

HB2053 HD1

Measure Title: RELATING TO PROCUREMENT.

Report Title: Procurement Code; Special Procurement

Description: Provides for the establishment of a special procurement process for the procurement of goods and services. Requires the establishment of procedures by the Procurement Policy Board for use of the special procurement process by rules. (HB2053 HD1)

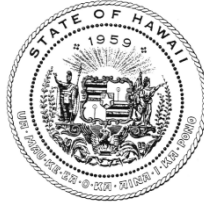
Companion:

Package: None

Current Referral: GVO, WAM

Introducer(s): YAMANE, CULLEN, KAWAKAMI, KONG, ONISHI, TSUJI, YAMASHITA

DAVID Y. IGE
GOVERNOR



SARAH ALLEN
ADMINISTRATOR

PAULA A. YOUNGLING
ASSISTANT ADMINISTRATOR

**STATE OF HAWAII
STATE PROCUREMENT OFFICE**

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TESTIMONY

OF

SARAH ALLEN, ADMINISTRATOR
STATE PROCUREMENT OFFICE

TO THE SENATE COMMITTEE
ON
GOVERNMENT OPERATIONS

MARCH 17, 2016, 1:15 P.M.

HOUSE BILL 2053, HD1
RELATING TO PROCUREMENT

Chair Kim, Vice-Chair Ihara, and members of the committee, thank you for the opportunity to submit testimony on HB 2053, HD1.

The State Procurement Office (SPO) is in **SUPPORT** of the measure **with suggested revisions** as set forth below.

Among public procurement's guiding principles are value and transparency. Value ensures prudent use of taxpayer dollars. Transparency ensures accountability and system integrity which, in turn, fosters public confidence. These guiding principles are built into HRS chapter 103D, our State Procurement Code. Special procurements will allow the State to procure when unusual or unique circumstances exist that require other than full competition, when standard procurement procedures would be contrary to the public interest. Unlike an exemption, special procurements are an alternative process within the procurement code. This means that the State can effectively respond to unique needs or requirements and maintain the accountability and transparency of the procurement and resulting management of the contract.

Our research shows that several states currently apply similar statutes, and the ABA 2000 Model Procurement Code authorizes the use of an innovative procurement process where the procuring officer determines that an unusual or unique situation exists that makes the application of all requirements of competitive sealed bidding or competitive sealed proposal contrary to the public interest. Similar language may be found in the Alaska innovative procurements statute (AS § 36.30.308). Although aimed at flexibility to accommodate unique circumstances, special innovative procurement statutes have protections built in, which require a written determination by the Chief Procurement Officer (CPO), notice, and a published record to be maintained. Such safeguards ensure the special procurement will be utilized only in unusual or unique circumstances and only if advantageous to the state, best value can be achieved, and the public interest will be promoted in a manner not practicably realized under standard procurement procedures.

SPO takes notice of the opposition testimony submitted by the American Council of Engineering Companies of Hawaii (ACEC) but believes their concerns are unwarranted based on the clear language of the measure as drafted and the clear definitions provided for in HRS 103D-104 for “goods,” “services,” and “professional services.” The current measure only applies to procurements for goods and services.

HRS 103D-104 provides the following definitions:

“Goods” means all property, including but not limited to equipment, equipment leases, materials, supplies, printing, insurance, and processes, including computer systems and software, excluding land or a permanent interest in land, leases of real property, and office rentals.

“Services” means the furnishing of labor, time, or effort by a contractor, not involving the delivery of a specific end product other than reports which are merely incidental to the required performance.

“Professional services” means those services within the scope of the practice of architecture, landscape architecture, professional engineering, land surveying, real property appraisal, law, medicine, accounting, dentistry, public finance bond underwriting, public finance bond investment banking, or any other practice defined as professional by the laws of this State or the professional and scientific occupation series contained in the United States Office of Personnel Management's Qualifications Standards Handbook.

The clear language of the measure coupled with the clear meaning set forth in the definitions section of HRS 103D-104 obviate the need to amend the measure to include prohibitory language for “professional services.”

