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TESTIMONY
OF
SARAH ALLEN, ADMINISTRATOR
STATE PROCUREMENT OFFICE
TO THE HOUSE COMMITTEE ON FINANCE

February 25, 2015, 2:45 p.m.

HOUSE BILL 1126, HD 1
RELATING TO PROCUREMENT

Chair Luke, Vice-Chair Nishimoto, and members of the committee, thank you for the opportunity to submit testimony on HB 1126, HD 1. Among its effects, this measure would establish a Compliance Audit Unit within the State Procurement Office (SPO), which, among other duties, would establish and maintain a database of "meaningful statewide procurement contract data" from each governmental body of the state. The SPO supports transparency and accountability in government contracting and, therefore, submits this testimony in SUPPORT.

Access to meaningful metrics is vital for decision-making. State Agencies and Departments must have access to business analytics to find creative, innovative ways to cut costs and increase efficiencies. An organized, state-wide contracts database could offer that dashboard to both the government and the community. In addition, contractors who are interested in doing business with the state currently have to visit over 40 websites in order to obtain business intelligence as to what current state solicitations are available to their firm. SPO recommends creating a "One-Stop Shop" that will "pull" data from the multiple databases (based on mandated fields), and a function that will show corresponding award data. This will greatly ease the burden on the business owner, and allow for analysis to reduce duplication of work.

The scope of the project is one that will take several years to complete and will require a sizable investment. Positions and funding for the positions and the ancillary costs for location and equipment must be included, as SPO has no resources available. Audit, review and analysis of data are highly staff intensive and require a sizable staffing pattern.

The ability to share the information and analyze spend data, requires the development and maintenance of several applications as well as the database, requiring technical expertise SPO does not have. The SPO will need an IT section established within the SPO or a dedicated section co-located within the OIMT solely for the SPO database.

The cost of establishing and maintaining the database and applications, staff for the database function as well as the audit function and funding for the supplies and expenses is estimated between \$2.3 - \$2.5 million for fiscal year 2016.

Thank you.



Email: communications@ulupono.com

HOUSE COMMITTEE ON FINANCE
Wednesday, February 25, 2015 — 2:45 p.m. — Room 308

Ulupono Initiative Strongly Supports HB 1126 HD 1, Relating to Procurement

Dear Chair Luke, Vice Chair Nishimoto, and Members of the Committee:

My name is Brandon Lee and I am a policy and public-private partnership associate of the Ulupono Initiative, a Hawai'i-based impact investment company that strives to improve the quality of life for the people of Hawai'i by working toward solutions that create more locally grown food, increase clean, renewable energy, and waste reduction. We believe that self-sufficiency is essential to our future prosperity, and will help shape a future where economic progress and mission-focused impact can work hand in hand.

Ulupono strongly supports HB 1126 HD 1, which requires the State Procurement Office to establish a database of all government procurement contracts, because it aligns with our goal of providing more locally produced food.

Procurement is one of the major areas where local farmers can obtain large volumes of sales and ultimately grow their businesses. Yet, there are differing policy philosophies to determine the best procurement structure to allow for more locally produced foods to enter into the State's procurement channels. But, there is not an easily searchable procurement database to identify the best procurement policies.

Currently, there are 20+ differing departments with differing procurement processes and criteria. Since different departments have different procurement needs, flexibility is important but standardization is ideal for tracking. In the current procurement database that identifies recipients of procurement contracts, the information is extremely difficult to navigate. At best, I can identify 40,000 different procurement line items across the publicly available database going back roughly 15 years.

Since the database needs a lot of work, it effectively means the State Procurement Office cannot truly identify procurement trends and effectiveness of policies designed to improve procurement. For Ulupono, an agricultural investor, this means as we try to identify the best solution for increasing locally produced foods into the system, we do not know what policies are effective, why they are effective, and what to do in the future. If a database exists, this can re-shape and make procurement much for efficient and effective for many

Investing in a Sustainable Hawai'i



issues, not just local food procurement. Over the last 15 years of data, it appears, the State has spent ~\$26.4 billion in procurement contracts. This figure is also grossly low because better data about procurement contracts exist in latter years.

