



**STATE OF HAWAII
STATE PROCUREMENT OFFICE**

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TESTIMONY
OF
BONNIE KAHAKUI, ACTING ADMINISTRATOR
STATE PROCUREMENT OFFICE

TO THE HOUSE COMMITTEE
ON
FINANCE

February 24, 2022, 11:00AM

HOUSE BILL 1974 HD1
RELATING TO PROCUREMENT

Chair Luke, Vice Chair Yamashita, and members of the committees, thank you for the opportunity to submit testimony on HB1974 HD1. The State Procurement Office (SPO) supports this bill and offers the following comments:

The State of Hawaii does not have a formal small business program or any collected metrics to assist in understanding the small business landscape in the State. This initiative would provide the vital data that is missing to enable responsible decision-making on any formal small business program going forward.

SPO already worked on developing the Hawaii Awards & Notices Data System (HANDS) database that could be modified to allow for registration of small business owners. HANDS is an effort to have a one-stop-shop, searchable database of all open solicitations from State agencies and political subdivisions. The data collected through the initiative will allow the SPO and Legislature to observe and track small business participation in State contracts for the first time.

Historical Background. On January 6, 2007, interim administrative rules, HAR chapter 3-124 Subchapter 9, Small Business Preference Rules became effective, however, due to the complexity and confusion about the rules, and the lack of appropriate business matrices and available data, agencies were not able to implement the small business program, even after the Hawaii Procurement Institute's 2009 training was conducted. Not able to resolve some of the issues outlined in the November 18, 2010, Procurement Policy Board Agenda Meeting Item IV, the rules were allowed to expire on February 24, 2011.

Reference: <http://spo.hawaii.gov/wp-content/uploads/2013/12/November-Agenda.pdf>

In 2014, the SPO sent out a survey to multiple communities asking for their thoughts on how the program should work. SPO received responses from 1500 small business owners, advocates, and State Agencies, identifying the needs a small business office would fill. Of the 26 State and agency

personnel, the top two topics were 1) how to identify suitable projects and 2) how to identify small businesses.

The survey received 505 responses from small business owners who stated that the top three barriers for them doing business with the State were 1) compliance, 2) procurement process and 3) red tape/paperwork. Of the 40 Small Business Advocate entities, 88% were in support of a State Small Business Office.

The survey also identified the need for Small Business self-identification, and the sub-sets that should be focused on by the State: veterans, women-owned, and Native Hawaiian-owned businesses.

In 2018, the SPO competitively procured and awarded a Competitive Sealed Proposals (RFP) contract to Solutions Pacific, LLC to provide State Small Business Office Services to help effectuate the State's new Small Business Assistance Initiative pursuant to Act 42 of 2017 Sessions of Law Hawaii (SLH). Act 42 (SLH 2017) allocated \$250,000 for fiscal year 2017-2018 for assisting small businesses to be used to: (1) complete the State Small Business Database; (2) for the establishment of a full-time equivalent temporary Small Business Procurement Coordinator in the SPO; and (3) for the hiring of a local small business to operate and maintain the Small Business Office and for marketing of and outreach for the Small Business Assistance Initiative. The original award amount was \$800,000 and the award was made to the highest evaluated, existing for-profit small business, that is owned by a native Hawaiian and female small business. Small business, for the purpose of the RFP issued was defined as a company that has a three-year average total receipt of \$7,500,00 or less.

Unfortunately, this contract was terminated for convenience, effective May 31, 2019, as a result of HB1188, SLH 2019 not advancing through the Legislature, which meant that Act 42 (SLH 2017) for the State Small Business Office Services program would not be funded for the second and third years of the planned three-year initiative.

Without the funding, the SPO determined that continued outreach efforts would be a futile endeavor knowing there was no support by the Legislature for the Small Business Assistance Initiative to enable implementation of part IX (assistance to small businesses), Chapter 103D, Hawaii Revised Statutes. In response to the contract's cancellation, Solutions Pacific submitted a final 478-page report of recommendations and the progress of the initiative to the SPO, which also included:

- An Awareness Campaign to increase awareness, outreach, and active engagement in the small business target market;
- Baseline Survey(s) to small businesses, advocates, and procurement workforce;
- Small Business Office Webpage (www.hawaiisbo.org which expired on July 2, 2020) and Social Media Account(s) initially to be setup on Facebook and LinkedIn;
- Procedures for Handling Registration Disputes based on the Small Business Database eligibility questions as well as a possible way(s) to overcome the dispute;
- Customer Support to potential small business vendors, the public, and other small business stakeholders (with customer service contact logs for March and April 2019);
- Small Business Newsletter (planned but not executed) and Email Campaign(s);

- Small Business Advocate Matrix identifying a network of small business advocates in the State; and
- Data Collection Mechanisms to Track Progress of Initiative.

