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TESTIMONY
OF
AARON S. FUJIOKA
ADMINISTRATOR
STATE PROCUREMENT OFFICE

TO THE
HOUSE COMMITTEE
ON
FINANCE

February 25, 2013

1:30 p.m.

HB 1328

RELATING TO THE KAHO'OLAWA ISLAND RESERVE.

Chair Luke, Vice-Chair Nishimoto, Vice-Chair Johanson, and committee members, thank you for the opportunity to testify on HB 1328.

The State Procurement Office (SPO) opposes the amendment to make permanent the exemption of the Kaho'olawe island reserve commission (KIRC) from HRS chapter 103D, the Hawaii Public Procurement Code (Code) for the procurement of food and fuel products.

Prior to Act 159, SLH 2010, the SPO reviewed KIRC's exemption request for food and fuel products at least once a year, and granted approval on a yearly basis. This process provides oversight and accountability. A statutory exemption is void of these checks and balances. In addition, market conditions change, and it may be advantageous in the future to compete out the subject commodities.

Public procurement's primary objective is to give everyone equal opportunity to compete for government contracts; to prevent favoritism, collusion or fraud in awarding of contracts. To legislate that any one entity, should be exempt from compliance with HRS chapter 103D conveys a sense of disproportionate equality in the law's application.

The SPO request this bill be held. Thank you.



MICHELE MCLEAN
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KŪKULU KE EA A KANALOA
KAHO`OLAWE ISLAND RESERVE COMMISSION

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Michael K. Nāho`opi`i
Executive Director

**Testimony of
MICHAEL K. NAHO`OPT`I
Executive Director**

**Before the House Committees on
Finance**

**Monday, February 25, 2013
1:30 PM
State Capitol, Conference Room 308**

**In consideration of
HOUSE BILL 1328
RELATING TO THE KAHO`OLAWE ISLAND RESERVE**

House Bill 1328 grants the Kaho`olawe Island Reserve Commission (KIRC) a permanent exemption from Chapter 103D, HRS, for the procurement of food or fuel products necessary for the KIRC to carry out the purposes of Chapter 6K, HRS. The KIRC supports this measure and seeks to make this procurement exemption for food and fuel permanent, for it has increased the KIRC's purchasing flexibility and reduced cost and wastage.

The KIRC seeks to make permanent the procurement exemption for food and fuel that was authorized in by Public Act 159 of 2010. Prior to receiving this long-term exemption, the KIRC annually requested and were granted an exemption for the same purchases from the State Procurement Office (SPO). In fact, KIRC was encouraged by a trainer at SPO to request for an exemption, recognizing that the current process is not "advantageous or practicable" – the SPO criteria for exemptions.

Chapter 103D, HRS, currently provides an exemption for "meats and foodstuffs for the Kalaupapa settlement" [reference §103D-102(b)(4)(D)]. Access to Kaho`olawe is more challenging than access to Kalaupapa in that Kaho`olawe can only be accessed by helicopter or boat, where Kalaupapa can also be accessed by fix-wing airplane and has a large marine dock.

The KIRC also regularly delivers fuel to its base camp on Kaho`olawe in order to support the long-term restoration of the Kaho`olawe Island Reserve. KIRC's transportation of fuel depends largely on the weather and ocean conditions, which cannot be predicted or scheduled far in advance. Presently, only one vendor is able to meet these specifications.

Since the authorization of Act 159, we have annually reduced our food expenditures by about \$20,000 while still supporting the same number of volunteers to Kaho`olawe. Lastly, we have been able to reduce wastage by purchasing smaller quantities on sale or at reduced prices,

whereas purchasing on the State price list would entail larger bulk orders tailored for much larger institutions and operations than ours.

KIRC's only permanent source of funding is the Kaho`olawe Rehabilitation Trust Fund; it is in KIRC's best interest to make the Trust Fund last as long as possible. The two exemptions provided by House Bill 1328 would allow KIRC to find the best pricing to prolong the life of the Trust Fund and to allow our small staff the flexibility to accomplish an already challenging mission.

Your support of House Bill 1328 would make this food and fuel procurement exemption permanent, thus continuing to allow the KIRC to fulfill its statutory mission in an efficient and cost-effective manner.