

LINDA LINGLE
GOVERNOR



PROCUREMENT POLICY BOARD
DARRYL W. BARDUSCH
LESLIE S. CHINEN
DARYLE ANN HO
KEITH T. MATSUMOTO
RUSS K. SAITO
PAMELA A. TORRES

AARON S. FUJIOKA
ADMINISTRATOR

**STATE OF HAWAII
STATE PROCUREMENT OFFICE**

P.O. Box 119
Honolulu, Hawaii 96810-0119
Tel: (808) 587-4700 Fax: (808) 587-4703
www.spo.hawaii.gov

TESTIMONY
OF
AARON S. FUJIOKA
ADMINISTRATOR
STATE PROCUREMENT OFFICE

TO THE
SENATE COMMITTEE
ON
JUDICIARY AND GOVERNMENT OPERATIONS

March 20, 2009

9:30 AM

HB 1768, HD1

RELATING TO PROCUREMENT.

Chair Taniguchi, Vice-Chair Takamine and committee members, thank you for the opportunity to testify on HB 1768, HD1.

The State Procurement Office (SPO) supports this bill to revise HRS §§103D-323 and 103D-324 to clarify the dollar limits to require bid and contract security for solicitations pursuant to HRS §§103D-302 and 103D-303.

As clarification on the duration of these amendments, the SPO recommends the following amendment to SECTION 4, to read as follows:

SECTION 4. This Act shall take effect on July 1, 2009 ~~and shall be repealed on July 1, 2012; provided that sections 103D-323(a) and 103D-324(a), Hawaii Revised Statutes, shall be reenacted in the form in which they read on the day before the effective date of this Act.~~

Thank you.

LINDA LINGLE
GOVERNOR



CHAD K. TANIGUCHI
EXECUTIVE DIRECTOR

STATE OF HAWAII

DEPARTMENT OF HUMAN SERVICES
HAWAII PUBLIC HOUSING AUTHORITY
1002 NORTH SCHOOL STREET
POST OFFICE BOX 17907
Honolulu, Hawaii 96817

Statement of
Chad K. Taniguchi
Hawaii Public Housing Authority
Before the

SENATE COMMITTEE ON JUDICIARY AND GOVERNMENT OPERATIONS

March 20, 2009 9:30 A.M.
Room 016, Hawaii State Capitol

In consideration of
H.B. 1768, HD1
RELATING TO PROCUREMENT

The Hawaii Public Housing Authority (HPHA) supports H.B. 1768, HD1, which would raise the ceiling for construction contract bid security requirements from \$25,000 to \$50,000.

This measure would assist HPHA in its efforts to utilize limited funds to improve the public housing stock in Hawaii. It would increase the number of small companies able to bid on contracts and decrease the cost of doing so by exempting more small contracts from the bid security requirement.

The costs of bid security requirements paid by the bidder ultimately increase the cost of the contract to HPHA; anything that reduces costs will benefit the State of Hawaii.



**ISLAND INSURANCE
COMPANIES**

March 19, 2009

The Honorable Brian T. Taniguchi
Chairperson, Senate Committee on Judiciary Governmental Operations
Hawaii State Capitol, Room 216
Honolulu, Hawaii 96813

**Re: JGO Hearing on HB 1768 HD1 (Relating to Procurement)
March 20, 2009, 9:30 am**

Dear Senator Taniguchi,

I am writing on behalf of Island Insurance Company, Ltd., Hawaii's largest locally-owned and operated property and casualty insurer. Island is a multiline insurer offering both insurance and surety products including licensing, bid, payment and performance bonds for Hawaii's business community. In 2008, Island Insurance wrote \$30 million in workers' compensation premiums.

Island Insurance would like to offer the following comments on HB 1768 HD1.

The intent of the bill is to raise the bid threshold for public procurement projects from \$25,000 to \$50,000. This intent would be more clearly stated if the threshold was simply stated as "\$50,000". The current cross reference is somewhat confusing.

Secondly it is important to carefully consider the potential ramifications of raising the threshold for performance and payment bonds. See HRS § 103D-324(a). The requirement of a performance or payment bond or both which is issued by a licensed surety company in the State of Hawaii (or other surety as approved by procurement authorities) is an important protection for the taxpayers of the State of Hawaii. This is especially true in times like these where many businesses are struggling to maintain revenue or to support debt burdens which are effectively growing due to shrinking revenue, rising interest rates or both.

Some may argue that the State could save money by not requiring such a bond, but the small savings realized could quickly evaporate in the event of a single default. Today the United States is experiencing a wave of defaults on financial obligations of historic proportions. For that reason this may not be the most advantageous time to relax bonding requirements.

Sincerely,

A handwritten signature in cursive script that reads "James S. Dixon".

James S. Dixon
Assistant Vice President
Compliance and Governmental Affairs

JSD: rn