

STAND. COM. REP. NO.

2514

Honolulu, Hawaii

FEB 16 2018

RE: S.B. No. 2607

S.D. 1

Honorable Ronald D. Kouchi  
President of the Senate  
Twenty-Ninth State Legislature  
Regular Session of 2018  
State of Hawaii

Sir:

Your Committees on Government Operations and Higher Education, to which was referred S.B. No. 2607 entitled:

"A BILL FOR AN ACT RELATING TO THE RESEARCH CORPORATION OF THE UNIVERSITY OF HAWAII,"

beg leave to report as follows:

The purpose and intent of this measure is to restrict the exemptions the Research Corporation of the University of Hawaii has with regard to chapter 103D, Hawaii Revised Statutes, relating to advertising for bids and purchases to be made in Hawaii whenever public monies are expended.

Your Committees received testimony in opposition to this measure from the University of Hawai'i System, University of Hawai'i Professional Assembly, Oahu Economic Development Board, and forty-four individuals.

Your Committees find that there are concerns regarding whether the Research Corporation of the University of Hawaii has been given a broader range of flexibility than originally intended under section 304A-3005, Hawaii Revised Statutes. The Research Corporation of the University of Hawaii was established to carry out the objectives of conducting research and training projects. In order to fulfill those objectives, the Research Corporation was, by law, provided flexibility in the hiring of personnel and in handling and disbursing monies.



However, your Committees find that the exceptions in existing law may have provided the Research Corporation with an unintended degree of flexibility. Over the years, the Research Corporation has engaged in projects that appear to have been beyond the original intent of the Legislature. Your Committees have significant concerns about the Research Corporation being used as a pass-through for other entities to funnel projects and improperly take advantage of the flexibility in operations that the Legislature intended only for the Research Corporation to carry-out its stated mission. Therefore, your Committees find that it is crucial that the Research Corporation follow established procurement guidelines to ensure that the Research Corporation is properly working with private businesses on basic and applied research projects as originally intended by the Legislature.

However, your Committees recognize various issues and concerns raised by the Research Corporation during testimony. Specifically, your Committees recognize that the Research Corporation already follows federal procurement guidelines for most projects. Your Committees find that it is important to create in statute a requirement that the Research Corporation follow federal procurement guidelines for all contracts, including those contracts and projects using state money. In addition, your Committees note that requiring all research projects to be subject to federal procurement guidelines would eliminate the need to place a cap on contracts excepted from the procurement code under section 304A-3005, Hawaii Revised Statutes.

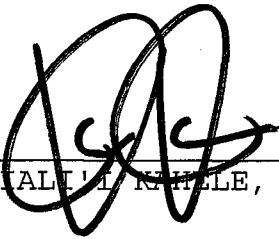
Your Committees have amended this measure by:

- (1) Removing language establishing a cap on the value of certain contracts exempted from the state procurement code for the Research Corporation of the University of Hawaii relating to advertising for bids and purchases;
- (2) Adding language to limit the exemption to research, training, and development related contracts and projects that obtain federal or state grants; and
- (3) Adding a requirement that all federal and state grants, contracts, and projects of the Research Corporation adhere to all relevant federal procurement laws and regulations.



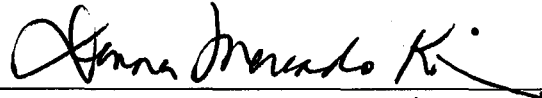
As affirmed by the records of votes of the members of your Committees on Government Operations and Higher Education that are attached to this report, your Committees are in accord with the intent and purpose of S.B. No. 2607, as amended herein, and recommend that it pass Second Reading in the form attached hereto as S.B. No. 2607, S.D. 1, and be referred to your Committee on Ways and Means.

Respectfully submitted on  
behalf of the members of the  
Committees on Government  
Operations and Higher  
Education,



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KATALIN KENDE, Chair



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DONNA MERCADO KIM, Chair





