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TESTIMONY  
OF  
SARAH ALLEN, ADMINISTRATOR  
STATE PROCUREMENT OFFICE

TO THE SENATE COMMITTEE  
ON  
WAYS AND MEANS  
FEBRUARY 26, 2016; 9:45 A.M.

SB2494 SD1  
RELATING TO PROCUREMENT  
(PROCUREMENT; STATE PROCUREMENT OFFICE DATABASE; APPROPRIATION)

Chair Tokuda, Vice-Chair Dela Cruz and members of the committee, thank you for the opportunity to submit testimony on SB2494 SD1. The State Procurement Office's (SPO) strongly supports the intent of this bill and offers the following comments:

Access to meaningful metrics is vital for decision-making. State Agencies and Departments must have access to business analytics to find effective ways to cut costs, increase efficiencies and leverage economies of scale. An organized, state-wide contracts database could offer that dashboard to both the government and the community.

This measure, however, must provide the resources necessary for a project of this scope and magnitude which will take several years to complete. The investment required can be sizable: including positions and funding for the positions, and the ancillary costs for location, equipment and on-going maintenance costs. As important and valuable as this project is, the SPO has no resources available.

The SPO proposes three options, all of which require varying levels of resources.

### **Option 1: One-Stop Shop**

**The Committee on Government Operations has recommended funding for this first option, the One-Stop Shop. However, language that each CPO jurisdiction is responsible for any costs necessary to implement a bridge program has not been added to the bill. This must be included or the appropriation in the bill must be increased for the project to be viable.**

Given adequate resources, SPO can create 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 is a searchable database for both governmental bodies and the community to see. It would include information on the solicitations, associated award notice and any other procurement notices. It would not include all contract data, but rather a high level summary of that data. This will greatly ease the burden on the business owner, and allow for some analysis to reduce duplication of work. Not all CPO jurisdictions have systems which are accessible for us to "pull" data. Thus, Legislature would need to add language to this bill stating that CPO jurisdictions would need to be responsible for any costs necessary to implement a bridge program to collect this data.

The cost of establishing the database and application is \$100,000 and does not include staff to manage or cost to maintain from year to year. This searchable site can be developed within a year.

### **Option 2: eProcurement System & One-Stop-Shop**

Option 2 combines Option 1 and 2 to implement the most cost-effective, efficient option. Although Option One would not include all contract data such as the contracts themselves, it would be implemented quickly and there would be visibility to at least a high level idea of the State-wide procurements. In addition to this One-Stop-Shop, SPO recommends the implementation of a robust eProcurement System. This system would be mandated within the Executive Branch, but also available to be used by any CPO jurisdiction. It would allow the Executive Branch CPO visibility into all contract data.

In addition, among the 19 Departments that fall under the Executive Branch CPO, there is very little consistency with the way procurement solicitations go out, and with what is expected from vendor proposals. The inconsistencies and incongruent processes increase procurement processing time per requirement, which increases time spent by State Buyers, reducing efficiency of procuring personnel, and increasing confusion and money spent by Vendors. The ability to create one set of templates and expectations for doing business with the Executive Branch will incentivize more businesses to want to do business with the State, enhance competition, and reduce the costs that vendors must consider with bid and proposal costs.

There is currently very little transparency on the Executive Branch Procurement Spend. This lack of transparency leads to probable duplication of effort and redundancy in procurements, failure to leverage economies of scale, very little data for decision making and ultimately, increased costs to the State Budget.

eProcurement System

A robust online electronic procurement system for issuing solicitations, receiving responses, and issuing notices of award will improve the consistency and transparency of procurements conducted by the 19 Departments under the Executive Branch CPO. In addition, an eProcurement system would allow for establishment of state-wide catalogs, sourcing management and spend analysis. These areas would increase the level of transparency and give decision-makers the necessary business analytics to make well-informed, smart choices. Moreover, the State will achieve significant cost savings and tangible benefits including:

- Increased competition,
- Leveraged economies of scale,

- Improved cost and pricing methods,
- Improved negotiation standing,
- Decreased processes and leveraged learning curve and specialization,
- Reduced turnover time to award, and
- Reduced interest payments to vendors for late payments.

The cost for this system would be approximately \$2.5 million over the initial span of 2-3 years. This amount includes access for implementation across the whole State. Thereafter, the system would be self-sustaining with no additional monies needed for maintenance.

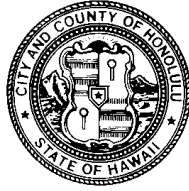
### **Option 3: All Procurement Contract Database**

This database would include all contracts for the entire state. Because of the substantial storage needs, and the unknown volume of documents, this will be the most expensive option. We are estimating a starting cost of at least \$4 million. It is not known whether this database will have to be developed from scratch and how complex the coding will be for this purpose. Maintenance costs would be estimated at 23% of the base, or \$920,000 annually.

Thank you.

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TESTIMONY OF NELSON H. KOYANAGI, JR.  
DIRECTOR OF BUDGET AND FISCAL SERVICES  
CITY AND COUNTY OF HONOLULU  
BEFORE THE SENATE COMMITTEE ON WAYS AND MEANS  
9:45 a.m., February 26, 2016, Conference Room 211

Senate Bill No. 2494 SD1, "Relating to Procurement"

Position: REQUESTS REVISIONS

TO: The Honorable Senator Jill N. Tokuda, Chair  
and Members of the Committee on Ways and Means

The Department of Budget and Fiscal Services, City and County of Honolulu, **requests revisions** to Senate Bill No. 2494 SD1, Relating to Procurement.

If the above bill is passed, the Department of Budget and Fiscal Services, City and County of Honolulu requests that a portion of the bill's budget allocation be distributed to the various counties to carry out the bill's intent.

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](mailto:bfspurchasing@honolulu.gov).