



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>

TESTIMONY
OF
BONNIE KAHAKUI, ACTING ADMINISTRATOR
STATE PROCUREMENT OFFICE
TO THE HOUSE COMMITTEE
ON
FINANCE
APRIL 1, 2021, 1:30 PM
SENATE BILL 1035, SD2, HD1
RELATING TO PROCUREMENT

Chair Luke, Vice Chair Cullen, and members of the committee, thank you for the opportunity to submit testimony on SB 1035, SD2, HD1 - Relating to Procurement. The State Procurement Office (SPO) is in strong support of this bill and appreciates further discussion on this bill.

Background Information and Justification

1) Procurement Automation System

In response to the COVID-19 public health crisis, the Hawaii state government has moved to digitize its processes and conduct business online to continue its current level of customer service.

In support of that move, the SPO seeks to transition its manual procurement processes to an online digital system – a procurement automation system – to increase efficiency, save personnel time, create a consistent “face” for the executive branch, ease contractor confusion, and exact better spend data to leverage economies of scale. Other positive impacts include faster access to government goods and services; digital and transparent spend data; improved, user-friendly procurement templates; SPO response to and guidance for complex procurements; and faster and enhanced sharing of information by agencies.

2) Financing the Procurement Automation System

The COVID-19 public health crisis resulted in budget cuts, and SPO is looking at ways to remain financially sustainable while providing procurement services and guidance pursuant to Chapters 103D and 103F of the Hawaii Revised Statutes. Senate Bill 1035 SD2SD1 will allow the State Procurement Office to charge an administration fee and deposit revenues into a special fund and to expend the funds for the project management of the procurement automation system.

The SPO is proposing to collect an administrative fee that will pay for the procurement automation system, saving approximately \$1.2M of general funds each year. In addition, the fee will assist in

paying for a program management team to manage and grow the automation system to ensure statewide access for the full life-cycle, and to receive monies paid to the state.

The administrative fee that will be collected is dependent on the responses SPO receives from the sealed competitive solicitation for a Procurement Automation System and should not be subject to chapter 91, HRS. The vendor-collected administrative fee will only be imposed on purchases made from/through the automation system. The merits of the proposals submitted during sealed competitive solicitation will be reviewed by the evaluation committee and ultimately determine the fee percentage, and how and when the fee shall be paid.

Any excess vendor-collected administrative fees, after paying for the implementation and maintenance of the eMarket system (Phase 1 of the project), will go towards covering the costs for procurement automation system for agencies statewide. The inability to collect these fees will in effect allow the contractor to control the funds and not SPO. Therefore, we recommend the following revisions:

Section 3, page 6, lines 8-10, to read:

(7) Assess and collect an administrative fee pursuant to chapter 91 to cover procurement automation system costs.

Thank you.

DAVID Y. IGE
GOVERNOR



TESTIMONY BY:

JADE T. BUTAY
DIRECTOR

Deputy Directors
LYNN A.S. ARAKI-REGAN
DEREK J. CHOW
ROSS M. HIGASHI
EDWIN H. SNIFFEN

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

April 1, 2021
1:30 P.M.
State Capitol
Conference Room 308
VIA VIDEOCONFERENCE

**S.B. 1035, S.D. 2, H.D. 1
RELATING TO PROCUREMENT**

House Committee on Finance

The Department of Transportation (DOT) **supports the intent** of the bill which establishes and appropriates monies from the state procurement automation system special fund to fund the project management of the procurement automation system; allows the State Procurement Administrator to set procedures for final decisions on investigations of procurement policy and compliance; authorizes the State Procurement Administrator to assess and collect an administrative fee pursuant to chapter 91, Hawaii Revised Statutes, to cover the costs of the procurement automation system; effective 7/1/2112.

The establishment of a procurement automation system across the executive branch and state agencies will increase efficiencies and responsiveness, support consistent and standardized procurement practices and processes, policies and procedures, and provide greater confidence to taxpayers by ensuring optimal compliance and transparency in following the procurement code.

Along the lines of automated procurement, DOT transitioned to electronic bidding and virtual bid openings, primarily in response to the pandemic safety requirements of social distancing and limited congregation. Both electronic bidding and virtual bid openings directly responded to accessibility issues of bidders on Oahu and the neighbor islands. In the conventional environment, neighbor island bidders submitted bids to the respective DOT Highways district offices for public reading. These district offices, for safety of staff and public, were now closed and all bids were received and publicly read on Oahu.

