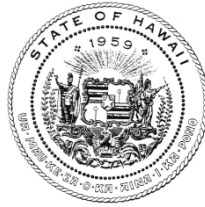


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TESTIMONY
OF
SARAH ALLEN, ADMINISTRATOR
STATE PROCUREMENT OFFICE

TO THE SENATE COMMITTEE
ON
WAYS AND MEANS

March 28, 2016, 0900 AM

House Bill No. 2544 HD2
RELATING TO CONSTRUCTION CONTRACTS

Chair Tokuda, Vice-Chair Dela Cruz, and members of the committee, thank you for the opportunity to submit testimony on HB 2544 HD2. The State Procurement Office (SPO) does not oppose a comprehensive analysis and review of the Hawaii public procurement code (the Code) and federal procurement laws (particularly the Federal Acquisition Regulation (the FAR)), however, the SPO would require a minimum of \$450,000 to procure for outsourcing services to achieve this analysis and would submit the following comments:

This measure will require a detailed examination and meticulous side-by-side comparison of the Hawaii procurement environment, procurement related statutes and rules with the federal code, and the challenges thereto will need to be resolved. Attached for your consideration herein is FAR Part 52.301, a matrix of all FAR solicitation and contract clauses, including their alternatives and their associated instances for mandatory inclusion in solicitation and contracts. Furthermore, any resulting recommendations to amend the Code to align with the FAR, will affect not only State agencies, but all CPO jurisdictions, who will need to do their own assessments of the logistical requirements and anticipated costs (monetarily and culturally, taking into account governance and infrastructure) of amending the Code to align with the FAR.

As important and valuable as this measure is, it must provide the resources necessary for an analysis and review of this scope and magnitude. In fact, the mere exercise in cross-walking State terminology to equivalent federal terminology will be a herculean task that will be an extensive undertaking, requiring expertise, staffing, and funding resources in order to develop any new processes, procedures, templates, contract terms and conditions, and reporting requirements compliant with the Hawaii Code and the FAR, which will require resources that the SPO does not have.

Therefore, upon receipt of the appropriated and allocated funding for the report, the SPO will first procure for the respective consulting services so that the SPO and the Department of Accounting and General Services (DAGS) will be able to initiate and complete the study by the specified timeframe.

The SPO is committed to working with State Legislature and Agencies to develop the best policy and procedures for procurement that allow for streamlining, efficiencies, innovation, cost control, and fair and equal contracting opportunities across the State of Hawaii. The SPO recognizes the benefits of certain federal procurement laws with much of the current Hawaii Code already aligned with the Federal Code. Further, the SPO intends to continue research to determine what Code (whether it be state specific or federally aligned) would best benefit our State as a whole.

The cost of analyzing and reviewing the differences and similarities between the Hawaii Code and FAR in order to submit a report to Legislature during regular session 2018 is estimated to start at a minimum of \$450,000 for fiscal year 2016-2017.

Thank you.