

STAND. COM. REP. NO. 67

Honolulu, Hawaii

February 10, 2015

RE: H.B. No. 895
H.D. 1

Honorable Joseph M. Souki
Speaker, House of Representatives
Twenty-Eighth State Legislature
Regular Session of 2015
State of Hawaii

Sir:

Your Committee on Economic Development & Business, to which was referred H.B. No. 895 entitled:

"A BILL FOR AN ACT RELATING TO PROCUREMENT OF PROFESSIONAL SERVICES,"

begs leave to report as follows:

The purpose of this measure is to improve the efficiency and effectiveness of the procurement of professional services by state agencies. Specifically, this bill:

- (1) Requires the selection committee for the procurement of professional services to evaluate, rather than rank, potential contractors based on specific selection criteria and send the names of those persons to the head of the purchasing agency for consideration; and
- (2) Allows the head of a purchasing agency to proceed with the procurement process for professional services when there are less than three qualified potential contractors in accordance with rules adopted by the Procurement Policy Board.

The State Procurement Office testified in support of this bill. The Department of Transportation supported the intent of this measure. The American Institute of Architects Hawaii State Council and American Council of Engineering Companies of Hawaii testified in opposition to this bill.

HB895 HD1 HSCR EDB HMS 2015-1672



The Procurement Policy Board has the authority and responsibility to adopt rules governing the procurement of professional services by state agencies. In 2014, the Hawaii Supreme Court ruled that, under the current statutes, a selection committee must identify and rank a minimum of three qualified professional service providers in order for a state agency to proceed with procurement. While many professional services in Hawaii have adequate numbers of qualified professionals to address this requirement, a number of highly specialized professional services do not. According to the State Procurement Office, this has often resulted in the need to repeat solicitation of bids until bids from three qualified applicants were received. This process is inefficient and is a detriment in both time and money to the State and qualified applicants.

Your Committee understands the concerns raised by several industry groups that allowing for the head of a state agency to select individuals to provide services without identification and ranking by the selection committee does not serve the procurement code's purpose of ensuring that professional services are procured in a fair and equitable manner. Accordingly, your Committee has amended this measure by including language that reflects agreement among industry groups and state procurement regulators. The amended measure:

- (1) Removes language requiring the selection committee to evaluate, rather than rank, potential contractors based on specific selection criteria;
- (2) Clarifies that, in cases where there are less than three qualified potential contractors, the selection committee shall rank them based on specified criteria and forward the ranking to the Chief Procurement Officer; and
- (3) Allows the Chief Procurement Officer, rather than the head of the purchasing agency, to proceed with the procurement of the service pursuant to rules adopted by the Procurement Policy Board.

Technical, nonsubstantive amendments were also made for clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Economic Development & Business that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 895, as amended herein, and recommends that it



pass Second Reading in the form attached hereto as H.B. No. 895, H.D. 1, and be referred to the Committee on Finance.

Respectfully submitted on
behalf of the members of the
Committee on Economic
Development & Business,



DEREK S.K. KAWAKAMI, Chair



State of Hawaii
House of Representatives
The Twenty-eighth Legislature

HSCR 67

Record of Votes of the Committee on Economic Development & Business

Bill/Resolution No.: HB 895	Committee Referral: EDB, JUD, FIN	Date: 6 Feb 15		
<input type="checkbox"/> The committee is reconsidering its previous decision on the measure.				
The recommendation is to: <input type="checkbox"/> Pass, unamended (as is) <input checked="" type="checkbox"/> Pass, with amendments (HD) <input type="checkbox"/> Hold <input type="checkbox"/> Pass short form bill with HD to recommit for future public hearing (recommit)				
EDB Members	Ayes	Ayes (WR)	Nays	Excused
1. KAWAKAMI, Derek S.K. (C)	/			
2. KONG, Sam Satoru (VC)	✓			
3. BROWER, Tom	/			
4. CACHOLA, Romy M.	/			
5. CHOY, Isaac W.	/			
6. ITO, Ken	/			
7. OHNO, Takashi				/
8. ONISHI, Richard H.K.	/			
9. TOKIOKA, James Kunane				/
10. TSUJI, Clift	/			
11. WOODSON, Justin H.				/
12. MATSUMOTO, Lauren Kealohilani				/
13. WARD, Gene	/			
TOTAL (13)	9 (w)			4
The recommendation is: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted If joint referral, _____ did not support recommendation. committee acronym(s)				
Vice Chair's or designee's signature: <u><i>Samuel S. King</i></u>				
Distribution: Original (White) – Committee Duplicate (Yellow) – Chief Clerk's Office Duplicate (Pink) – HMSO				