Yet, without better data tracking and analytics, we do not know, nor will we know going forward, if there are better optimization policies and strategies to allow the State to get the most for its money. A more efficient, transparent, and effective State government is predicated on developing a rich and user-friendly database for the State Procurement Office.

While funding for databases is challenging given the State's fiscal situation, with so much money that the State spends on procurement, they should be better able to track where the money is going and why. If not, the State will continue to open itself up to being penny wise and pound-foolish.

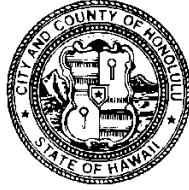
Thank you for this opportunity to testify.

Respectfully,

Brandon Lee
Policy and Public-Private Partnership Associate

LATE

KIRK CALDWELL
MAYOR



NELSON H. KOYANAGI, JR.
DIRECTOR

GARY T. KUOKAWA
DEPUTY DIRECTOR

TESTIMONY OF NELSON H. KOYANAGI, JR.
DIRECTOR OF BUDGET AND FISCAL SERVICES
CITY AND COUNTY OF HONOLULU
BEFORE THE HOUSE COMMITTEE ON FINANCE
FEBRUARY 25, 2015, 2:45 P.M., Conference Room 308

HOUSE BILL 1126, HD1, "RELATING TO PROCUREMENT"

Position: Request Revisions

TO: The Honorable Sylvia Luke, Chair
and Members of the Committee on Finance

The Department of Budget and Fiscal Services, City and County of Honolulu, **requests revisions** to House Bill No. 1126, HD1, Relating to Procurement.

If the above bill is passed, the Department of Budget and Fiscal Services, City and County of Honolulu requests the following changes:

- A portion of the bill's budget allocation must be distributed to the Counties for the implementation of the bill's intent.
- The bill must allow the Counties to annually assess the State for the costs to compile and report the required information.

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.

**HAWAII OPERATING ENGINEERS
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Affiliated AFL-CIO
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February 25, 2015

Honorable Sylvia Luke, Chair
Honorable Scott Y. Nishimoto, Vice Chair
And Members of the Committee on Finance
415 South Beretania Street, Room 306
Honolulu, HI 96813

LATE

RE: Support of HB 1126, HD1 – Relating to Procurement

Chair Luke and Members of the Committee,

My name is Kimberly Ribellia, Government Liaison, of the Hawaii Operating Engineers Industry Stabilization Fund (HOEISF), a labor management fund representing 4000 unionized members in heavy engineering site work and 500 general contractors specializing in heavy site and vertical construction.

HOEISF supports House Bill 1126, HD1 which requires the state procurement office to establish a database of all government procurement contracts, accessible to each governmental body. The bill also appropriates funds to establish the database.

HOIESF supports the creation of a database of all procurement contracts as a start to consolidate and standardize the procurement system.

Thank you for this opportunity to testify in this matter.

Sincerely,

Kimberly Ribellia
Government Liaison
HOEISF

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BUILDING INDUSTRY ASSOCIATION

THE VOICE OF THE CONSTRUCTION INDUSTRY

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LATE

Testimony to the House Committee on
Wednesday, February 25, 2015
2:45 p.m.

Hawaii State Capitol - Conference Room 308

SUBJECT: H.B. 1126 HD 1 RELATING TO PROCUREMENT

Chair Luke, Vice-Chair Nishimoto, and members of the Committee:

My name is Gladys Marrone, Chief Executive Officer for the Building Industry Association of Hawaii (BIA-Hawaii), the Voice of the Construction Industry. We promote our members through advocacy and education, and provide community outreach programs to enhance the quality of life for the people of Hawaii. BIA-Hawaii is a not-for-profit professional trade organization chartered in 1955, and affiliated with the National Association of Home Builders.

BIA-Hawaii **supports** the intent of H.B. 1126 HD 1, which requires the State Procurement Office to establish a database of all government procurement contracts, accessible to each governmental body; specifies fields to be included in the database; and appropriates funds to establish the database.

A complete and accurate central database of procurement data is an important step to the standardization of the procurement process across the state. A reliable and predictable procurement process would provide the building industry and the community with the certainty necessary for a healthy and productive economy and greater government transparency, enhancing the public trust.

Thank you for the opportunity to express our views on this matter.