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TESTIMONY
OF
SARAH ALLEN, ADMINISTRATOR
STATE PROCUREMENT OFFICE

TO THE SENATE COMMITTEE

ON

WAYS AND MEANS

February 24, 2017, 9:35 a.m.

SENATE BILL 617
RELATING TO RESEARCH AND TECHNOLOGY GRANTS

Chair Tokuda, Vice-Chair Dela Cruz and members of the committee, thank you for the opportunity to submit testimony on SB617.

The State Procurement Office (SPO) has comments relating to page 6, Lines 17-20 stating:

...“(j) Moneys appropriated for the research and technology grant program may be used to pay for the cost of administering, operating, and marketing the grant program, as determined by the board of directors”...

Should any costs of administering, marketing and operating the program be contracted, it should be subject to HRS 103D.

The general office and operating costs such as administration, operations, marketing etc., are not specific to complex research and technology, rather they are the day-to-day procurements that state departments and agencies are required to use the Hawaii Public Procurement Code (code). The bill is ambiguous as to whether those enumerated costs are subject to HRS 103D. To allow these areas to be exempt along with research grants erode the principles of why the procurement code exists, denies use of existing discounted state-wide contracts that leverage cost-savings through economies of scale and depletes competition.

The code is the single source of public procurement policy to be applied equally and uniformly, while providing fairness, open competition, a level playing field, government disclosure and transparency in the procurement and contracting process vital to good government.

Exemptions to the code mean that all procurements made with taxpayer monies will not have the same oversight, accountability and transparency requirements mandated by those procurements processes provided in the code. It means that there is no requirement for due diligence, proper planning or consideration of protections for the state in contract terms and conditions, nor are there any set requirements to conduct cost and price analysis and market research or post-award contract management. As such, Agencies can choose whether to compete any procurement or go directly to one contractor. As a result, leveraging economies of scale and cost savings efficiencies found in the consistent application of the procurement code are lost. It also means Agencies are not required to adhere to the code's procurement integrity laws.

The National Association of State Procurement Officials state: "Businesses suffer when there is inconsistency in procurement laws and regulations. Complex, arcane procurement rules of numerous jurisdictions discourage competition by raising the costs to businesses to understand and comply with these different rules. Higher costs are recovered through the prices offered by a smaller pool of competitors, resulting in unnecessarily inflated costs to state and local governments."

When public bodies or programs, are removed from the state's procurement code it results in the harm described above. As these entities create their own procurement rules, businesses are forced to track their various practices.

Relieving some programs from some laws by exempting or excluding them from compliance with a common set of legal requirements creates an imbalance wherein the competitive environment becomes different among the various jurisdictions and the entire procurement process becomes less efficient and costlier for the state and vendors.

Thank you.



Chamber of Commerce HAWAII

The Voice of Business

**Testimony to the Senate Committee on Ways and Means
Friday, February 24, 2017 at 9:35 A.M.
Conference Room 211, State Capitol**

RE: SENATE BILL 617 RELATING TO RESEARCH AND TECHNOLOGY GRANTS

Chair Tokuda, Vice Chair Dela Cruz, and Members of the Committee:

The Chamber of Commerce Hawaii ("The Chamber") **supports** SB 617, which establishes the research and technology grant program within the high technology development corporation to provide grants to qualified research and technology companies in Hawaii for eligible projects; establishes program guidelines and eligibility criteria for research and technology companies; requires eligible projects to foster science, technology, engineering, and mathematics education at the K-12 or university levels; appropriates funds to the program.

The Chamber is Hawaii's leading statewide business advocacy organization, representing about 1,400 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.

STEM or Science, Technology, Engineering and Math jobs are expected to grow twice as fast as non-STEM professions in the coming years but according to a recent study, Hawaii lags behind. Fostering interest in STEM at the K-12 and university levels is important for both our children and our economic future. This bill is a positive way to both nurture and cultivate students' interest in STEM fields while at the same time supporting our technology companies and STEM jobs. This will enhance and encourage more projects and programs focused on STEM with direct participation of K-12 and university students.

Thank you for the opportunity to testify.



Written Statement of
Robbie Melton
Executive Director & CEO
High Technology Development Corporation
before the
Senate Committee on Ways and Means
Friday, February 24, 2017
9:35 a.m.
State Capitol, Conference Room 211

In consideration of
SB617
RELATING TO RESEARCH AND TECHNOLOGY GRANTS.

Chair Tokuda, Vice Chair Dela Cruz, and Members of the Committee on Ways and Means.

The High Technology Development Corporation (HTDC) **supports** SB617 that appropriates funds for HTDC to establish a research and technology grant program.

As part of HTDC's vision to create 80,000 new innovation jobs in Hawaii earning \$80,000 or more by 2030, HTDC supports initiatives aimed at promoting technology and innovation jobs. Many Hawaii technology companies and their employees already contribute generously to the community with their time and expertise to inspire students to pursue careers in STEM fields. They volunteer as judges and mentors for various robotics, science fair, coding, and entrepreneurial events.

The grant program would encourage more companies to contribute in assisting the students. Furthermore, it would provide some resource for company driven projects which would better educate the students on the immediate STEM job opportunities available in Hawaii.

HTDC comments that the bill should clarify the intent of "direct participation or input of students" and clarify that projects that receive grant funds should be specifically for the benefit of the students. We support this initiative as long as it does not replace our priorities requested in the Executive Budget.

Thank you for the opportunity to offer these comments.

From: mailinglist@capitol.hawaii.gov
Sent: Wednesday, February 22, 2017 12:29 PM
To: WAM Testimony
Cc: achung@navatekltd.com
Subject: Submitted testimony for SB617 on Feb 24, 2017 09:35AM

SB617

Submitted on: 2/22/2017

Testimony for WAM on Feb 24, 2017 09:35AM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
ann chung	Navatek	Support	No

Comments: We strongly support SB617. STEM or Science, Technology, Engineering and Math jobs are expected to grow twice as fast as non-STEM professions in the coming years but according to a recent study, Hawaii lags sorely behind. And it all begins with fostering interest in STEM at the k-12 and University levels. This bill is a very positive and unique way to BOTH nurture and cultivate students' interest in STEM fields while at the same time supporting our technology companies and STEM jobs. This will enhance and encourage more projects and programs focused on STEM with direct participation of K-12/university students.

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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