

NEIL ABERCROMBIE  
GOVERNOR



## LATE TESTIMONY

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  
<http://hawaii.gov/spo>

TESTIMONY  
OF  
AARON S. FUJIOKA  
ADMINISTRATOR  
STATE PROCUREMENT OFFICE

TO THE  
HOUSE COMMITTEE  
ON  
ECONOMIC REVITALIZATION & BUSINESS

January 26, 2012

8:30 a.m.

HB 2265

RELATING TO THE STATE PROCUREMENT CODE.

Chair McKelvey, Vice Chair Choy and committee members, thank you for the opportunity to testify on HB 2265. This bill proposes to permanently amend the small purchases threshold for goods and services to less than \$100,000 and for construction to less than \$250,000; require a security for procurement of construction greater than \$50,000; and to remove the requirement of use of electronic procurement.

The State Procurement Office (SPO) opposes eliminating use of electronic procurement and returning small purchases procurement to an archaic practice. The electronic procurement system is the fairest, most efficient, time saving method of procuring small purchases. Electronic procurement ensures the greatest amount of competition by electronically notifying all prospective bidders, not just the three required by rules, in an open and transparent environment.

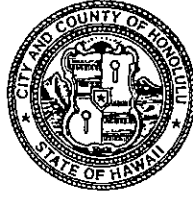
Small purchases without an electronic procurement requirement are inherently unfair because there is no public notice issued and the purchaser decides whom to contact for the three price quotations. That process is secretive, hidden from public view, prone to misuse, abuse and manipulation (i.e. purchaser will get a quote from a friend/preferred vendor and get 2 more quotes that are higher than the friend/preferred vendor, assuring friend/preferred vendor is selected).

The electronic procurement requirement is to assure all interested parties are electronically notified of the procurement and provided an equal opportunity to submit a price quotation in a transparent and open manner. The electronic procurement (e-procurement) system is utilized for issuing and responding to solicitations. Components include vendor registration, electronic solicitation, e-mail notification to vendors, submission of electronic quotes by vendors, and electronic (notice of) award. The e-procurement system automates the procurement system, allows for collection of comprehensive data on expenditures, reduces procurement cycle time, and reduce the cost of conducting procurement as a result of increased competition.

The SPO opposes this bill.

DEPARTMENT OF BUDGET AND FISCAL SERVICES  
**CITY AND COUNTY OF HONOLULU**  
530 SOUTH KING STREET, ROOM 208 • HONOLULU, HAWAII 96813  
PHONE: (808) 768-3900 • FAX: (808) 768-3179 • INTERNET: www.honolulu.gov

PETER B. CARLISLE  
MAYOR



**LATE TESTIMONY**

MICHAEL R. HANSEN  
DIRECTOR

NELSON H. KOYANAGI, JR.  
DEPUTY DIRECTOR

January 25, 2012

Rep. Angus L.K. McKelvey, Chair,  
Rep. Isaac W. Choy, Vice Chair,  
and Members of Committee on  
Economic Revitalization & Business  
House of Representatives  
The Twenty-Sixth State Legislature  
State Capitol  
Honolulu, Hawaii 96813

Dear Chair McKelvey, Vice Chair Choy and Members:

Subject: House Bill No. 2265 Relating to the Hawaii Public Procurement Code

Thank you for the opportunity to testify on H.B. 2265. The City & County of Honolulu supports H.B. 2265 which makes permanent Act 175, Sessions Laws of Hawaii 2009, amendments to the State of Hawaii Procurement Code.

The City & County of Honolulu prefers H.B. 2265 over similar house bills because it also provides greater flexibility in the Procurement code.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael R. Hansen".

Michael R. Hansen, Director  
Budget & Fiscal Services