SPO is in strong support of the measure but would like to suggest the following revisions to the current bill as set forth below:

SECTION 2. Chapter 103D, Hawaii Revised Statutes, is amended by adding a new section to be appropriately designated in red and to read as follows:

§103D- Special procurements. (a) Contracts for goods and services may be awarded with other than full competition using a special ~~innovative~~ procurement process in accordance with this section and procedures set forth in rules adopted by the procurement policy board. The special ~~innovative~~ procurement process authorized by this section shall be used only when the chief procurement officer determines in writing that it is advantageous to the State to use the process to procure new or unique requirements of the State, new technologies, or public-private partnerships, ~~or to~~ achieve best value.

(b) Prior to issuing the notice required under subsection (c), the Head of the Purchasing Agency shall prepare a procurement plan developed in accordance with this section and rules established by the procurement policy board. The purpose of the procurement plan is to document the process to be used and the basis of why the special process is more advantageous to the State than other procurement methods. Such plan shall be submitted to the attorney general or corporation counsel for review for compliance with law.

SPO Rationale: The procurement plan is best prepared by the head of the purchasing agency. The Chief Procurement Officer provides oversight rather than being directly involved in the details of the process. The plan described above is critical in order for the Chief Procurement Office to make the determination required

in sub-section (a). Review by either an attorney general or corporation counsel is necessary to ensure that the special/innovative process to be followed complies with law, for example, HRS §171 for requirements involving public land management and disposition.

~~(b)(c)~~ Notice of a solicitation under the special innovative procurement process shall be given in the same manner as provided in section 103D-302(c).

~~(e)(d)~~ A written determination of the basis for the procurement and for the selection of the particular contractor shall be included by the head of the purchasing agency in the contract file, and a report shall be submitted to the state procurement office and made available publicly by the chief procurement officer at least annually."

~~(e)(d)~~ Contracts awarded under this section shall be posted electronically for public notice within seven days of the contract award by the Head of the Purchasing Agency or designee and shall remain posted for at least one year. Information to be posted shall include, but not be limited to:

- ~~(1)~~ The name of the person or organization receiving the award;
- ~~(3)~~ The dollar amount of the contract; and
- ~~(4)~~ The name of the head of the purchasing agency or designee making the selection.

A written determination of the basis for the procurement and for the selection of the particular contractor shall be included by the head of the purchasing agency in the contract file."

SECTION 3. Section 103D-301, Hawaii Revised Statutes, is amended to read as follows:

"§103D-301 Methods of source selection. Unless otherwise authorized by law, all contracts shall be awarded pursuant to the following sections, as applicable:

- (1) Section 103D-302 (Competitive sealed bids);
- (2) Section 103D-303 (Competitive sealed proposals);
- (3) Section 103D-304 (Professional services procurement);
- (4) Section 103D-305 (Small purchases);
- (5) Section 103D-306 (Sole source procurement); [and]
- (6) Section 103D-307 (Emergency procurements)[-]; and
- (7) Section 103D- (Special procurements)."

Thank you.

DAVID Y. IGE
GOVERNOR



DOUGLAS MURDOCK
Comptroller

AUDREY HIDANO
Deputy Comptroller

STATE OF HAWAII
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES

P.O. BOX 119, HONOLULU, HAWAII 96810-0119

WRITTEN TESTIMONY
OF
DOUGLAS MURDOCK, COMPTROLLER
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES
TO THE
SENATE COMMITTEE
ON
GOVERNMENT OPERATIONS
ON
MARCH 17, 2016

H.B. 2053, H.D. 1

RELATING TO PROCUREMENT

Chair Mercado Kim and members of the Committee, thank you for the opportunity to submit written testimony on H.B. 2053, H.D. 1. The Department of Accounting and General Services supports H.B. 2053, H.D. 1.

H.B. 2053, H.D. 1 provides flexibility similar to that provided in the 2000 American Bar Association Model Procurement Code for State and Local Governments Section 3-207, which is attached. Such laws are in effect in other jurisdictions to enable the State to act responsively in addressing unique needs or requirements such as prototype or test programs, services or products not normally purchased by governments, local purchases or private-public partnerships.

