

DAVID Y. IGE
GOVERNOR



SARAH ALLEN
ADMINISTRATOR
MARA SMITH
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**STATE OF HAWAII
STATE PROCUREMENT OFFICE**

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TESTIMONY
OF
SARAH ALLEN, ADMINISTRATOR
STATE PROCUREMENT OFFICE

TO THE HOUSE COMMITTEE
ON
Finance
February 22, 2017 3:00 PM

HOUSE BILL 1382 HD1
RELATING TO PROCUREMENT

Chair Luke, Vice-Chair Cullen, and members of the committee, thank you for the opportunity to submit testimony on House Bill 1382. The State Procurement Office (SPO) **supports** this bill and offers the following comments:

The State of Hawaii does not have a formal small business program, or any collected metrics to assist us in understanding the small business landscape in the State. This three-year program would provide the vital data that is missing to enable responsible decision-making on any formal small business program going forward.

SPO is already working on developing the HANDS database that could be modified to allow for registration of small business owners. HANDS or Hawaii Awards and Notices Database, is an effort to have a one-stop-shop, searchable database of all open solicitations from State agencies and political subdivisions. The data collected through the initiative will allow the SPO and Legislature to observe and track small business participation in State contracts for the first time.

Historical Background. On January 6, 2007, interim administrative rules, HAR chapter 3-124 Subchapter 9, Small Business Preference Rules became effective, however, due to the complexity and confusion about the rules, and the lack of appropriate business matrices and available data, agencies were not able to implement the small business program, even after the Hawaii Procurement Institute's 2009 training was conducted. Not able to resolve some of the issues outlined in the November 18, 2010 Procurement

Policy Board Agenda Meeting Item IV, the rules were allowed to expire on February 24, 2011.

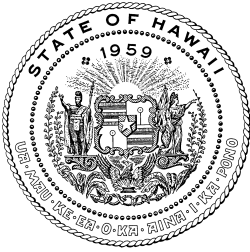
Reference: <http://spo.hawaii.gov/wp-content/uploads/2013/12/November-Agenda.pdf>

In 2014, the SPO sent out a survey to multiple communities asking for their thoughts on how the program should work. SPO received responses from 1500 small business owners, advocates, and State Agencies, identifying the needs a small business office would fill. Of the 26 State and agency personnel, the top two topics were 1) how to identify suitable projects and 2) how to identify small businesses.

The survey received 505 responses from small business owners who stated that the top three barriers for them doing business with the State were 1) compliance, 2) procurement process and 3) red tape/paperwork. Of the 40 Small Business Advocate entities, 88% were in support of a State Small Business Office. The survey also identified the need for Small Business self-identification, and the sub-sets that should be focused on by the State: veterans, women-owned, and Native Hawaiian-owned businesses.

Addressing small business concerns must include the infrastructure and resources needed to understand and help this unique community. The knowledge and metrics gathered through the purposed initiative will form the basis of all future small business legislation.

Thank you.



SMALL BUSINESS REGULATORY REVIEW BOARD

Department of Business, Economic Development & Tourism
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Luis P. Salaveria
Director, DBEDT

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2nd Vice Chair
Maui

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Oahu

Garth Yamanaka
Hawaii

Director, DBEDT
Voting Ex Officio

MEMORANDUM

TO: Chair Luke, Vice Chair Cullen and Members of the
Committee on Finance – Room 308

FROM: Anthony Borge, Chairperson
Small Business Regulatory Review Board

DATE: Wednesday, February 22, 2017 at 3:00 p.m.

SUBJECT: HB1382 HD1 – Relating to Procurement - Support

On behalf of the Small Business Regulatory Review Board (SBRRB), I am providing testimony in support of HB1382 HD1, Relating to Procurement. This measure assists small business in the state procurement process by establishing a temporary small business assistance initiative, small business advisory group, small business office, and small business procurement coordinator position within the state procurement office.

As advocates for small business, the SBRRB believes it is essential that Hawaii has a small business assistance program such as the proposed initiative to assist in identifying, quantifying and addressing the needs of Hawaii small businesses. It is also important to establish successful policies and recommendations that are relevant to Hawaii's contract opportunities which are significant to the growth and development of small businesses, and Hawaii's economy.

Thank you for the opportunity to provide testimony in support of HB1382 HD1.



AMERICAN COUNCIL OF ENGINEERING COMPANIES
of Hawaii

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February 20, 2017

House Committee on Finance

Hearing Date: Wednesday, February 22, 3:00 p.m., Conference Room 308

Honorable Representatives Sylvia Luke, Chair; Ty J.K. Cullen, Vice Chair; and
Members of the House Committee on Finance

Subject: **Comments regarding HB 1382, HD1, Relating to Procurement**

Dear Chair Luke, Vice Chair Cullen, and Committee Members:

The American Council of Engineering Companies of Hawaii (ACECH) represents more than 70 member engineering consulting firms with over 1,500 employees throughout Hawaii. ACECH member firm projects directly affect the quality of the water we drink and the food we eat; the safety of our buildings, highways, bridges, and infrastructure; and the quality of the environment in which we work and play. Procurement of design professional services is a serious business.

