

STAND. COM. REP. NO. 2180

Honolulu, Hawaii

FEB 09 2022

RE: S.B. No. 2384  
S.D. 1

Honorable Ronald D. Kouchi  
President of the Senate  
Thirty-First State Legislature  
Regular Session of 2022  
State of Hawaii

Sir:

Your Committee on Government Operations, to which was referred S.B. No. 2384 entitled:

"A BILL FOR AN ACT RELATING TO HAWAII PRODUCTS PREFERENCE,"

begs leave to report as follows:

The purpose and intent of this measure is to amend the Hawaii Public Procurement Code by repealing the procurement preference for Hawaii products.

Your Committee received testimony in support of this measure from the Department of Accounting and General Services, Department of Public Safety, Department of Transportation, University of Hawai'i System, Department of Budget and Fiscal Services of the City and County of Honolulu, and the General Contractors Association of Hawaii. Your Committee received testimony in opposition to this measure from the Ulupono Initiative. Your Committee received comments on this measure from the State Procurement Office, Department of Agriculture, and one individual.

Your Committee finds that, according to the State Procurement Office, disadvantages of the preference for Hawaii products for purposes of public procurement include:

- (1) The preference violates the open competition principal of the free market, thereby increasing costs to taxpayers;



- (2) The preference discourages competition, thereby creating a smaller pool of qualified vendors; and
- (3) The administration and maintenance of the preference program increase costs to taxpayers.

Your Committee additionally finds, however, that the Hawaii products preference serves an important role with respect to agricultural goods and helps the State achieve its food production and sustainability goals.

Your Committee therefore finds that, except with respect to agricultural goods, the preference for Hawaii products is not necessary to incentivize the use and procurement of local products, it increases costs and inefficiencies, and should be repealed. Your Committee finds that the preference should remain in effect for agricultural goods to further the State's food production and sustainability goals.

Accordingly, your Committee has amended this measure by:

- (1) Retaining the Hawaii products procurement preference for locally produced agricultural goods, value-added products, and commodities;
- (2) Amending section 1 to reflect its amended purpose; and
- (3) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Government Operations that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2384, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2384, S.D. 1, and be referred to your Committee on Judiciary and your Committee on Ways and Means.



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



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SHARON MORIWAKI, Chair



The Senate  
 Thirty-First Legislature  
 State of Hawai'i

**Record of Votes**  
**Committee on Government Operations**  
**GVO**

Bill / Resolution No.:* <b>SB 2384</b>	Committee Referral: <b>GVO, JDC/WAM</b>	Date: <b>1/27/22</b>		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
MORIWAKI, Sharon Y. (C)	X			
DELA CRUZ, Donovan M. (VC)	X			
CHANG, Stanley				X
GABBARD, Mike	X			
FEVELLA, Kurt	X			
<b>TOTAL</b>	<b>4</b>			<b>1</b>
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature:				
<b>Distribution:</b> Original    Yellow    Pink    Goldenrod File with Committee Report    Clerk's Office    Drafting Agency    Committee File Copy				

\*Only one measure per Record of Votes