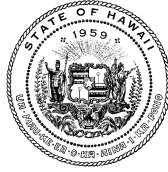


DAVID Y. IGE
GOVERNOR



CURT T. OTAGURO
COMPTROLLER
AUDREY HIDANO
DEPUTY COMPTROLLER

STATE OF HAWAII
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES

P.O. BOX 119, HONOLULU, HAWAII 96810-0119

WRITTEN TESTIMONY
OF
CURT T. OTAGURO, COMPTROLLER
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES
TO THE SENATE COMMITTEE ON
GOVERNMENT OPERATIONS

THURSDAY, JANUARY 30, 2020, 2:45 P.M.
CONFERENCE ROOM 225, STATE CAPITOL

S.B. 2835

RELATING TO HAWAII PRODUCTS.

Chair Thielen, Vice Chair Inouye, and members of the Committee, thank you for the opportunity to submit testimony on S.B. 2835.

The Department of Accounting and General Services (DAGS) supports the proposed legislation to exempt construction procurements from this requirement for the following reasons:

- It has achieved its goal with respect to construction procurements.

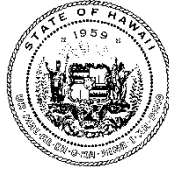
When this preference was first enacted, there were issues with the availability and price competitiveness of local construction materials that do not exist today in Hawaii's construction industry. Contractors and subcontractors have indicated that they would now choose to use Hawaii Products even without the incentive provided by this preference.

- There are also other reasons to use Hawaii products, such as LEED conformance requirements for the use of regionally extracted/manufactured products associated with new construction.

- It is contrary to the legislature's goal to increase the economy, efficiency, and effectiveness of the public works construction procurement process.
 - It is no longer effective because it is not required to incentivize the use of Hawaii products in construction.
 - It is not economical because the public no longer benefits from the added construction cost associated with application of the preference.
 - It reduces the efficiency of the construction procurement process due to the difficulty of determining whether it is being fairly assessed. Some bidders claim the preference by providing a lump sum price (instead of using the appropriate unit of measure for the material) or claim a quantity which is very different from that of other bidders. Since some differences in quantity can be attributed to the contractor's method of work, it is difficult to determine when a bidder is attempting to gain a competitive advantage using this preference by skewing the pricing of Hawaii products.

Thank you for the opportunity to submit testimony on this matter.

DAVID Y. IGE
GOVERNOR



SARAH ALLEN
ADMINISTRATOR
BONNIE KAHAKUI
ASSISTANT ADMINISTRATOR

**STATE OF HAWAII
STATE PROCUREMENT OFFICE**

P.O. Box 119
Honolulu, Hawaii 96810-0119
Tel: (808) 586-0554
email: state.procurement.office@hawaii.gov
<http://spo.hawaii.gov>
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TESTIMONY
OF
SARAH ALLEN, ADMINISTRATOR
STATE PROCUREMENT OFFICE

TO THE SENATE COMMITTEE
ON
GOVERNMENT OPERATIONS

January 30, 2020, 2:45 P.M

SB2835
RELATING TO HAWAII PRODUCTS

Chair Laura Thielen, Vice-Chair Lorraine Inouye, and members of the committee, thank you for the opportunity to submit testimony on SB2835. The State Procurement Office (SPO) submits the following comments:

Currently, there are approximately 48 vendors registered on Hawaii Products List; 37 are listed under construction related products. In 2019, SPO sent out a short survey to all registered vendors asking questions about their experience with the Hawaii Products program. Only 13 vendors responded with the following results:

In the past 24 months, have you used your Hawaii Product Preference in State solicitations that allow for preferences?		
13 Responded:		
Answered	Responses	Percent
7	Yes	53.85%
6	No	46.15%
How useful is the Hawaii Product Preference to your company? On a sliding scale of 1 to 5 – Not useful (1), Slightly useful (2), Neutral (3), Useful (4), Very useful (5)		
The average of the 13 respondents: 3.3		
Vendor Reasons for Score;		
<ul style="list-style-type: none">• We use it on our bids.• Encourages contractors to use our products in their bids• I have never made a sale from any contractor or architect through this service		

- We only use it for the Public Safety bid for the correctional facilities.
- We hardly use it
- We are a 100% Hawaii Product
- It helps us keep production local.
- Customers today likes to see that we as business people are supporting local. We use this information to show we support local. This helps in bidding.
- Allows us to be competitive given the high bureaucratic & taxation costs of doing business in Hawaii.
- I don't even know what that is. The procurement department has too many branches and is hard for non-state worker to navigate.
- All of our competitors are also on the list
- Cause I wanted to.
- don't know what it is

Based on the survey, only 27% of Hawaii Product Vendors responded and gave a neutral rating score of 3.3 for the Hawaii Product Preference program. These results may concur with the Bill's justification that "construction services... is no longer required to incentivize the use of Hawaii products..."

Therefore, the SPO defers to the DAGS Public Works Division in their judgement for removing construction services under the Hawaii Products Preference.

Thank you



STATE OF HAWAII
DEPARTMENT OF EDUCATION
P.O. BOX 2360
HONOLULU, HAWAII 96804

Date: 01/30/2020

Time: 02:45 PM

Location: 225

Committee: Senate Government Operations

Department: Education

Person Testifying: Dr. Christina M. Kishimoto, Superintendent of Education

Title of Bill: SB 2835 RELATING TO HAWAII PRODUCTS.

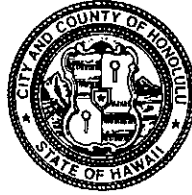
Purpose of Bill: Exempts construction procurements from the Hawaii products preference in section 103D-1002, Hawaii Revised Statutes.

Department's Position:

The Hawaii State Department of Education (Department) supports SB 2835. The proposed amendments to remove the Hawaii Products Preference in construction will help simplify the procurement of construction. Furthermore, the Hawaii products incentives add cost and complexity to the procurement process.

The Hawai'i State Department of Education is committed to delivering on our promises to students, providing an equitable, excellent, and innovative learning environment in every school to engage and elevate our communities. This is achieved through targeted work around three impact strategies: school design, student voice, and teacher collaboration. Detailed information is available at www.hawaiipublicschools.org.

KIRK CALDWELL
MAYOR



NELSON H. KOYANAGI, JR.
DIRECTOR

MANUEL T. VALBUENA
DEPUTY DIRECTOR

TESTIMONY OF NELSON H. KOYANAGI, JR.
DIRECTOR OF BUDGET AND FISCAL SERVICES
CITY AND COUNTY OF HONOLULU
BEFORE THE SENATE COMMITTEE ON GOVERNMENT OPERATIONS
January 30, 2020, 2:45 PM, Conference Room 225

Senate Bill 2835, "Relating to Hawaii Products"

Position: IN SUPPORT

TO: The Honorable Laura H. Thielen, Chair
and Members of the Committee on Government Operations

The Department of Budget and Fiscal Services, City and County of Honolulu, **supports** Senate Bill No. 2835, Relating to Hawaii Products.

The preference has been difficult to implement in public work construction bids. Bid preferences require additional time and resources to review and analyze, complicates and further delays the procurement process, increases chances for protest or complaint and increases costs to the City. The bill's intent to exclude public works construction projects from Section 103D-1002 of the Hawaii Revised Statutes will further promote efficiencies in the State's Procurement Code.

Mahalo for the opportunity to testify on this bill. Should you have any questions or concerns, please feel free to contact the Department of Budget & Fiscal Services' Division of Purchasing at 808-768-5535 or bfspurchasing@honolulu.gov.