DAGS does have reservations about potential abuse of this procurement method. Jurisdictions may need additional guidance on what unique or unusual needs or situations are appropriate for utilizing this authority. These concerns should be addressed in the administrative rules adopted by the Procurement Policy Board. DAGS recommends adding the following language to the bill on page 2, between lines 4 and 5, at the end of paragraph (c): "The State

Procurement Administrator shall file a report at least annually with the Procurement Policy Board summarizing the use of special innovative procurement and recommending any changes to the regulations of the board regarding special innovative procurement.

Thank you for the opportunity to submit written testimony on this matter.

CODE PROVISION:

§3-207 Special Procurements.

Notwithstanding any other provision of this Code, the Chief Procurement Officer or the head of a Purchasing Agency may with prior public notice initiate a procurement above the small purchase amount specified in Section 3-204 where the officer determines that an unusual or unique situation exists that makes the application of all requirements of competitive sealed bidding or competitive sealed proposals contrary to the public interest. Any special procurement under this Section shall be made with such competition as is practicable under the circumstances. A written determination of the basis for the procurement and for the selection of the particular contractor shall be included by the Chief Procurement Officer or the head of a Purchasing Agency in the contract file, and a report shall be made publicly available at least annually describing all such determinations made subsequent to the prior report.

COMMENTARY:

(1) This new Section 2-307 authorizes special procurements in very limited circumstances, where deviations from the strict requirements of the Code are necessary to protect the interest of the [State]. It is based on the versions of the Code adopted by the States of Alaska and Arizona. See Alaska Statutes Section 36.30.308 (authorizing the use of an innovative procurement process under certain conditions to purchase new or unique state requirements, new technologies, or to achieve best value) and Arizona Revised Statutes Section 41-2537 (authorizing, under emergency procurement authority, a waiver for competitive sealed bidding or competitive sealed proposals when doing so is in the State's best interests). To ensure proper safeguards, the 2000 Code contemplates that only the Chief Procurement Officer, or the head of a Purchasing Agency will authorize each special procurement process, and document both the reasons therefor and the selection process followed. The second sentence of the Section confirms that those requirements of the competitive processes that can practicably be applied to such procurement will be applied.

(2) The 2000 Code revisions delete the original Section 3-207, entitled "Competitive Selection Procedures for Services Specified in Section 2-302." Generally, the original Section specified that certain services – those exempted from direct or delegated procurement authority of the Chief Procurement Officer under Section 2-302 – could be purchased through a procurement method in which price was not an evaluation factor. Revisions to Section 2-302 have reduced the need for the original Section 3-207. In addition, the experience of purchasing professionals has been that services may be effectively procured through the Code's other source selection methods. Where enacting jurisdictions have adapted the original Section 3-207 to cover all "professional services," the term has been difficult to define.

(3) The purchasing method used to buy any service should be determined based on such factors as the reasons the services are needed and the dollar amount involved. By eliminating the original Section 3-207, the 2000 revision ensures that the Code does not dictate only one method for purchasing services, and that a full array of factors, not just the type of service alone, is the basis for the source selection method used.

**Part C – Cancellation of Invitations for Bids
or Requests for Proposals**

Regulation 3-301 Cancellation of Solicitations

CODE PROVISION:

§3-301 Cancellation of Invitations for Bids or Requests for Proposals.

An Invitation for Bids, a Request for Proposals, or other solicitation may be cancelled, or any or all bids or proposals may be rejected in whole or in part as may

DAVID Y. IGE
Governor

SHAN S. TSUTSUI
Lt. Governor



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SCOTT E. ENRIGHT
Chairperson, Board of Agriculture

PHYLLIS SHIMABUKURO-GEISER
Deputy to the Chairperson

**TESTIMONY OF SCOTT E. ENRIGHT
CHAIRPERSON, BOARD OF AGRICULTURE**

BEFORE THE SENATE COMMITTEE ON GOVERNMENT OPERATIONS

March 17, 2016
1:15 P.M.
CONFERENCE ROOM 414

HOUSE BILL NO. 2053, HD1
RELATING TO PROCUREMENT

Chairperson Kim and Members of the Committee:

Thank you for the opportunity to testify on House Bill No. 2053, HD1. The purpose of this bill is to provide for the establishment of a special procurement process for the procurement of goods and services. The Department of Agriculture supports this measure as it relates to procurement of agricultural commodities.