The majority of our member firms are small local businesses, and we support measures to help their businesses. However, we also caution that small business interests should not over-ride the selection of an appropriately qualified firm to design a particular project. "Qualifications-based selection" (QBS) is the nationally recognized model procurement code for the procurement of design professional services.

We recommend that the small business advisory group formed under this bill consider the Federal government's methods for encouraging small businesses while ensuring that the public interest is protected through the use of QBS for the procurement of professional services.

We appreciate the opportunity to provide testimony on this matter. Please do not hesitate to contact us if you have any questions.

Respectfully submitted,
AMERICAN COUNCIL OF ENGINEERING COMPANIES OF HAWAII

Corey Matsuoka, PE
President



Locally Owned & Operated in Hawaii Since 1961

99 134 Waiua Way, Aiea , HI 96701

February 21, 2017

LATE

**Testimony to the House Committee on Finance
Wednesday, February 22, 2017,
3:00 p.m. State Capitol-Conference Room 308**

RE: H.B 1382 HD1, Relating to Procurement

Chair Luke and Vice Chair Cullen, and members of the committee:

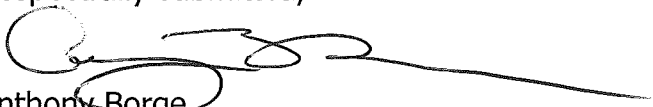
My name is Anthony Borge. I am the General Manager for RMA Sales. RMA Sales is a locally owned small business, manufacturing and distributing louver jalousie windows, storm/security doors, screens and ancillary products here in Hawaii since 1961.

We are in **strong support H.B 1382 HD1** which would assist small businesses like ours 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.

The proposed bill would definitely help small businesses navigate and understand the State of Hawaii's procurement process, nurture the growth and economic vitality of small businesses, communities throughout the state.

Thank you.

Respectfully submitted,


Anthony Borge
General Manager
RMA Sales
99-134 Waiua Way
Aiea, HI 96701

LATE



Chamber of Commerce HAWAII
The Voice of Business

**Testimony to the House Committee on Finance
Wednesday, February 22, 2017 at 3:00 P.M.
Conference Room 308, State Capitol**

RE: HOUSE BILL 1382 HD1 RELATING TO PROCUREMENT

Chair Luke, Vice Chair Cullen, and Members of the Committee:

The Chamber of Commerce Hawaii ("The Chamber") **strongly supports** HB 1382 HD1, which would assist 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.

The Chamber is Hawaii's leading statewide business advocacy organization, representing about 1,600+ businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the "Voice of Business" in Hawaii, the organization works on behalf of members and the entire business community to improve the state's economic climate and to foster positive action on issues of common concern.

There are 122,566 small businesses in Hawaii which represents 96.2% of all Hawaii businesses. Small businesses in Hawaii employ 263,364 or 52.4% of all Hawaii employees. Small businesses are defined as firms employing fewer than 500 employees. The proposed bill will allow Hawaii small businesses to understand the state's procurement process and create more opportunities for these small businesses to do business with the State of Hawaii. As most of our members are small businesses, the Chamber is in full support of this bill and we respectfully request that the bill be amended to include a representative of the Chamber of Commerce Hawaii to sit on the small business advisory council.

Thank you for the opportunity to testify.



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Honolulu, Hawaii 96819
(808) 369-9710
www.holomuaconsulting.com

February 22, 2017

To: The Honorable Chair Sylvia Luke
House Committee on Finance

The Honorable Vice Chair Ty J.K. Cullen
House Committee on Finance

From: Holomua Consulting Group, LLC
Shannon Edie, President
Daphne Tong-Pave, Vice President
Kanoë Tjorvatjoglou, Junior Consultant

Re: HB 1382, HD1 Relating to Procurement;
In Support
Wednesday, February 22, 2017, 3:00 P.M.; Conference Room 308

Chair Luke, Vice Chair Cullen, and Members of the Committee on Finance.

Holomua Consulting Group, LLC (Holomua) offers our support of HB 1382, HD1, which establishes a temporary small business assistance initiative, small business advisory council, small business office, and small business procurement coordinator position within the state procurement office.

Holomua is a women- and Native Hawaiian-owned small business located in Honolulu. Since 2014, our consulting firm has assisted small businesses, both in Hawaii and on the Continental U.S., with succeeding as government contractors. In particular, we assist businesses with obtaining small business certifications, maximizing the benefits of federal small business contracting programs, and navigating the complex legal and compliance landscape of Federal government contracting. We are passionate about helping small businesses and strongly believe that government contract opportunities can help facilitate growth and development of these businesses.

