

Honolulu, Hawaii

FEB 14 2022

RE: S.B. No. 3350  
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. 3350 entitled:

"A BILL FOR AN ACT RELATING TO PROCUREMENT,"

begs leave to report as follows:

The purpose and intent of this measure is to require that any procurement change order that increases contract cost by more than fifty percent, or substantially increases the scope of work, shall be considered a new contract for procurement purposes.

Your Committee received testimony in opposition to this measure from the Department of Transportation.

Your Committee finds that procurement, particularly in the procurement of construction work, often suffers from runaway costs and expansion of project scope due to change orders. This is not to say that all change orders are unnecessary, since construction is a dynamic endeavor.

However, your Committee finds that, where a change order increases the contract cost by more than fifty percent or increases the scope of work in a substantial manner, it effectively results in a new and additional procurement that bypasses the procurement process. This is antithetical to promoting an open and competitive process that is the bedrock of procurement law.



Accordingly, your Committee finds that this measure will increase accountability in the procurement process by prohibiting change orders that result in a fundamentally new procurement. This will promote competition in procurement and ensure that taxpayer dollars are maximized.

Your Committee notes the testimony of the Department of Transportation, which urges your Committee to provide procuring agencies with discretion to approve certain change orders that exceed the limitations imposed by this measure when it is in the best interest of the State.

Your Committee has therefore amended this measure by:

- (1) Clarifying that the Chief Procurement Officer may approve a work order that increases contract cost by more than fifty percent, or substantially increases the scope of work, in a written justification if it is found to be in the best interest of the State;
- (2) Inserting an effective date of July 1, 2050, to encourage further discussion; and
- (3) Making technical, nonsubstantive amendments for the purposes of clarity and conformance.

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. 3350, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 3350, S.D. 1, and be referred to your Committees on Ways and Means and Judiciary.

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



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 3350</b>	Committee Referral: <b>GVO, WAM / JDC</b>	Date: <b>02/03/22</b>
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The Committee is reconsidering its previous decision on this measure.  
 If so, then the previous decision was to: \_\_\_\_\_

The Recommendation is:

Pass, unamended 2312     
  Pass, with amendments 2311     
  Hold 2310     
  Recommit 2313

Members	Aye	Aye (WR)	Nay	Excused
MORIWAKI, Sharon Y. (C)	<input checked="" type="checkbox"/>			
DELA CRUZ, Donovan M. (VC)	<input checked="" type="checkbox"/>			
CHANG, Stanley	<input checked="" type="checkbox"/>			
GABBARD, Mike	<input checked="" type="checkbox"/>			
FEVELLA, Kurt	<input checked="" type="checkbox"/>			
<b>TOTAL</b>	<b>5</b>			

Recommendation:  Adopted       Not Adopted

Chair's or Designee's Signature:  


Distribution:      Original      Yellow      Pink      Goldenrod  
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**\*Only one measure per Record of Votes**