Act 218 (SLH 2015) established a Farm to School Program within the Department of Agriculture, directing the Farm to School Coordinator to “address the issues of supply, demand, procurement, and consumption of Hawaii-grown foods in state facilities” (HRS §141-11(b)). One of the five goals of the program is to “[e]nrich the local food system through the support and increase of local food procurement for the State’s public schools and other institutions” HRS §141-11(a)(3). Through our Farm to School Coordinator’s systematic and technical procurement collaboration with stakeholders in the Lieutenant Governor’s Advisory Group, as well as working directly with the State Procurement Office, Department of Education, Hawaii Child Nutrition Program, Department of Health, farmers, distributors, and nonprofit entities, it is apparent that the procurement processes available in chapter 103D are hindering efforts to increase the State’s institutional purchasing of locally grown food.

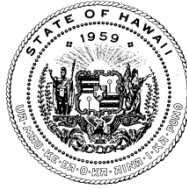


The State policy to buy local produce and support local agriculture was formally established with Act 55 (SLH 2013), codifying the policy in Objectives and policies for the economy — agriculture in the Hawaii State Planning Act:

- HRS§226-7(b)(7) “Strengthen diversified agriculture by developing an effective promotion, marketing, and distribution system between Hawaii’s food producers and consumers in the State, nation, and world.”
- HRS§226-7(b)(13) “Promote economically competitive activities that increase Hawaii’s agricultural self-sufficiency, including the increased purchase and use of Hawaii-grown food and food products by residents, businesses, and governmental bodies as defined under section 103D-104.”

This measure would allow for development of a “special procurement” alternative competitive process to address the unique situations faced with implementing such specialized State policies in transparent manner that is advantageous to the State, achieving best value with stated policies.

Thank you for the opportunity to testify on this measure.



Testimony by:
FORD N. FUCHIGAMI
DIRECTOR

Deputy Directors
JADE T. BUTAY
ROSS M. HIGASHI
EDWIN H. SNIFFEN
DARRELL T. YOUNG

IN REPLY REFER TO:

STATE OF HAWAII
DEPARTMENT OF TRANSPORTATION
869 PUNCHBOWL STREET
HONOLULU, HAWAII 96813-5097

March 17, 2016
1:15 p.m.
State Capitol, Room 414

H.B. 2053, H.D. 1
RELATING TO PROCUREMENT

Senate Committee on Government Operations

The Department of Transportation (DOT) **supports** the intent of this bill which proposes to provide for the establishment of a special innovative procurement process.

Although the DOT utilizes all methods of procurement, there are situations when a procurement method does not fit the DOT purchasing needs. The purpose of a special innovative procurement process may provide the DOT with flexibility in procuring new, unique, and specialized goods, services, within the parameters of the procurement code.

This bill as proposed includes a procurement checks and balances provision (Chief Procurement Officer (CPO) to provide written determination)¹ intending to ensure the use of a particular innovative procurement is advantageous to the State for new or unique requirements of the State, new technologies, public-private partnerships or to achieve best value.

The DOT proposes the following revision to the proposed statutory language, “§ 103D-Special Innovative Procurement.”

Thank you for the opportunity to provide testimony.

¹ With the intent that the authority will not be delegated to the head of the purchasing agency.



**Testimony to the Senate Committee on Government Operations
Thursday, March 17, 2016 at 1:15 P.M.
Conference Room 414, State Capitol**

RE: HOUSE BILL 2053 HD 1 RELATING TO PROCUREMENT

Chair Kim, Vice Chair Ihara, and Members of the Committee:

The Chamber of Commerce Hawaii ("The Chamber") **supports** H.B. 2053 HD 1, which proposes to amend Chapter 103 HRS by creating special innovative procurement processes.

The Chamber is Hawaii's leading statewide business advocacy organization, representing about 1,000 businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the "Voice of Business" in Hawaii, the organization works on behalf of members and the entire business community to improve the state's economic climate and to foster positive action on issues of common concern.

