



EXECUTIVE CHAMBERS
HONOLULU

DAVID Y. IGE
GOVERNOR

June 20, 2017

GOV. MSG. NO. 1142

The Honorable Ronald D. Kouchi,
President
and Members of the Senate
Twenty-Ninth State Legislature
State Capitol, Room 409
Honolulu, Hawai'i 96813

The Honorable Scott K. Saiki,
Speaker and Members of the
House of Representatives
Twenty-Ninth State Legislature
State Capitol, Room 431
Honolulu, Hawai'i 96813

Dear President Kouchi, Speaker Saiki, and Members of the Legislature:

This is to inform you that on June 20, 2017, the following bill was signed into law:

HB1382 HD1 SD1 CD1

RELATING TO PROCUREMENT
ACT 042 (17)

Sincerely,

DAVID Y. IGE
Governor, State of Hawai'i

A BILL FOR AN ACT

RELATING TO PROCUREMENT.

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

1 SECTION 1. Small businesses are the lifeblood of the
2 State's economy. Act 50, Session Laws of Hawaii 2005, was
3 enacted to promote the growth and development of small
4 businesses in Hawaii through the establishment of a small
5 business preference program as part of the procurement process.
6 Additionally, Act 213, Session Laws of Hawaii 2007, approved the
7 funding for a full-time position in the state procurement office
8 with the purpose of implementing part IX (assistance to small
9 businesses), chapter 103D, Hawaii Revised Statutes.
10 Unfortunately, due to funding and staffing cuts in 2008, this
11 position was never filled and was eliminated from the state
12 procurement office. Although section 3-124-73, Hawaii
13 Administrative Rules, and related interim small business
14 preference rules went into effect in 2007, a dedicated position
15 to carry out those rules was lacking. In the absence of this
16 dedicated position or a small business office, these interim
17 rules failed to help the small business community and the rules
18 expired in 2011.



1 The legislature finds that small businesses owned by
2 veterans, native Hawaiians, and women are the most vulnerable
3 and disadvantaged businesses within our State. The legislature
4 further finds that an initiative is needed to identify,
5 quantify, and address the needs of these small businesses and to
6 measure and track their present participation in state small
7 business contracts.

8 The legislature further finds that the State must create,
9 develop, and implement strategies to ensure that small
10 businesses, including businesses owned by veterans, native
11 Hawaiians, and women, are able to effectively participate in
12 small business contracting opportunities within our State.

13 The legislature further finds that previously developed
14 administrative rules with respect to the development of small
15 business contracts with the State were not effective because of
16 a lack of appropriate business metrics and data available to
17 provide relevant information necessary for the creation of those
18 rules.

19 The legislature finds that any solution to address small
20 business concerns in the State must be attempted incrementally.
21 The legislature further finds that the state procurement office



1 is now ready to address part IX of the Hawaii Public Procurement
2 Code and assist self-identified small businesses in obtaining
3 state contracts. The legislature intends to facilitate this
4 process by creating a small business assistance initiative to
5 convene small business stakeholders, collect and develop
6 relevant data and information necessary for small businesses to
7 compete for and obtain small business contracts, and identify
8 and resolve issues that must be addressed to develop an
9 effective small business state contracting program within the
10 state procurement process.

11 The purpose of this Act is to establish the small business
12 assistance initiative and provide staffing for the
13 implementation of part IX (assistance to small businesses),
14 chapter 103D, Hawaii Revised Statutes.

15 SECTION 2. (a) There is established, within the state
16 procurement office, a three-year small business assistance
17 initiative to facilitate the collection and development of
18 relevant data and information and convene stakeholders for the
19 development of an effective small business program, including
20 the development of rules.



1 (b) The small business assistance initiative shall consist
2 of a small business procurement coordinator, a small business
3 office, and a small business advisory group.

4 (c) There is established, as part of the small business
5 assistance initiative established under subsection (a), a small
6 business advisory group. The small business advisory group
7 shall be convened by the chief procurement officer of the State,
8 shall consist of members from state agencies, non-profit
9 entities, and local businesses, and shall be staffed by the
10 state procurement office. The small business advisory group
11 shall:

- 12 (1) Meet regularly to discuss the progress of the
13 initiative and to investigate any substantial problems
14 brought to the attention of the group;
- 15 (2) Recommend parameters to expand the initiative's policy
16 to include other methods of procurement or other
17 substantive improvements;
- 18 (3) Recommend the placement and scope, administrative
19 definition, staffing, and funding requirements for a
20 state small business office designed to help small



- 1 businesses better utilize a state small business
2 program;
- 3 (4) Recommend the disposition of the small business
4 procurement coordinator, including continuing the
5 position of small business procurement coordinator as
6 a civil service exempt position, converting the
7 position to a full-time civil service position, or
8 placing the position outside of the initiative;
- 9 (5) Recommend goals that should be established to award a
10 percentage of state annual expenditures to identified
11 veteran, native Hawaiian, and female owned businesses
12 based on metrics established by the small business
13 advisory group;
- 14 (6) Recommend the appropriate next steps for a state small
15 business program as it looks to fully implement
16 section 103D-906, Hawaii Revised Statutes;
- 17 (7) Undertake and complete a study to determine the
18 viability of transferring the functions of the small
19 business office to an office within an existing state
20 department and submit the study and final
21 recommendation to the procurement policy board and to



