



**STATE OF HAWAII**  
**STATE PROCUREMENT OFFICE**  
P.O. Box 119  
Honolulu, Hawaii 96810-0119  
Tel: (808) 586-0554  
email: [state.procurement.office@hawaii.gov](mailto:state.procurement.office@hawaii.gov)  
<http://spo.hawaii.gov>

TESTIMONY  
OF  
BONNIE KAHAKUI, ACTING ADMINISTRATOR  
STATE PROCUREMENT OFFICE  
TO THE HOUSE COMMITTEE  
ON  
GOVERNMENT REFORM  
MARCH 17, 2021, 10 AM  
SENATE BILL 1035, SD2  
RELATING TO PROCUREMENT

Chair McKelvey, Vice Chair Wildberger, and members of the committee, thank you for the opportunity to submit testimony on SB 1035 SD2, Relating to Procurement. The State Procurement Office (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.

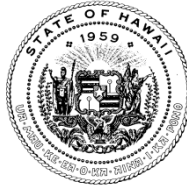
**2) Financing the Procurement Automation System**

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 Hawaii Revised Statutes. Senate Bill 1035 SD2 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.

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

March 17, 2021  
10:00 A.M.  
State Capitol  
Conference Room 309  
VIA VIDEOCONFERENCE

**S.B. 1035 S.D. 2  
RELATING TO PROCUREMENT**

House Committee on Government Reform

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The Department of Transportation (DOT) **supports the intent** of the bill which establishes and appropriates monies from the procurement automation system special fund; 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 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 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***

March 17, 2021

Testimony To: House Committee on Government Reform  
Representative Angus L.K. McKelvey, Chair

Presented By: Tim Lyons  
President

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

Chair McKelvey 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

We apologize at the outset for only weighing in halfway through the process on this bill however our research did not uncover the questionable part until recently.

The bill allows the Administrator of the Procurement Office to “[A]ssess and collect an administrative fee to cover procurement automation system costs”. (Section 3 Section 103D-206(7)).

We are 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. There does not appear to be any relationship between the assessment and collection of an administrative fee and Chapter 91 or rulemaking. The administrator merely comes up with what they believe to be a proper amount that covers the system cost and begins to assess it but again, we are not sure how, where, when or why.

Perhaps this is not an issue but until we have more information, we are raising this flag of concern.

Thank you.