



**STATE OF HAWAII**  
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TESTIMONY  
OF  
BONNIE KAHAKUI, ACTING ADMINISTRATOR  
STATE PROCUREMENT OFFICE

TO THE SENATE COMMITTEE  
ON  
WAYS AND MEANS  
FEBRUARY 26, 2021, 9:30 AM

SENATE BILL 1035, SD1  
RELATING TO PROCUREMENT

Chair Dela Cruz, Vice Chair Keith-Agaran, and members of the committee, thank you for the opportunity to submit testimony on SB 1035 SD1, Relating to Procurement. The State Procurement Office's (SPO) is in strong support of this bill.

**Background Information and Justification**

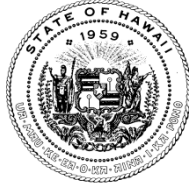
**1) Procurement Automation System**

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.

**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 HRS. Senate Bill 1035, SD1 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.



**TESTIMONY BY:**

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February 26, 2021  
9:30 A.M.  
State Capitol  
Conference Room 211  
VIA VIDEO CONFERENCE

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

Senate Committee on Ways and Means

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The Department of Transportation (DOT) **supports the intent** of the bill which establishes a procurement automation system special fund; allows the State Procurement Administrator to set procedures for final decisions on investigations of procurement policy and compliance; and authorizes the State Procurement Administrator to assess and collect an administrative fee to cover the costs of the procurement automation system.

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 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.