The procurement process is in need of improvement. Business and the public want an open, competitive, and transparent procurement process. The procurement process must also be timely in the selection and payment for goods and services. In addition, the State is looking for the best value, not necessarily the lowest price.

We know of many small businesses in Hawaii that do not pursue work from the State of Hawaii because of the uncertainty and delays caused by the current procurement process.

We look forward to the Procurement Policy Board's procedures for these new procurement processes.

We appreciate the opportunity to express our support for H.B. 2053 HD 1.



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March 17, 2016

HEARING BEFORE THE
SENATE COMMITTEE ON GOVERNMENT OPERATIONS

TESTIMONY ON HB 2053, HD1
RELATING TO PROCUREMENT

Room 414
1:15 PM

Aloha Chair Kim, Vice Chair Ihara, and Members of the Committee:

I am Randy Cabral, President of the Hawaii Farm Bureau Federation (HFB). Organized since 1948, HFB is comprised of 1,900 farm family members statewide, and serves as Hawaii's voice of agriculture to protect, advocate and advance the social, economic and educational interests of our diverse agricultural community.

HFB supports HB 2053, HD1, which establishes a special procurement process for the procurement of goods and services in order to increase the consumption of locally-grown agricultural products within state institutions.

HFB strongly supports increased use of locally grown agricultural products, fruits, vegetables, meats, dairy and poultry products in our schools and other public institutions.

In 2009, the State enacted ACT 175 which gave Hawaii agricultural products a price preference and included Hawaii agricultural products under the State's procurement code. HFB believed that an agricultural producers' price preference for bidding presented a competitive advantage. This included enjoyment of the small business preference rule that permits an agency to identify certain contracts for competition among small businesses or requires a large business to subcontract with small businesses to provide the products. We believed that the preference helped cultivate a level playing field with out-of-state bidders and created additional market opportunities for Hawaii's farmers and small businesses

HFB suggested the changes because farmers and ranchers were having a difficult time entering into state supply contracts. During our involvement with this process, it became clear that education at all levels, not just within our group of farmers and ranchers, but

even within the procurement offices, was needed. Although HFB attempted to move everyone in this direction, the training was never accomplished.

In previous sessions, there have been measures that proposed to remove the preference and ease the process required for governmental bodies to acquire local agricultural commodities by exempting Hawaii agricultural producers from the procurement code. This would change the current code back to where it was before HFB's requests to the Legislature modified the language, resulting in the current code.

In previous sessions, when bills were introduced that would revert back to exempting locally-grown agricultural products from the procurement code, HFB has requested clear metrics to help determine the success of the procurement code with the exemption.

The proposed special innovative procurement process will provide the flexibility that should help increase the purchase of more locally grown agricultural products, fruits, vegetables, meats, dairy and poultry products from State institutions.

HFB is committed to work with the Procurement Office to improve and implement a procurement program that will allow Hawaii farmers and ranchers to source more products to State institutions.

Thank you for this opportunity to comment on this measure.



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Senate Committee on Government Operations

March 17, 2016, 1:15PM

Room 414

Subject: **Testimony in SUPPORT of HB 2052, Relating to Procurement**

Chair Kim, Vice Chair Ihara, and members of the committee:

Thank you for the opportunity to submit testimony in support of HB2053, which creates a provision in HRS Section 103D-301 for a special procurement process for the State to purchase goods and services.

The Hawai'i Food Policy Council **strongly supports** this measure, recognizing that its adoption will create a mechanism to assist in the purchase of fresh, locally grown foods by schools and other State institutions. In its current form—even with the local preference provision—the State's procurement code presents an obstacle to the purchase of local produce and meats in large enough quantities to meet institutional needs.