1 the legislature in the report described in paragraph
2 (9);
3 (8) Use data received from the small business procurement
4 coordinator and small business office to make
5 recommendations for rules to be developed by the chief
6 procurement officer and the procurement policy board;
7 and
8 (9) By November 30, 2020, draft, publish, and disseminate
9 to the procurement policy board, the legislature, and
10 the public a final report of all the recommendations,
11 observations, and metrics related to the initiative,
12 as well as the initiative's success in encouraging and
13 increasing small business participation in the state
14 procurement process and the amount of state contracts
15 being awarded to small businesses.
16 (d) There is established the position of small business
17 procurement coordinator within the state procurement office,
18 which shall be exempt from chapter 76, Hawaii Revised Statutes.
19 The small business procurement coordinator, with the assistance
20 of the small business office, shall be responsible for the
21 collection and maintenance of data from the state small business



1 database, the provision of this data and metrics to the small
2 business advisory group, and the daily operations of the small
3 business assistance initiative established in subsection (a).
4 The small business procurement coordinator shall also be
5 responsible for implementing programs and procedures to carry
6 out the intent of part IX, chapter 103D, Hawaii Revised
7 Statutes, to assist small businesses, including:

- 8 (1) Establishing and maintaining a statewide small
9 business database;
- 10 (2) Establishing and managing a small business
11 registration, certification, and identification
12 process;
- 13 (3) Drafting policies and rules to assist in the
14 implementation of part IX, chapter 103D, Hawaii
15 Revised Statutes;
- 16 (4) Producing, publishing, and disseminating training
17 materials designed to inform procurement staff and
18 self-identified small business vendors of all small
19 business programs and opportunities;
- 20 (5) Conducting surveys of, and collecting feedback from,
21 procurement staff and self-identified small business



1 vendors to be presented to the small business advisory
2 group and chief procurement officer of the State; and

3 (6) Producing an annual report of small business
4 participation metrics and data to be submitted to the
5 small business advisory group.

6 (e) There is established, as part of the initiative under
7 subsection (a) and within the state procurement office, a small
8 business office. A contract to hire a firm to perform the
9 operations and maintenance of the small business office for the
10 duration of the initiative shall be executed. The contract
11 shall be awarded to an existing Hawaii-based small business
12 advocacy group with experience in helping small businesses
13 obtain state and federal contracts. The awardee shall be a
14 small business owned by a native Hawaiian, veteran, or female,
15 and shall have an understanding of the small business community
16 to be able to meet the requirements of the small business
17 initiative. The small business office shall be responsible for:

- 18 (1) Providing timely training and reports relating to key
19 developments in the small business community;
- 20 (2) Establishing communications with self-identified
21 vendors that may include developing and implementing a



- 1 newsletter and email campaign to keep vendors informed
2 of current small business events;
- 3 (3) Producing and publicizing outreach campaigns related
4 to the small business initiative and other small
5 business programs and opportunities as may be
6 developed or discovered;
- 7 (4) Creating, developing, advertising, and encouraging
8 vendor participation in workshops, seminars, and
9 training designed to promote and enhance small
10 business participation in state contracts;
- 11 (5) Establishing mechanisms and implementing procedures
12 for conducting audits, handling disputes, and
13 investigating allegations of fraud and other
14 misappropriations of the small business initiative and
15 its benefits to small businesses;
- 16 (6) Aggregating all small business resources and materials
17 from around the State and presenting them in an easily
18 accessible and understandable online format by
19 potential vendor participants;
- 20 (7) Coordinating with small business advocates in the
21 public and private sectors to create a small business



- 1 network that can be easily accessed by all small
2 businesses;
- 3 (8) Answering small business vendors' emails and questions
4 about the State's existing small business programs;
5 and
- 6 (9) Collecting data on existing and future small business
7 vendor disputes, problems, difficulties, successes,
8 recommendations, and any other metrics deemed
9 important to the initiative by the state procurement
10 office or legislature.
- 11 (f) The small business assistance initiative shall cease
12 to exist on June 30, 2020; provided that the small business
13 advisory group shall remain responsible for submitting a report
14 pursuant to subsection (c) (9).

15 SECTION 3. There is appropriated out of the general
16 revenues of the State of Hawaii the sum of \$250,000 or so much
17 thereof as may be necessary for fiscal year 2017-2018 for
18 assisting small businesses; provided that the sum appropriated
19 shall be used:

- 20 (1) To complete the state small business database;



- 1 (2) For the establishment of one full-time equivalent
- 2 (1.00 FTE) temporary small business procurement
- 3 coordinator position exempt from chapter 76, Hawaii
- 4 Revised Statutes, in the state procurement office; and
- 5 (3) For the hiring of a local small business to operate
- 6 and maintain the small business office and for
- 7 marketing of and outreach for the small business
- 8 assistance initiative.

9 The sum appropriated shall be expended by the state
 10 procurement office for the purposes of this Act.

11 SECTION 4. This Act shall take effect on July 1, 2017, and
 12 shall be repealed on June 30, 2020.

APPROVED this 20 day of JUN, 2017



GOVERNOR OF THE STATE OF HAWAII



HB No. 1382, HD 1, SD 1, CD 1

THE HOUSE OF REPRESENTATIVES OF THE STATE OF HAWAII

Date: May 2, 2017
Honolulu, Hawaii

We hereby certify that the above-referenced Bill on this day passed Final Reading in the House of Representatives of the Twenty-Ninth Legislature of the State of Hawaii, Regular Session of 2017.



Joseph M. Souki
Speaker
House of Representatives





Brian L. Takeshita
Chief Clerk
House of Representatives

THE SENATE OF THE STATE OF HAWAII

Date: May 2, 2017
Honolulu, Hawaii 96813

We hereby certify that the foregoing Bill this day passed Final Reading in the
Senate of the Twenty-ninth Legislature of the State of Hawaii, Regular Session of 2017.


President of the Senate


Clerk of the Senate