In 2019, the SPO launched the Small Business Initiative Database on HANDS pursuant to Act (SLH 2017). Unfortunately, the Small Business Initiative did not receive the necessary funding and Act 42 (SLH 2017) sunset on June 30, 2020, resulting in only Phase I out of III being completed for a total of \$44,879.57. Here is a summary of Phases I, II, and III:

Phase	Description
Phase I	Small Business (SB) registration form, vendor emails, System Administrator and Vendor views, searches, and detail pages.
Phase II	SB landing page as well as SB vendor and System Administrator dashboards.
Phase III	SB Administrator Role, announcements, and reports.

The HANDS Small Business Database has remained intact by the SPO and may become active when a full eProcurement system is implemented. A robust eProcurement system would reduce costs, promote transparent spending, increase productivity, reduce substantial paperwork, increase transaction efficiency, standardized buying, and reduce errors. More importantly for this purpose, an eProcurement system will enable buyers to easily implement set-asides and preferences without a tremendous time-burden, as well as automatically calculate the percentage achieved against Executive Memo 08-02, issued on May 20, 2008, “requiring that 20% of State contracts be procured by either creating set-aside for small businesses with contractors suitable for performance by small businesses or by requiring the use of small businesses as subcontractors on large contracts.” As of February 22, 2022, there was a total of 362 Small Businesses self-registered on the database.

Reference: <https://hands.ehawaii.gov/hands/smallbusiness>.

Based on SPO’s findings, addressing small business concerns must include the infrastructure and resources needed to understand and help this unique community. The knowledge and metrics gathered through the proposed initiative will form the basis of all future small business legislation.

Monies estimated for a successful implementation of this initiative is as follows:

- (1) \$115,000 shall be used to complete the Phase II and III of the state small business database;
- (2) \$126,000 **per year** of the initiative shall be used for the establishment of one full-time equivalent (1.00 FTE) permanent small business procurement coordinator position exempt from chapter 76, Hawaii Revised Statutes, in the state procurement office **for the full period of the initiative**; and
- (3) \$125,000 **per year** of the initiative shall be used for the hiring of a local small business to operate and maintain the small business office and for marketing of and outreach for the small business assistance initiative **for the full period of the initiative**.

Thank you.

DAVID Y. IGE
GOVERNOR



CRAIG K. HIRAI
DIRECTOR

GLORIA CHANG
DEPUTY DIRECTOR

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EMPLOYEES' RETIREMENT SYSTEM
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
OFFICE OF THE PUBLIC DEFENDER

ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND
MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

WRITTEN ONLY
TESTIMONY BY CRAIG K. HIRAI
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE HOUSE COMMITTEE ON FINANCE
ON
HOUSE BILL NO. 1974, H.D. 1

February 24, 2022
11:00 a.m.
Room 308 and Videoconference

RELATING TO PROCUREMENT

The Department of Budget and Finance (B&F) offers comments on House Bill (H.B.) No. 1974, H.D. 1.

H.B. No. 1974, H.D. 1, establishes the Small Business Assistance Initiative within the State Procurement Office (SPO), to consist of a Small Business Procurement Coordinator and Small Business Office. The measure appropriates unspecified general funds in FY 23 to SPO for this purpose.

B&F notes that, with respect to the general fund appropriation in this bill, the federal Coronavirus Response and Relief Supplemental Appropriations Act requires that states receiving Elementary and Secondary School Emergency Relief (ESSER) II funds and Governor's Emergency Education Relief II funds must maintain state support for:

- Elementary and secondary education in FY 22 at least at the proportional level of the state's support for elementary and secondary education relative to the state's overall spending, averaged over FYs 17, 18 and 19; and

- Higher education in FY 22 at least at the proportional level of the state's support for higher education relative to the state's overall spending, averaged over FYs 17, 18 and 19.

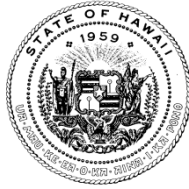
Further, the federal American Rescue Plan (ARP) Act requires that states receiving ARP ESSER funds must maintain state support for:

- Elementary and secondary education in FY 22 and FY 23 at least at the proportional level of the state's support for elementary and secondary education relative to the state's overall spending, averaged over FYs 17, 18 and 19; and
- Higher education in FY 22 and FY 23 at least at the proportional level of the state's support for higher education relative to the state's overall spending, averaged over FYs 17, 18 and 19.

