



**STATE OF HAWAII
STATE PROCUREMENT OFFICE**

P.O. Box 119
Honolulu, Hawaii 96810-0119
Telephone: (808) 587-4700
e-mail: state.procurement.office@hawaii.gov
<http://hawaii.gov/spo>

TESTIMONY
OF
AARON S. FUJIOKA
ADMINISTRATOR
STATE PROCUREMENT OFFICE

TO THE
HOUSE COMMITTEE
ON
ECONOMIC DEVELOPMENT & BUSINESS

February 12, 2013

9:00 a.m.

HB 166, HD 1

RELATING TO PROCUREMENT.

Chair Tsuji, Vice Chair Ward, and committee members, thank you for the opportunity to testify on HB 166, HD 1. This bill proposes to add five new definitions to Part IX on Assistance to Small Businesses and requires that at least 3% of the 20% set-aside for small businesses be awarded to veteran-owned and service-disabled veteran-owned small businesses.

The State Procurement Office (SPO) supports the intent of any preference, however, as provided in Part X, Preferences, other preferences processes, such as Hawaii products, requires submittal of a certification to validate and qualify the applicant for eligibility of the preference/set-aside. Thereafter, the application of the preference/set-aside to the procurement requires additional time and resources for reviewing, analyzing and applying the preference/set-aside during evaluation. Any preference increases the chances of a protest or complaint questioning the legitimacy of the preference/set-aside certification. These additional steps to apply a preference complicates and further delays the procurement processes, and increases the cost to the State.

The SPO suggests supporting these special interest groups as a whole by providing tax credits, grants, start-up funding, funding of special programs or other business incentives, and not just limited to government contracts. Thank you.

1065 Ahua Street
Honolulu, HI 96819
Phone: 808-833-1681 FAX: 839-4167
Email: info@gcawhawaii.org
Website: www.gcawhawaii.org



GCA of Hawaii

GENERAL CONTRACTORS ASSOCIATION OF HAWAII

Quality People. Quality Projects.

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February 12, 2013

TO: HONORABLE CLIFT TSUJI, CHAIR, HONORABLE GENE WARD, VICE CHAIR AND HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT AND BUSINESS

SUBJECT: **COMMENTS & CONCERNS REGARDING H.B. 166, HD1, RELATING TO PROCUREMENT.** Requires that at least three per cent of the twenty per cent set-aside for small businesses shall be awarded to veteran-owned and service-disabled veteran-owned small businesses. Stipulates that this preference is in addition to any other preferences provided under the procurement code. Effective July 1, 2050. (HB166 HD1)

HEARING

DATE: Tuesday, February 12, 2013

TIME: 9:00 a.m.

PLACE: Capitol Room 312

Dear Chair Tsuji, Vice Chair Ward and Members of the Committee:

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 the largest construction association in the State of Hawaii. The GCA's mission is to represent its members in all matters related to the construction industry, while improving the quality of construction and protecting the public interest.

GCA is providing comments and concerns regarding H.B. 166, HD1 Relating to Procurement, and respectfully request that this measure be held. This bill mandates that procurement officer to set aside 3% of the 20% total reserved for small businesses to be awarded to veteran-owned and service-disabled veteran owned businesses, while not precluding qualified veterans from being restricted or precluded from qualifying for any other preferences, set— asides, or criteria that may apply under the State Procurement Code; The bill also offers definitions under Section 103D-901, Hawaii Revised Statutes defining “service connected disability,” “service-disabled veteran,” and “service-disabled veteran-owend small business.”

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, our association has consistently maintained that procurement preferences for even good causes are misused many times and does not fully benefit their intended benefactors. For example, if this bill were to pass, entrepreneurs wanting to take advantage of the price preferences for veterans could elicit a veteran to be a 51% owner without having the veteran actually working in the business so that state projects could be won for the benefit of the

company with the veteran simply taking his/her share. Furthermore, many times it is difficult to find veteran owned or service disabled veteran owned small businesses qualified to do the construction work needed, so that taxpayers need to pay an inordinate amount to find competitive qualified companies to participate or be satisfied with sub-standard work product in order to meet the veteran standards set.

Also, the recent amendment in the HD1 version now allows such veteran owned business to multiply their preferences, which may further complicate the bidding process and add unfair advantage over others. The HD1 version includes clarifying language that would allow a qualified veteran owned business to be eligible not only under the proposed 3% set aside, but also for any other preference that is permitted under the State Procurement Code. In public works construction projects under Chapter 103D, HRS, this may include, but not be limited to, such preferences as the apprenticeship 5% preference and the Hawaii products preference.

The HD1 version may add to further complexity for the State Procurement Office and affected agencies. The proposed language will add complexity in the procurement process, for example, by providing another avenue for protests when not administered properly, contrary to efforts to expedite and increase efficiency in the process. Finally, to administer such a program and to do it right may take already scarce resources away from procuring agencies to administer the program.

Please understand that GCA is not targeting veterans in this testimony. It is simply opining that using the procurement process is the wrong avenue to help veterans as well as any other persons needing assistance. Rather, more direct means such as vocational rehabilitation or tax incentives for businesses hiring veterans may be the better means to assist.

Accordingly, GCA recommends that this measure be held in the committee.

Thank you for the opportunity to testify on this bill.

**NATIONAL ASSOCIATION FOR UNIFORMED SERVICES
Hawaii Chapter (HI-1)
1298 Kukila Street, Honolulu HI 96818
Naushawaii1@yahoo.com; 808-382-5833**

February 11, 2013

**TESTIMONY IN SUPPORT OF HOUSE BILL 166 HD1
RELATING TO PROCUREMENT.**

HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT & BUSINESS

**HEARING ON TUESDAY, FEBRUARY 12TH AT 9:00 AM,
IN CONFERENCE ROOM 312**

Aloha Chair Tsuji and Vice Chair Ward: Thank you for this opportunity to provide testimony in support of HB 166 HD1. The National Association for Uniformed Services (NAUS) is honored to be recognized as “The Service Member’s Voice in Government.” Here, in the great State of Hawaii, NAUS Hawaii Chapter (HI-1) serves at the pleasure of our nation’s largest per-capita uniformed service community.

NAUS Hawaii Chapter (HI-1) is grateful your efforts to establish the goal that twenty per cent of the State's annual purchasing expenditure be awarded to small business; provided that a combined total of not less than three per cent of the twenty per cent set aside by this paragraph shall be awarded to veteran-owned and service-disabled veteran-owned small businesses.

Amending Section 103D-901, Hawaii Revised Statutes to provide this preference is extremely important to our disabled Veteran small business owners, as described in title 38 United States Code section 101(16); they served our great nation so selflessly.

NAUS Hawaii Chapter (HI-1) respectfully urges your committee to consider passing House Bill 166 HD1 as written.

D Egge

Dennis Egge; Chapter President



1298 Kukila Street, Honolulu, Hawaii 96818

Email: sballard@oahuveternascenter.com; Phone: 808-422-4000; Fax: 808-422-4001

www.oahuveternascenter.com