The electronic bidding and virtual bid openings allowed bid openings to be executed without compromise to the integrity of the process. The electronic bidding through HlePRO is confidential, secure, and available to the public. It is the electronic

procurement system vetted and endorsed by the State Procurement Office with a support infrastructure in place that partners well with processes outside the system.

The electronic bidding, virtual bid openings, and related electronic services tied to the bid opening were implemented in response to the pandemic but will be sustainable moving forward.

Thank you for the opportunity to provide testimony.

SAH - Subcontractors Association of Hawaii

1188 Bishop St., Ste. 1003**Honolulu, Hawaii 96813-2938

Phone: (808) 537-5619 ✦ Fax: (808) 533-2739

April 1, 2021

Testimony To: House Committee on Finance
Representative Sylvia Luke, Chair

Presented By: Tim Lyons, President

Subject: S.B. 1035, SD 2, HD 1 – RELATING TO PROCUREMENT

Chair Luke and Members of the Committee:

I am Tim Lyons, President of the Subcontractors Association of Hawaii and we have some concerns about this bill. The Subcontractors Association of Hawaii is composed of the following nine separate and distinct subcontracting organizations which include:

HAWAII FLOORING ASSOCIATION
ROOFING CONTRACTORS ASSOCIATION OF HAWAII
HAWAII WALL AND CEILING INDUSTRIES ASSOCIATION
TILE CONTRACTORS PROMOTIONAL PROGRAM
PLUMBING AND MECHANICAL CONTRACTORS ASSOCIATION OF HAWAII
SHEETMETAL CONTRACTORS ASSOCIATION OF HAWAII
PAINTING AND DECORATING CONTRACTORS ASSOCIATION
PACIFIC INSULATION CONTRACTORS ASSOCIATION
ELECTRICAL CONTRACTORS ASSOCIATION OF HAWAII

The bill allows the Administrator of the Procurement Office to “[A]ssess and collect an administrative fee to cover procurement automation system costs”, subject to Chapter 91. The addition of Chapter 91 is a good amendment. (Section 3 Section 103D-206 (7)).

We are however still unclear as to how this fee is going to be assessed. Is it assessed on all bidders; successful and otherwise or is it assessed only on the successful bidder? When is it paid? As part of the bid amount or is it assessed after the completion of the contract as a separate line item? Please note that obviously any fee tacked on to the procurement submittal will have an overall cost impact to the final cost of the job and, therefore to the taxpayers and the budget. We note that while House Standing Committee Report 1081 notes that the fee would be “less than 1%” there does not appear to be any parameters about the fee in the bill. We believe there should be.

Thank you.



1088 BISHOP STREET #408
HONOLULU, HI 96813
PH: (808) 597-1216

GREGG S. SERIKAKU
EXECUTIVE DIRECTOR

March 31, 2021

Representative Sylvia Luke, Chair
Representative Ty J.K. Cullen, Vice Chair
House Committee on Finance

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

SUBJECT: SB1035 SD2 HD1 RELATING TO PROCUREMENT

My name is Gregg Serikaku, Executive Director for the Plumbing and Mechanical Contractors Association of Hawaii, and we are the State's largest association representing plumbing, air conditioning, refrigeration, steamfitter, and fire sprinkler contractors in Hawaii.

While we believe it is very important to develop a State procurement automation system, we concur with the concerns raised by the Subcontractors Association of Hawaii regarding the proposed fees to cover the costs of a procurement automation system. In this regard we are hoping that SB 1035 SD2 HD1, is clarified to designate:

- Who pays this fee?
- How is the fee paid?
- When is the fee collected?
- What is the amount of the fee?

These are important considerations for bidders and vendors who procure goods, services, and construction with the State.

Thank you for this opportunity to provide our testimony.

Respectfully yours,

A handwritten signature in black ink that reads "Gregg S. Serikaku".

Gregg S. Serikaku
Executive Director

SB-1035-HD-1

Submitted on: 3/30/2021 1:17:04 PM

Testimony for FIN on 4/1/2021 1:30:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
John D. Smith	Individual	Support	No

Comments:

I support this to be passed through legislature.