We have seen first-hand the invaluable assistance provided to small businesses that participate in the various federal small business contracting programs, including the 8(a) Business Development, HUBZone, Women-Owned, and Service Disabled Veteran-Owned Programs. The resources and preferences provided through these programs help small businesses obtain

contracts that they otherwise would not have access to. This enables small businesses to build their experience and capabilities, create jobs, and establish strong businesses.

While we do not believe a state program should completely replicate the federal programs, we firmly believe that a small business program in the State of Hawaii is needed and could provide much-needed support to our local business community. We have consistently heard concerns from local businesses about the challenges with finding and pursuing state contract opportunities. We believe the provisions in HB 1382, HD1 will help identify these problems and provide solutions, based on metrics and data, to help ensure small businesses are able to successfully obtain state small business contracting opportunities.

According to the U.S. Small Business Administration (SBA) Office of Advocacy's Small Business 2017 Profile for the State of Hawaii, there are over 120,000 small businesses in the state, of which roughly 74,000 are minority-owned, 11,000 are veteran-owned, and 44,000 are women-owned.¹ These figures demonstrate that there is a significant amount of small businesses that could benefit from a state small business program. Unfortunately, other than data from federal agencies, such as the SBA and U.S. Census Bureau, there is not a lot of information about our local businesses, particularly businesses that seek contract opportunities with the state. We strongly believe that data is needed to not only create a successful small business program, but moreover to provide the assistance and support that our small businesses need. We are pleased that HB 1382, HD 1 supports this and provides for the collection of relevant information and data.

All the provisions outlined in HB 1382, HD1, including the establishment of a temporary small business assistance initiative, small business advisory council, small business office, and small business procurement coordinator position within the state procurement office, are crucial first steps to establishing successful policies and recommendations relevant to state contract opportunities and a state small business program.

We urge the passage of HB 1382, HD1. Thank you for your time and the opportunity to submit testimony.

¹ https://www.sba.gov/sites/default/files/advocacy/Hawaii_1.pdf

DAVID Y. IGE
GOVERNOR



LATE

STATE OF HAWAII
DEPARTMENT OF TRANSPORTATION
869 PUNCHBOWL STREET
HONOLULU, HAWAII 96813-5097

February 22, 2017
3:00 p.m.
State Capitol, Room 309

H.B. 1382, H.D. 1
RELATING TO PROCUREMENT

House Committee on Finance

The Department of Transportation (DOT) **supports** H.B. 1382, H.D. 1, which establishes a temporary small business assistance initiative and provides staffing for Part IX, Chapter 103D, Hawaii Revised Statutes. This measure will supplement and enhance DOT's federally-mandated Disadvantaged Business Enterprise (DBE) Program by providing state contracting opportunities for small disadvantaged minority- and women-owned businesses.

Thank you for the opportunity to provide testimony.

Testimony by:
FORD N. FUCHIGAMI
DIRECTOR

Deputy Directors
JADE T. BUTAY
ROSS M. HIGASHI
EDWIN H. SNIFFEN
DARRELL T. YOUNG

IN REPLY REFER TO:



February 22, 2017

House Finance Committee:
Chair Rep Sylvia Luke
Vice Chair Rep Ty Cullen

SUBJECT: Testimony in support of Senate Bill HB1382, Related to Procurement

Rep Luke, Rep Cullen and distinguished members of this Committee, I thank you for this opportunity to testify in support of the bill related to HB1392.

I'm Dr. Raymond Jardine Jr., Chairman and CEO of Native Hawaiian Veterans, LLC the SBA Small Business Leader of the Year and second runner up for the SBA National Small Business Leader of the Year for 2016. I had been appointed by the President of the United State as the Vice Chari to the National Veterans Business Development Corporation and the Veterans Administration Advisory Committee for Minority Veterans. I am the past president of the Native Hawaiian Organizations Association (NHOA) which has done over \$3 Billion in federal contract work over the last 10 years. My company is the largest SBA 8(a) and Service Disabled Veterans Owned Company in the State of Hawaii in the federal marketplace doing work in all 50 States and 4 Territories and has done work in 20 countries as well.

The sale and provision of services by businesses based and domiciled in Hawaii to the federal government is a vital part of our state and local economy. These opportunities provide jobs, economic development, and opportunities for our local residents to establish well-paying careers to sustain themselves and their families in Hawaii.