Procuring food from local producers is undoubtedly in the public's best interest, as evidenced by the State's recent investment in a farm to school program within the Department of Agriculture. According to a 2008 report from the University of Hawai'i College of Tropical Agriculture and Human Resources¹, an estimated \$3.1 billion currently leaves our state to support agribusiness elsewhere. **Taking into account multiplier effects, replacing the purchase of just 10% of imported foods with locally-produced foods would generate an estimated economy-wide impact of \$188 million in sales, \$47 million in earnings, \$6 million in state tax revenues, and more than 2,300 jobs.**

¹ Leung, PingSun, and Loke, Matthew. "Economic Impacts of Increasing Hawai'i's Food Self-Sufficiency." *Economic Issues* EI-16 (2008). Web.
<http://hdoa.hawaii.gov/add/files/2012/12/FoodSSReport.pdf>

Unlike exemption, which runs the risk of decreased transparency and accountability, special procurement allows for flexibility, but with protections built in. Similar statutes are already in place in other states, such as Alaska, and according to the State Office of Procurement, the ABA 2000 Model Procurement Code recommends the use of these types of “special innovative procurements.” Special procurement can only be employed when standard procurement procedures would be contrary to the public interest, as is the case when procuring local food.

The passage of HB 2053 is a critical action that the legislature can take to boost the efficacy the State’s new farm-to-school program and other institutional food purchasing initiatives—bringing us exponentially closer to that 10% increase in local food consumption we hope to achieve. We sincerely appreciate this committee’s efforts to find solutions to ensure that our laws support the best interests of the State and the public.

Respectfully,



Daniela Kittinger
Executive Director, Hawai‘i Food Policy Council



Hawai'i Green Growth is a public-private partnership that coordinates across government, non-governmental and cultural organizations, business, academia and philanthropy to achieve Hawai'i's Aloha+ Challenge 2030 sustainability goals.

Steering Committee

Deanna Spooner

June Matsumoto

Matt Lynch

Mark Fox

Mike Hamnett

Piia Aarma

Pono Shim

Scott Enright

Scott Seu

Ulalia Woodside

William J. Aila Jr.

Testimony of Hawai'i Green Growth In Support of HB2053 HD1 Relating to Procurement Senate Committee on Government Operations 17 March 2016, 1:15pm, Room 414

Aloha Chair Mercado Kim, and Vice Chair Ihara and Members of the Committee:

Hawai'i Green Growth (HGG) strongly supports HB2053 HD1 to establish a special innovative procurement process to provide the State with greater flexibility in the procurement of certain goods and services. This measure would allow the state to develop a local food purchasing structure, while maintaining the accountability and transparency afforded by the State Procurement Code.

HB2053 HD1 will increase the opportunity for locally grown food products in governmental institutions such as hospitals, schools, and prisons, which is an important step to economically strengthening Hawai'i's agricultural industry. This would allow local farmers to supply bulk products to Hawai'i governmental institutions, thereby helping to provide critical financial stability for farmers while increasing access to local foods.

HGG public-private partners identified procurement as a shared 2016 legislative priority to increase the *Aloha+ Challenge* local food production goal. The *Aloha+ Challenge* is a statewide commitment by the State Legislature (SCR 69), Governor, Mayors and Office of Hawaiian Affairs to achieve six sustainability goals for 2030 in the areas of clean energy, local food, natural resources, solid waste reduction, smart growth and climate resilience, and green jobs and education. Statewide HGG public-private partners are identifying shared measures to track progress and provide accountability with the online *Aloha+ Challenge* Dashboard, while developing an annual policy and action agenda to advance Hawai'i's shared 2030 sustainability goals.

The *Aloha+ Challenge* has been recognized nationally and internationally by the US State Department and Global Island Partnership as a model for locally appropriate implementation of UN Sustainable Development Goals. With the upcoming IUCN World Conservation Congress hosted by Hawai'i in September 2016, this legislative session is an important opportunity for Hawai'i to showcase leadership on sustainable development, conservation and resilience.

As a public-private partnership, Hawai'i Green Growth supports HB2053 HD1 to help drive implementation on the *Aloha+ Challenge* local food production goal and help foster a more diversified local economy.



SENATE COMMITTEE ON GOVERNMENT OPERATIONS
Thursday, March 17, 2016 – 1:15 PM - Room 414

RE: HB 2053 HD1 - Relating to Procurement – In Support

Aloha Chair Kim, Vice Chair Ihara and Members of the Committee:

The Local Food Coalition supports HB 2053 HD1, which establishes a special procurement process of goods and services and requires the establishment of procedures by the procurement policy board for use of the special procurement process by rules.

