

STAND. COM. REP. NO.

1081

Honolulu, Hawaii

MAR 19 , 2021

RE: S.B. No. 1035
S.D. 2
H.D. 1

Honorable Scott K. Saiki
Speaker, House of Representatives
Thirty-First State Legislature
Regular Session of 2021
State of Hawaii

Sir:

Your Committee on Government Reform, to which was referred
S.B. No. 1035, S.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO PROCUREMENT,"

begs leave to report as follows:

The purpose of this measure is to:

- (1) Establish a State Procurement Automation System Special Fund to fund the project management of the procurement automation system;
- (2) Allow the State Procurement Administrator to establish procedures for issuing the final decision on any procurement practice, procurement policy and procedures, and compliance investigations conducted by the State Procurement Office; and
- (3) Authorize the Administrator to assess and collect an administrative fee to be deposited into the State Procurement Automation System Special Fund to cover the costs of the procurement automation system.

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Your Committee received testimony in support of this measure from the Department of Transportation and State Procurement Office. Your Committee received comments on this measure from the Subcontractors Association of Hawaii.

Your Committee finds that a significant and growing number of statewide purchasing offices in other states operate using a self-funded model derived from a small percentage administrative fee included as part of statewide contracts. Your Committee further finds that, based on the State Procurement Office's past contract usage and the funding needed to implement and operate a statewide procurement automation project, the State Procurement Office proposes the implementation of less than a one percent administrative fee, beginning in fiscal year 2021-2022, to be implemented in large statewide cooperative agreements and used to pay for management of the procurement automation system.

Your Committee notes that concerns were raised on this measure because it would allow for the imposition of a fee with no input from affected members and the general public. Your Committee believes that to ensure government transparency, any fee created should be subject to the Hawaii Administrative Procedure Act before it is implemented.

Your Committee has amended this measure accordingly by:

- (1) Specifying that the assessment and collection of the administrative fee be done in accordance with the Hawaii Administrative Procedure Act;
- (2) Changing the effective date to July 1, 2112, to encourage further discussion; and
- (3) Making technical, nonsubstantive amendments for the purposes of clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Government Reform that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 1035, S.D. 2, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 1035, S.D. 2, H.D. 1, and be referred to your Committee on Consumer Protection & Commerce.



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Respectfully submitted on
behalf of the members of the
Committee on Government Reform,



ANGUS L.K. MCKELVEY, Chair

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