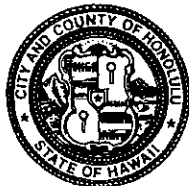


DEPARTMENT OF BUDGET AND FISCAL SERVICES
CITY AND COUNTY OF HONOLULU
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PETER B. CARLISLE
MAYOR



MICHAEL R. HANSEN
DIRECTOR

NELSON H. KOYANAGI, JR.
DEPUTY DIRECTOR

TESTIMONY OF MICHAEL R. HANSEN, DIRECTOR
DEPARTMENT OF BUDGET AND FISCAL SERVICES
CITY AND COUNTY OF HONOLULU

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:

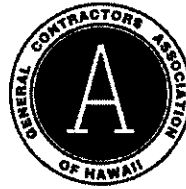
Subject: House Bill No. 2318 Relating to the Hawaii Public Procurement Code

Thank you for the opportunity to testify on H.B. 2318. The City & County of Honolulu understands the intent of the bill. However, in general, the City opposes any type of bid preference.

Bid preferences lead to higher costs for goods, services and construction projects. These higher costs are associated with increased administration responsibilities of government contracting agencies and an increased bottom-line contract price. This bill may result in the award of a contract that is up to nine percent higher priced.

Thank you for the opportunity to testify.

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Honolulu, HI 96819
Phone: 808-833-1681 FAX: 839-4167
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GCA of Hawaii

GENERAL CONTRACTORS ASSOCIATION OF HAWAII

Quality People. Quality Projects.

Uploaded via Capitol Website

February 14, 2012

TO: HONORABLE REPRESENTATIVES ANGUS MCKELVEY, CHAIR, ISAAC CHOY, VICE CHAIR AND MEMBERS OF THE HOUSE COMMITTEE ON ECONOMIC REVITALIZATION AND BUSINESS

SUBJECT: **COMMENTS & CONCERNS REGARDING H.B. 2318, HD1, RELATING TO PROCUREMENT.** Requires the procurement policy board to adopt rules that include a five per cent preference for small businesses, a seven per cent preference for veteran-owned businesses, and a nine per cent preference for service-disabled veteran-owned businesses. Effective July 1, 2030. (HB2318 HD1)

HEARING

DATE: Tuesday, February 14, 2012
TIME: 8:30 A.M.
PLACE: Conference Room 325

Dear Chair McKelvey, Vice Chair Choy and Members:

The General Contractors Association (GCA) is an organization comprised of over six hundred (600) general contractors, subcontractors, and construction related firms. The GCA was established in 1932 and is celebrating its 80th anniversary this year; it remains the largest construction association in the State of Hawaii. GCA **provides comments and concerns** regarding H.B. 2318, HD1, Relating to Procurement.

This bill would require a five per cent preference for small businesses, a seven per cent preference for veteran-owned businesses, and a nine per cent preference for service-disabled veteran-owned businesses. The purpose of this bill is to allow price preferences for bids and proposals submitted to procuring agencies by Hawaii small businesses, veterans and service-disabled veterans.

The GCA recognizes the many sacrifices and hardship endured by the veterans who served in our armed forces and supports efforts to rehabilitate and reintegrate them into our economy. However, the set-aside proposed in H.B. 2318, HD1 would be detrimental to the public works construction projects by driving up costs due to the small pool of veteran owned construction companies that would be eligible to bid due to the proposed price preferences.

Moreover, this proposal would be difficult for various agencies and the State Procurement Office to implement, manage and control. For example, how does the state ensure that of the current 20% set aside for small business, how will it further keep track that 7% will be reserved for veteran owned companies and another 9% for service disabled veteran owned businesses? Since purchases are made by many departments throughout the state, who will determine when and how a business qualifies as a veteran owned small business or a disabled veteran owned business? Instead of creating such price preferences, it may be more appropriate to address

some of the problems with the current procurement system. For example, the elimination of the subcontractor listing requirements, which have become one of the biggest reasons for bid protests in construction projects.

Furthermore, in the area of construction, will the initial bid specification state that only veteran owned small businesses qualify to bid?

Although we support the intent of this bill, the bill as drafted, is not workable and we therefore recommend that this measure be held in the committee.

Thank you for the opportunity to testify on this bill.



Hawaii Chapter, MOAA
P.O. Box 1185
Kailua, Hawaii 96734-1185

Testimony of Thomas Smyth

Military Officers Association of America, Hawaii Chapter

Before the Committee on Economic Revitalization & Business

Tuesday, February 14, 2012, 8:30 am, Room 312

HB 2318 HD 1 Relating to Procurement

Chair McKelvey, Vice Chair Choy and Committee Members

Our chapter of 400 retired and currently serving officers of the Uniformed Services supports HB 2318 HD 1, as amended, that establishes a procurement preference for small businesses, veteran-owned businesses and service-disabled veterans-owned businesses. We had some concerns with the bill as introduced, but they are now addressed.

Small Business Preference: We strongly support setting the size standards at 50 employees. Employee count can easily be verified by procurement agencies through the quarterly Unemployment Insurance Report submitted by every employer to the Department of Labor and Industrial Relations. The federal Small Business Size Standard is very cumbersome and for some of the 1200 industries they categorize, is based on annual revenue, which is very hard to measure accurately.

Veteran-Owned Businesses: A definition of “veteran,” has been added. Some who serve in the National Guard are not considered “veterans” under federal law, so this change clarifies that definition.

Service-Disabled Veteran-Owned Businesses: This terminology is complementary to the federal definition and should make federal registration for this particular status usable for Hawaii.

Thank you for the opportunity to provide testimony.



February 12, 2012

**TESTIMONY REGARDING HOUSE BILL 2318HD1
RELATING TO PROCUREMENT**

HOUSE COMMITTEE ON ECONOMIC REVIALIZATION & BUSINESS

**HEARING ON FEBRUARY 14TH, 2012, AT 8:30AM
IN CONFERENCE ROOM 312**

Aloha Chair McKelvey: The Oahu Veterans Council' delegates are honored to serve at the pleasure of our veterans and their families. Our Legislative Committee voted unanimously to support this bill, with the following amendments.

We sincerely appreciate your efforts to require the procurement policy board to adopt rules that include a:

- five per cent(5%) preference for small businesses,
- three percent (3%) state government procurement set aside, for veterans and service disabled veterans who own at least 51% of a business attempting to do business with the state
- seven per cent (7%) preference for veteran-owned businesses, and
- nine per cent (9%) preference for service-disabled veteran-owned businesses.

Effective July 1, 2012. (HB2318 HD1)

The Oahu Veterans Council is extremely grateful and urges your committee to consider passing House Bill 2318 as amended; mahalo for allowing us to testify, regarding this extremely important issue.

Dennis Egge

Dennis Egge; Chairman, Legislative Committee



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