
A BILL FOR AN ACT

RELATING TO PROCUREMENT.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. Chapter 103D, Hawaii Revised Statutes, is
2 amended by adding a new section to part I to be appropriately
3 designated and to read as follows:

4 "§103D- Statewide procurement database. (a) The state
5 procurement office shall establish and maintain a database of
6 all procurement contract data received pursuant to subsection
7 (b); provided that all data on the database shall be made
8 accessible to each governmental body.

9 (b) Each governmental body shall provide to the state
10 procurement office all data relating to any procurement contract
11 of the governmental body, in the form and manner prescribed by
12 the state procurement office and for inclusion in the database
13 established under subsection (a); provided that the chief
14 procurement officer of each jurisdiction shall be responsible
15 for the collection and transmittal of data to the state
16 procurement office."

17 SECTION 2. There is appropriated out of the general
18 revenues of the State of Hawaii the sum of \$ or so much



1 thereof as may be necessary for fiscal year 2016-2017 for the
2 state procurement office to establish the statewide procurement
3 database pursuant to this Act.

4 The sum appropriated shall be expended by the department of
5 accounting and general services for the purposes of this Act.

6 SECTION 3. New statutory material is underscored.

7 SECTION 4. This Act shall take effect on July 1, 2050.



Report Title:

Procurement; State Procurement Office Database; Appropriation

Description:

Requires the state procurement office to establish a database of all government procurement contracts, accessible to each governmental body. Requires each governmental body to provide to the state procurement office all data relating to any procurement contract of the governmental body; provided that the chief procurement officer of each jurisdiction shall be responsible for the collection and transmittal of data to the state procurement office. Appropriates funds to establish the database. Effective 7/1/2050. `(SD2)

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.



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TESTIMONY
OF
SARAH ALLEN, ADMINISTRATOR
STATE PROCUREMENT OFFICE

TO THE HOUSE COMMITTEE
ON
EDUCATIUNAL DEVELOPMENT & BUSINESS
MARCH 15, 2016; 9:00 A.M.

SB2494 SD2
RELATING TO PROCUREMENT
(PROCUREMENT; STATE PROCUREMENT OFFICE DATABASE; APPROPRIATION)

Chair Kawakami, Vice-Chair Kong and members of the committee, thank you for the opportunity to submit testimony on SB2494 SD2. 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.