There are many small businesses in Hawaii doing business in the federal marketplace of which many are part of the SBA preferred program as indicated below:

- Small Business (SB) 2095
- Small Disadvantage Business (SDB) 128
- SBA 8(a) 124
- Service Disabled Veterans Owned Small Business (SDVOSB) 128
- Historically Underutilized Business Zone (HUBZone) 69
- Women Owned Small Business (WOSB) 328
- Veteran Owned Small Business (VOSB) 189
- Native Hawaiian Organizations (NHO) 19 note: 35 firms

Although federal contracting is a highly lucrative field with the opportunity to greatly benefit our local businesses and economy, it is only possible because of the federal government preference program allocating 23% of all federal contracts to Small Businesses.

In 2005, the legislature passed the Small Business Bill, which, the Governor signed into law under Act 50. However, what is lacking is the ability to implement the law due to inadequate resourcing.

Over 34 states have Small Business Preference Programs giving opportunities to Small Business to compete and grow their businesses. It is nearly impossible for Small Businesses to compete against a Larger Business as the do not have the past performance, scalability and depth. Thus, the federal government and 34 other state governments have developed Small Business Preference Programs to create economic growth, limiting a handful of Large Business from monopolizing government contracting.

Therefore, with the State of Hawaii ranking 49th and 50th of the worst states to conduct business in the last 10 years, the question is; what can the State of Hawaii do to change this and transform this paradigm.

Small Businesses in Hawaii is shrinking at a alarming rate. Over 500 firms have closed their doors as they cannot maintain competitiveness. This bill will help to start changing this pattern and create a mechanism to grow Small Businesses in Hawaii.

By passing this bill you will help establish the necessary resources to implement the Small Business Preference Program and create a more healthy economy for the State of Hawaii and its constituents.

Furthermore, it is a fact that Hawaii is one of the most unfriendly states to start and grow a business. It is critical to the State of Hawaii that we protect our economy and workforce by allowing our businesses to be competitive in State Procurement, leading them to become competitive in the federal marketplace as well.

Thus, growing Small Businesses in Hawaii will allow them to become competitive in federal contracting and will build a core to compete in CONUS and OCONUS.

Chairpersons and distinguished members of the Committees, I thank you once again for this opportunity to present my views on this critical bill to safeguard Small Businesses, grow our economy and the workforce in the State of Hawaii.

Dr. Raymond Jardine Jr.

Hawaii Business Magazine Best New Business – 2010
Native Hawaiian Economic Alliance Business Mentor – 2010
Hawaii Business Magazine Best Places to Work – 2011
Asian Enterprise Entrepreneur of the Year – 2013
SBA Hawaii Veterans Small Business Champion – 2014
Hawaii Business News FAST 50 – 2014
Hawaii Business Magazine Top 250 – 2014
Pacific Edge Magazine Business Executive of the Year – 2015
Hawaii Business Magazine CEO of the Year - 2015
Pacific Business News Magazine #1 Veterans Owned Business – 2015
Hawaii Business Magazine TOP 250 Companies – 2015
#1 Native Hawaiian Owned Company – 2015
#1 SDVOSB in Hawaii – 2015
#1 8(a) Company in Hawaii – 2015
INC Magazine Top 500 – 2015
Hawaii SBA Business Leader of the Year – 2016
SBA National Business Leader of the Year Second Runner Up – 2016
Pacific Business Magazine Business Leader of the Year Runner Up - 2016
Hawaiian Chamber of Commerce O’o award – 2016
Pacific Business News Magazine #1 Veterans Owned Business – 2016
Pacific Business News #1 Minority Owned Business – 2016
Pacific Business News Magazine Fastest 50 – 2016
Hawaii Business Magazine TOP 250 Companies – 2016
#1 Native Hawaiian Owned Company – 2016
#1 SDVOSB in Hawaii – 2016
#1 8(a) Company in Hawaii – 2016

LATE

STATE OF HAWAII
DEPARTMENT OF DEFENSE

TESTIMONY ON HOUSE BILL 1382, HD 1 RELATING TO PROCUREMENT

PRESENTATION TO THE
COMMITTEE ON FINANCE

BY

MR. RONALD P. HAN
DIRECTOR OF STATE OFFICE OF VETERANS SERVICES

February 22, 2017
3:00 p.m.

Apologize for the late submission of testimony. Chair Luke, Vice Chair Cullen, and members of the Committee:

I'm Ron Han, Director of the State Office of Veterans Services. I appreciate this opportunity to provide testimony **in support** of the concepts in House Bill 1382, HD 1.

This measure assists small business entities in the state procurement process by establishing a temporary small business assistance initiative, small business advisory group, small business office, and small business procurement coordinator position within the state procurement office. As an example, small businesses owned by veterans, native Hawaiians and women are purportedly the most vulnerable and disadvantaged in the State. These entities could benefit significantly from the programs and initiatives derived from what this bill proposes.

The OVS supports the concepts and intent expressed in this measure as long as its implementation does not impact or replace the priorities set forth in the Executive Budget.

Thank you for this opportunity to provide testimony on behalf of Hawaii's Veterans and their families.