

Honolulu, Hawaii

March 23, 2016

RE: S.B. No. 2501  
S.D. 2  
H.D. 1

Honorable Joseph M. Souki  
Speaker, House of Representatives  
Twenty-Eighth State Legislature  
Regular Session of 2016  
State of Hawaii

Sir:

Your Committee on Economic Development & Business, to which was referred S.B. No. 2501, S.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO PROCUREMENT,"

begs leave to report as follows:

The purpose of this measure is to increase the accountability and efficiency of the state procurement process by requiring public agencies to consider the past performance of contractors before awarding contracts. More specifically, among other things, this measure:

- (1) Requires public agencies to consider a contractor's previous work on similar projects before awarding a contract;
- (2) Requires each public agency that issues a request for proposals to evaluate a contractor's performance upon completion of a procurement contract and to maintain those evaluations in the public agency's files; and
- (3) Appropriates funds to the State Procurement Office to implement this measure.

The Chamber of Commerce Hawaii testified in support of this measure. The State Procurement Office testified in support of the intent of this measure. The Department of Transportation, the Department of Design and Construction of the City and County of



Honolulu, Subcontractors Association of Hawaii, and General Contractors Association of Hawaii provided comments on this measure.

While the state procurement code presently authorizes procurement officers to consider a potential awardee's past performance, the historical performances of bidders may not receive adequate consideration in the awarding of contracts with attention being mainly focused on the lowest bid. Your Committee finds that better guidance should be provided to procurement officers when considering the performance history of bidders and that this measure accomplishes this goal.

Your Committee notes that concerns were raised by the State Procurement Office regarding the basis for past performance evaluations contained in this measure. Accordingly, your Committee has amended this measure by:

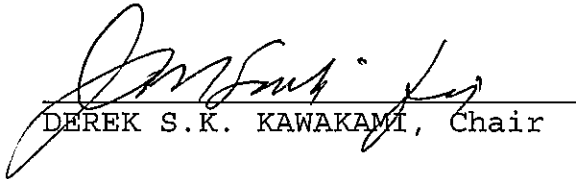
- (1) Clarifying that past performance be based on the performance of a contractor on state, federal, and private contracts; and
- (2) Changing its effective date to February 19, 2022, to facilitate further discussion.
- (3) Making technical, nonsubstantive amendments for clarity, consistency, and style.

Should your Committee on Finance deliberate this measure further, your Committee on Economic Development & Business respectfully requests that it consider appropriating \$130,000 for the implementation of this measure by the State Procurement Office.

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 S.B. No. 2501, S.D. 2, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2501, S.D. 2, H.D. 1, and be referred to your 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 1172-14

**Record of Votes of the Committee on Economic Development & Business**

Bill/Resolution No.: <b>SB2501, SD2</b>	Committee Referral: <b>EDB, FIN</b>	Date: <b>3/15/2016</b>		
<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. DeCOITE, Lynn	✓			
7. ITO, Ken	✓			
8. OHNO, Takashi	✓			
9. ONISHI, Richard H.K.	✓			
10. TOKIOKA, James Kunane	✓			
11. TSUJI, Clift	✓			
12. WOODSON, Justin H.	✓			
13. MATSUMOTO, Lauren Kealohilani	✓			
14. WARD, Gene	✓			
<b>TOTAL (14)</b>	<b>14</b>			
The recommendation is: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted If joint referral, _____ did not support recommendation. <div style="text-align: center; font-size: 10pt;">committee acronym(s)</div>				
Vice Chair's or designee's signature: <u><i>Gene Ward</i></u>				
Distribution:    Original (White) – Committee    Duplicate (Yellow) – Chief Clerk's Office    Duplicate (Pink) – HMSO				