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# 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 business), chapter 103D, Hawaii Revised Statutes. Unfortunately,  
10 due to funding and staffing cuts in 2008, this position was  
11 never filled and was eliminated from the state procurement  
12 office. While Hawaii Administrative Rules 3-124-73 went into  
13 effect in 2007, a dedicated position to carry out those rules  
14 was lacking. In the absence of this dedicated position or a  
15 small business office, these interim rules failed to help the  
16 small business community and the rules 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 business),  
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 formed by the chief procurement officer of the State,  
8 shall consist of state agencies, non-profit entities, and local  
9 businesses, and shall be staffed by the state procurement  
10 office. The small business advisory group shall:

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



- 1           (4) Recommend the disposition of the small business  
2           procurement coordinator, including continuing the  
3           position of small business procurement coordinator as  
4           a civil service exempt position, converting the  
5           position to a full time civil service position, or  
6           placing the position outside of the initiative and  
7           shall submit the final recommendation to the  
8           procurement policy board and legislature at the  
9           termination of the initiative;
- 10          (5) Recommend to the legislature, in writing, no later  
11          than November 30, 2020, goals that should be  
12          established to award a percentage of state annual  
13          expenditures to identified veteran, native Hawaiian,  
14          and female owned businesses based on metrics  
15          established by the small business advisory group;
- 16          (6) Draft, publish, and disseminate a final report of all  
17          the recommendations, observations, and metrics related  
18          to the initiative, as well as the initiative's success  
19          in encouraging and increasing small business  
20          participation in the state procurement process and the



1 amount of state contracts being awarded to small  
2 businesses;

3 (7) Recommend the appropriate next steps for a state small  
4 business program as it looks to fully implement  
5 chapter 103D-906, Hawaii Revised Statutes;

6 (8) Undertake and complete a study to determine the  
7 viability of transferring the functions of the small  
8 business office to an office within an existing state  
9 department and submit the study and final  
10 recommendation to the procurement policy board and to  
11 the legislature prior to the termination of the  
12 initiative; and

13 (9) Use data received from the small business procurement  
14 coordinator and small business office to make  
15 recommendations for rules to be developed by the chief  
16 procurement officer and the procurement policy board.

17 (d) There is established the position of small business  
18 procurement coordinator within the state procurement office,  
19 which shall be exempt from chapter 76, Hawaii Revised Statutes.  
20 The small business procurement coordinator, with the assistance  
21 of the small business office, shall be responsible for the



1 collection and maintenance of data from the state small business  
2 database, the provision of this data and metrics to the small  
3 business advisory group, and the daily operations of the small  
4 business assistance initiative established in subsection (a).

5 The small business procurement coordinator shall also be  
6 responsible for implementing programs and procedures to carry  
7 out the intent of part IX, chapter 103D, Hawaii Revised  
8 Statutes, to assist small businesses, including:

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



1           (5) Conducting surveys of, and collecting feedback from,  
2           procurement staff and self-identified small business  
3           vendors to be presented to the small business advisory  
4           group and chief procurement officer of the State; and  
5           (6) Producing an annual report of small business  
6           participation metrics and data to be submitted to the  
7           small business advisory group.

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





- 1           (1) Providing timely training and reports relating to key  
2           developments in the small business community;
- 3           (2) Establishing communications with self-identified  
4           vendors which may include developing and implementing  
5           a newsletter and email campaign to keep vendors  
6           informed of current small business events;
- 7           (3) Producing and publicizing outreach campaigns related  
8           to the small business initiative and other small  
9           business programs and opportunities as may be  
10          developed or discovered;
- 11          (4) Creating, developing, advertising, and encouraging  
12          vendor participation in workshops, seminars, and  
13          training designed to promote and enhance small  
14          business participation in state contracts;
- 15          (5) Establishing mechanisms and implementing procedures  
16          for conducting audits, handling disputes, and  
17          investigating allegations of fraud and other  
18          misappropriations of the small business initiative and  
19          its benefits to small businesses;
- 20          (6) Aggregating all small business resources and materials  
21          from around the state and presenting them in an easily



1 accessible and understandable online format by  
2 potential vendor participants;

3 (7) Coordinating with small business advocates in the  
4 public and private sectors to create a small business  
5 network that can be easily accessed by all small  
6 businesses;

7 (8) Answering small business vendor's emails and questions  
8 about the State's existing small business programs;  
9 and

10 (9) Collecting data on existing and future small business  
11 vendor disputes, problems, difficulties, successes,  
12 recommendations, and any other metrics deemed  
13 important to the initiative by the state procurement  
14 office or legislature.

15 (f) The small business assistance initiative shall cease  
16 to exist on June 30, 2020.

17 SECTION 4. There is appropriated out of the general  
18 revenues of the State of Hawaii the sum of \$ or so much  
19 thereof as may be necessary for fiscal year 2017-2018 and the  
20 same sum or so much thereof as may be necessary for fiscal year



1 2018-2019 for assisting small businesses; provided that of the  
2 sums appropriated:

3 (1) \$ shall be used to complete the state small  
4 business database;

5 (2) \$330,000 shall be used for the establishment of one  
6 full-time equivalent (1.00 FTE) permanent small  
7 business procurement coordinator position exempt from  
8 chapter 76, Hawaii Revised Statutes, in the state  
9 procurement office; and

10 (3) \$375,000 shall be used for the hiring of a local small  
11 business to operate and maintain the small business  
12 office and for marketing of and outreach for the small  
13 business assistance initiative.

14 The sums appropriated shall be expended by the state  
15 procurement office for the purposes of this Act.

16 SECTION 5. This Act shall take effect on July 1, 2017 and  
17 shall be repealed on June 30, 2020.

18

INTRODUCED BY: [Signature]  
[Signature] [Signature]  
[Signature] [Signature]  
[Signature]

# H.B. NO. 1382

**Report Title:**

Procurement; Small Business; Appropriation

**Description:**

Assists small business in the state procurement process by establishing a temporary small business assistance initiative, small business advisory council, small business office, and small business procurement coordinator position within the state procurement office. Appropriates funds.

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