The Local Food Coalition is an organization comprising of farmers, ranchers, livestock producers, investors and other organizations working to provide Hawai'i's food supply.

One of the priorities of the Local Food Coalition is to help facilitate the State's procurement of locally grown food and this bill will allow for the flexibility to create a procurement process to achieve this. The goal is for Hawaii's agricultural industry to have more opportunity to sell locally grown products to government institutions such as schools, hospital and prisons while providing transparency and accountability.

We respectfully ask for your support of HB 2053 HD1. Thank you.

Lori Lum
808-544-8343
llum@wik.com

4 Ag Hawai'i

Hawai'i Aquaculture &
Aquaponics Association

Hawai'i Cattlemen's Council

Hawai'i Farm Bureau
Federation

Hawai'i Farmers' Union
United

Hawai'i Food Industry
Association

Hawai'i Food
Manufacturers Association

Kohala Center

Malama Kaua'i

Maui School Garden
Network

Ulupono Initiative



Email: communications@ulupono.com

SENATE COMMITTEE ON GOVERNMENT OPERATIONS
Thursday, March 17, 2016 — 1:15 p.m. — Room 414

Ulupono Initiative Strongly Supports HB 2053 HD 1, Relating to Procurement

Dear Chair Mercado Kim, Vice Chair Ihara, and Members of the Committee:

My name is Kyle Datta and I am General Partner of the Ulupono Initiative, a Hawai'i-based impact investment firm that strives to improve the quality of life for the people of Hawai'i by working toward solutions that create more locally produced food; increase affordable, clean, renewable energy; and reduce waste. 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 2053 HD 1, which creates a new procurement class for goods and services under the State Procurement Code.

Ulupono has identified procuring more locally grown foods by governmental institutions such as hospitals, schools, and prisons as a critical catalyst to expanding local food production and stimulating the rural economy throughout the state. This bill would allow for flexibility within the procurement code to create a customizable procurement process for locally grown foods while enhancing fiduciary discipline. Through a more customized procurement process under the purview of the State Procurement Office, the goal is to provide more transparency about what local food is purchased by state government. Written business contracts will allow our local farmers to supply the bulk purchases to governmental institutions. Secure contracts provide financial stability and creditworthiness that enables farmers to secure loan financing and greater financial investment. Keeping procurement processes within the Procurement Office, helps to provide liability protection and contract management controls for the State. Ulupono believes that HB 2053 HD 1 provides the appropriate balance between flexibility and fiduciary oversight.

We believe this a better alternative than attempting to exempt categories from the procurement code altogether or allowing higher costs to be charged for local food through bid formula “adders”. Both of these approaches have been tried over the last decade with little success.

Investing in a Sustainable Hawai'i



Currently, at least nine states currently have a program for special procurement, 39 states include options for other than full competition within the procurement code, and all states allow for exemptions of some kind outside of their respective procurement codes.

Over the years, the State has procured tens of millions of dollars worth of food purchases under the procurement code. Yet no one can definitively determine how much has been spent on local vs. imported food. Our goal is to have more of these dollars be spent on local food purchases.

This bill supports efforts that align with our collective goal of providing more locally produced food. As Hawai'i's local food issues become more complex and challenging, institutions need to be creative in addressing and meeting the needs of the marketplace. We appreciate this committee's efforts to look at policies that support local food production.

We believe that by collaborating, we can help produce more local food and support an economically robust homegrown agriculture industry, which strengthens our community with fresh, healthy food. Thank you for this opportunity to testify.

Respectfully,

Kyle Datta
General Partner

From: mailinglist@capitol.hawaii.gov
To: [GVO Testimony](#)
Cc: carl@votecampagna.com
Subject: *Submitted testimony for HB2053 on Mar 17, 2016 13:15PM*
Date: Wednesday, March 16, 2016 11:07:26 AM

HB2053

Submitted on: 3/16/2016

Testimony for GVO on Mar 17, 2016 13:15PM in Conference Room 414

Submitted By	Organization	Testifier Position	Present at Hearing
Carl Campagna	Individual	Support	No

Comments:

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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