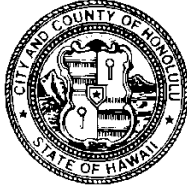


DEPARTMENT OF BUDGET AND FISCAL SERVICES  
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TESTIMONY OF NELSON H. KOYANAGI, JR.  
DIRECTOR OF BUDGET AND FISCAL SERVICES  
CITY AND COUNTY OF HONOLULU  
BEFORE THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT & BUSINESS  
Friday, February 7, 2014, 8:30 a.m., Conference Room 312

HOUSE BILL 2471, "RELATING TO PROCUREMENT"  
Position: In Support

TO: The Honorable Clift Tsuji, Chair  
and Members of the Committee on Economic Development & Business

The Department of Budget and Fiscal Services, City and County of Honolulu, **supports** House Bill No. 2471, Relating to Procurement.

Raising the contract amount threshold for verifying Offeror compliance from \$2,500 to \$5,000 will allow the City to operate quicker and more efficiently.

The City respectfully requests that this bill be passed.

Mahalo for the opportunity to testify on this bill. Should you have any questions or concerns, please feel free to contact the Department of Budget & Fiscal Services' Division of Purchasing at 808-768-5535 or [bfspurchasing@honolulu.gov](mailto:bfspurchasing@honolulu.gov).

# TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: MISCELLANEOUS, Raise compliance threshold

BILL NUMBER: HB 2471

INTRODUCED BY: Tsuji, Choy, Ito, Nakashima, Yamashita

BRIEF SUMMARY: Amends HRS section 103D-310 to increase the filing threshold from \$2,500 to \$5,000.

EFFECTIVE DATE: July 1, 2014

STAFF COMMENTS: Under Hawaii's procurement code, anyone wishing to do business with the state must comply with applicable laws. The Hawaii Compliance Express (HCE) was established to allow vendors doing business with state or county agencies to quickly and easily obtain proof that they are compliant. The HCE certificate, "Certificate of Vendor Compliance," is submitted in place of a tax clearance, labor certificate, and a Certificate of Good Standing required in Hawaii Revised Statutes section 103D-310 (c) and Hawaii Administrative Rules section 3-122-112. This certificate of vendor compliance is also utilized as proof of tax clearance and good standing for contracts for health and human services.

When the HCE was initially established, vendors had to provide proof of compliance in order to receive a contract greater than \$15,000. The legislature by Act 190, SLH 2011, reduced this amount to \$2,500 for awards pursuant to HRS section 103D-305. The proposed measure increases the threshold to \$5,000, which would seem to be an appropriate way to lessen the costs borne both by the agencies and the private sector while at the same time testing to see if compliance suffers.

When Act 190, SLH 2011, was enacted, most agencies interpreted it to say that HCE registration and compliance became mandatory for those with contracts over the threshold. Although uncodified language in Act 190 hints at this, nothing in the codified language tells the public that HCE is mandatory. Perhaps this bill should be used to add such language to give the public fair warning.

Digested 2/6/14