

# SB 634

Measure Title: RELATING TO ECONOMIC DEVELOPMENT.

Report Title: High Technology Innovation Corporation; High Technology Development Corporation; Economic Development

Description: Reestablishes the high technology innovation corporation.

DAVID Y. IGE  
GOVERNOR



SARAH ALLEN  
ADMINISTRATOR

**STATE OF HAWAII**  
**STATE PROCUREMENT OFFICE**  
P.O. Box 119  
Honolulu, Hawaii 96810-0119  
Telephone: (808) 587-4700  
e-mail: [state.procurement.office@hawaii.gov](mailto:state.procurement.office@hawaii.gov)  
<http://spo.hawaii.gov>

TESTIMONY  
OF  
SARAH ALLEN, ADMINISTRATOR  
STATE PROCUREMENT OFFICE  
  
TO THE SENATE COMMITTEE  
ON  
ECONOMIC DEVELOPMENT AND TECHNOLOGY

FEBRUARY 4, 2015, 2:45 P.M.

SB 634  
RELATING TO ECONOMIC DEVELOPMENT

Chair Wakai, Vice-Chair Sam Slom and members of the committee, thank you for the opportunity to submit testimony on SB 634. The State Procurement Office (SPO) testimony is limited to SECTION 2.

The SPO opposes the High Technology Innovation Corporation exemption from HRS chapter 103D, Hawaii Public Procurement Code (Code).

The Code is the single source of public procurement policy to be applied equally and uniformly, while providing fairness, open competition, a level playing field, government disclosure and transparency in the procurement and contracting process vital to good government.

Public procurement's primary objective is to provide everyone equal opportunity to compete for government contracts, to prevent favoritism, collusion, or fraud in awarding of contracts. To legislate that any one entity should be exempt from compliance with HRS chapter 103D conveys a sense of disproportionate equality in the law's application.

Exemptions to the code mean that all procurements made with taxpayer monies within this Corporation, will not have the same oversight, accountability and transparency requirements mandated by those procurements processes provided in the code. It means that there is no requirement for due diligence, proper planning or consideration of protections for the state in contract terms and conditions, nor are there any set requirements to conduct cost and price analysis and market research or post-award contract management. As such, the Corporation can choose whether to compete any procurement or go directly to one contractor. As result, leveraging economies of scale and cost savings efficiencies found in the consistent application of the procurement code are lost. It also means the Corporation is not required to adhere to the code's procurement integrity laws.

The National Association of State Procurement Officials state: "Businesses suffer when there is inconsistency in procurement laws and regulations. Complex, arcane procurement rules of numerous jurisdictions discourage competition by raising the costs to businesses to understand and comply with these different rules. Higher costs are recovered through the prices offered by a smaller pool of competitors, resulting in unnecessarily inflated costs to state and local governments."

When public bodies, are removed from the state's procurement code it results in the harm described above. As these entities create their own procurement rules, businesses are forced to track their various practices. Moreover, a public body often can no longer achieve the benefits of aggregation by using another public body's contract because different state laws and regulations may apply to the various public bodies making compliance more difficult.

Each year new procurement laws are applied to state agencies causing state agency contracts to become more complex and costly, while other public bodies, such as agencies with strong legislative influence, are exempted. Relieving some public bodies from some laws by exempting or excluding them from compliance with a common set of legal requirements creates an imbalance wherein the competitive environment becomes different among the various jurisdictions and the entire procurement process becomes less efficient and more costly for the state and vendors.

We request that SECTION 2, page 12, lines 20 and 21 of the bill be deleted.

Thank you.

Written Statement of  
**ROBBIE MELTON**  
**Executive Director & CEO**  
High Technology Development Corporation  
before the  
**SENATE COMMITTEE ON**  
**ECONOMIC DEVELOPMENT & TECHNOLOGY**

Wednesday, February 4, 2015  
2:45 p.m.  
State Capitol, Conference Room 016  
In consideration of

**SB634 RELATING TO ECONOMIC DEVELOPMENT.**

Chair Wakai, Vice Chair Slom, and Members of the Committee on Economic Development & Technology.

The High Technology Development Corporation (HTDC) **supports with requested amendments** SB634 relating to reestablishing the High Technology Innovation Corporation.

In 2005, The High Technology Innovation Corporation (HTIC) was created by the Hawaii State Legislature as a 501(c) (3) public not-for-profit corporate body, to facilitate the growth and development of the commercial high technology industry in Hawaii. The not-for-profit structure was envisioned to facilitate public private partnerships, federal and state funding of high technology programs, and identifying other funding resources. The structure offers great financial leverage to HTDC and the State of Hawaii government. In particular, the State government saw it as a vehicle to receive donations from the private sector to leverage the tax deductible status. The not-for-profit structure is a model that has been successfully utilized by other states to support technology based economic development. The HTIC was repealed on June 30, 2013 due to lack of activity. Reestablishing HTIC with an exemption from Chapter 103D public procurement could facilitate more public private funding opportunities. This would be beneficial as HTDC pursues public private partnerships while establishing new technology parks.

HTDC requests the following amendments:

- 1) HTIC attached to HTDC.
- 2) The composition of the board should allow for the designated representatives of the ex-officio members, or else you might have trouble getting a quorum.
- 3) The two private business sector members should be appointed by the Governor in accordance with HRS §26-34, from lists of nominees provided by the Speaker of the House and President of the Senate.
- 4) Additionally, HTDC suggests that the board should include larger participation from the private sector and public agencies outside of the Department of Business, Economic Development and Tourism (DBEDT).

Thank you for the opportunity to offer these comments.