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TESTIMONY
OF
SARAH ALLEN, ADMINISTRATOR
STATE PROCUREMENT OFFICE

TO THE SENATE COMMITTEES
ON
JUDICIARY AND LABOR
AND
WAYS AND MEANS
March 30, 2017 2:45 PM

HOUSE BILL 1382 HD1
RELATING TO PROCUREMENT

Chairs Keith-Agaran and Tokuda, Vice Chairs Rhoads and Dela Cruz, and members of the committees, thank you for the opportunity to submit testimony on House Bill 1382 HD1. 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.

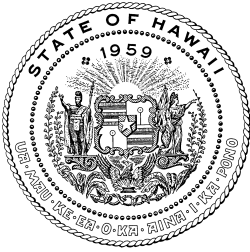
The survey received 505 responses from small business owners who stated that the top three barriers for them doing business with the State were 1) compliance, 2) procurement process and 3) red tape/paperwork. Of the 40 Small Business Advocate entities, 88% were in support of a State Small Business Office. 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.

Monies estimated for a successful implementation of this initiative is as follows:

- (1) \$10,000 shall be used to complete the state small business database;
- (2) \$330,000 shall be used for the establishment of one full-time equivalent (1.00 FTE) permanent small business procurement coordinator position exempt from chapter 76, Hawaii Revised Statutes, in the state procurement office for the full period of the initiative; and
- (3) \$375,000 shall be used for the hiring of a local small business to operate and maintain the small business office and for marketing of and outreach for the small business assistance initiative for the full period of the initiative.

Thank you.



SMALL BUSINESS REGULATORY REVIEW BOARD

Department of Business, Economic Development & Tourism
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MEMORANDUM

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Governor

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Director, DBEDT

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TO: Chair Keith-Agaran, Vice Chair Rhoads, and Members of the Senate Committee on Judiciary and Labor, and Chair Tokuda, Vice Chair Dela Cruz and Members of the Senate Committee on Ways and Means - Room 211

FROM: Anthony Borge, Chairperson
Small Business Regulatory Review Board

DATE: Thursday, March 30, 2017 at 9:50 a.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; and appropriates funds.

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.

STATE OF HAWAII
DEPARTMENT OF DEFENSE

TESTIMONY ON HOUSE BILL 1382, HD 1 RELATING TO PROCUREMENT

PRESENTATION TO THE
COMMITTEE ON JUDICIARY AND LABOR

AND

COMMITTEE ON WAYS AND MEANS

BY

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

March 30, 2017
9:50 a.m.

Good morning Chair Keith-Agaran, Chair Tokuda, Vice Chair Rhoads, Vice Chair Dela Cruz and members of the Committees:

I'm Ron Han, Director of the State Office of Veterans Services. I appreciate this opportunity to provide written 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 written testimony on behalf of Hawaii's Veterans and their families.



AMERICAN COUNCIL OF ENGINEERING COMPANIES
of Hawaii

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March 27, 2017

Senate Committee on Judiciary and Labor
Senate Committee on Ways and Means
Hearing Date: Thursday, March 30, 9:50 a.m., Conference Room 211

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

Dear Chairs Keith-Agaran and Tokuda, 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



Chamber of Commerce HAWAII
The Voice of Business

**Testimony to the Senate Committee on
Judiciary and Labor
and the Senate Committee on Ways and Means
Thursday, March 30, 2017 at 9:50 A.M.
Conference Room 211, State Capitol**

RE: HOUSE BILL 1382 HD1 RELATING TO PROCUREMENT

Chairs Keith-Agaran and Tokuda, Vice Chairs Rhoads and Dela Cruz, and Members of the Committees:

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.