement code applies. DAGS believes this will make the Board less effective.

DAGS recommends that this part of the bill be deleted.

Thank you for the opportunity to testify on this matter.



**DEPARTMENT OF BUSINESS,  
ECONOMIC DEVELOPMENT & TOURISM**

LINDA LINGLE  
GOVERNOR  
THEODORE E. LIU  
DIRECTOR  
MARK K. ANDERSON  
DEPUTY DIRECTOR

No. 1 Capitol District Building, 250 South Hotel Street, 5th Floor, Honolulu, Hawaii 96813  
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804  
Web site: [www.hawaii.gov/dbedt](http://www.hawaii.gov/dbedt)

Telephone: (808) 586-2355  
Fax: (808) 586-2377

Statement of  
**THEODORE E. LIU**  
**Director**

Department of Business, Economic Development, and Tourism  
before the

**HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT  
& BUSINESS CONCERNS**

Tuesday, March 11, 2008  
8:30 A.M.

State Capitol, Conference Room 325

in consideration of  
**SB 2824 SD2**  
**RELATING TO PROCUREMENT.**

Chair Yamashita, Vice Chair Wakai, and Committee members.

The Department of Business, Economic Development and Tourism respectfully opposes SB2824 SD2 Part I, which requires that private moneys received by the State to cover state-sponsored trips and goodwill endeavors be deposited into the general fund and disbursed pursuant to legislative appropriation. Part I also appropriates an unspecified amount in fiscal year 2008-2009 to offset initial costs and expenses for trade missions and goodwill trips to be expended by DBEDT.

We note that under its enabling statute (HRS 201-2.5) DBEDT is specifically authorized to collect fees for “services rendered or products provided” by the department.

The practice of collecting and using such fees has been in place for decades.

The costs of trade shows or trade missions often exceed the public budgets. It is proper to have the participants who benefit from the activity offset a portion of the costs.

The cumulative effect of Part I will impact DBEDT's marketing and promotion budget and may significantly reduce the amount of DBEDT's business and economic development marketing and promotional activities. Major trade missions would be unfeasible due to the higher cost of putting on the event without private sector financial assistance.

Although the bill appropriates an unspecified amount for state-sponsored endeavors, there is no way to know in advance if that amount would be sufficient to cover the costs of state-sponsored and state-produced business, economic development or goodwill activities for the biennium. After the unspecified appropriation has been depleted, the department would bear the entire cost of such events, an expense that we have not factored into our budgets.

Regarding Parts II-IV, DBEDT has no comment. Due to the budgetary implications of this bill, and the resulting fiscal impact upon DBEDT's targeted programs, we respectfully urge that this bill not be passed.

Thank you for the opportunity to offer these comments.