The U.S. Department of Education has issued rules governing how these maintenance of effort (MOE) requirements are to be administered. B&F will be working with the money committees of the Legislature to ensure that the State of Hawai'i complies with these ESSER MOE requirements.

Thank you for your consideration of our comments.

DAVID Y. IGE
GOVERNOR



TESTIMONY BY:

JADE T. BUTAY
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February 24, 2022
11:00 a.m.
State Capitol, Teleconference

H.B. 1974, H.D.1
RELATING TO PROCUREMENT

House Committee on Finance

The Hawaii Department of Transportation (DOT) supports H.B. 1974, H.D. 1 because it will enhance opportunities for small businesses to compete for government contracts.

The purpose of this bill is to establish a small business assistance initiative and small business procurement coordinator within the State Procurement Office to, among other things, collect and maintain data from the small business database, The small business assistance initiative, through the small business office, will provide training, and facilitate opportunities for small businesses to network with larger companies, resource partners, business organizations, and other small business advocates.

The DOT's Disadvantaged Business Enterprise (DBE) program is a federally mandated small business initiative that provides business opportunities within DOT's contracting marketplace to minority- and women-owned small businesses. The proposed small business assistance initiative closely aligns with the mission and objectives of the DBE program. DOT will work with the small business office to develop a robust network of resource partners and service providers that collaboratively provide opportunities for small businesses to grow and become successful in the state and federal contracting arena.

Thank you for the opportunity to provide testimony.



February 22, 2022
Senator Donovan M. Dela Cruz
Chairman, Senate Committee on Ways and Means,

Re: Testimony in **Support of SB1065 SD2**

Aloha Chair Dela Cruz, Vice Chair Keith-Agaran, and the members of the Senate Committee on Ways and Means,

Mahalo for the opportunity to submit testimony on behalf of Ka Leo O Nā 'Ōpio, a collaboration of individuals and organizations dedicated to Native Hawaiian youth civic engagement.

Our 'ōpio advocacy team is **testifying in support** of this bill. By appropriating marketing monies to each individual county, we believe there is a unique opportunity for our tourism industry and the broader community to find a symbiotic relationship at the local level.

Although tourism largely impacts Hawaii's economy, the presence of tourists can often be disruptive to the lives of community members as outsiders to a deeply rooted culture different from that of tourists. In the past, HTA's focus seemed to be more on branding the Hawaiian Islands rather than preserving the Hawaiian culture and strengthening our local communities. These marketing efforts have led to the expansion of hotel properties (i.e. Residence Inn by Marriott in Kapolei which has since urbanized this city) instead of leaving the already limited vacant lands to build structures such as affordable housing or youth community centers.

Giving more power to the individual counties instead of HTA provides more opportunities for Native Hawaiians to be represented in the decision making process. Our image as a people have been morphed by tourism for purely entertainment purposes. However, our Native Hawaiian communities hold a powerful culture and history that needs to be portrayed accurately and effectively through the marketing of tourism. Native Hawaiians should not only be the hula dancers or lei makers that you see in Waikīkī but an integral part in displaying our unique connection with the 'aāna, kai, our history, and pride in our native heritage.

This shift in approach to tourism and improvement of the tourist-local community relationship can most successfully be executed through the passage of this Senate Bill, SB1065 SD2.

Mahalo again for the opportunity to provide this testimony.



Native Hawaiian Chamber of Commerce

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February 23, 2022

Hearing Date: February 24, 2022

Time: 11:00 a.m.

Location: Room 308 & Videoconference

To: The Honorable Chair Sylvia Luke
House Committee on Finance

The Honorable Vice Chair Kyle T. Yamashita
House Committee on Finance

Re: Testimony in SUPPORT of House Bill 1974, Relating to Procurement

Aloha Chair Luke, Vice Chair Yamashita and Members of the House Committee on Finance:

The Native Hawaiian Chamber of Commerce (NHCC) strongly supports HB 1974 which establishes the small business assistance initiative within the state procurement office and provides funding for a small business procurement coordinator and small business office.

Founded in 1974, and with over 200 members across the State of Hawai'i, NHCC's mission is to *mālama Native Hawaiians in business and commerce through leadership, relationships and connections to economic resources and opportunities*. Based on both research and anecdotal evidence, it is clear that Native Hawaiians are extremely underrepresented among business owners. As we endeavor to fulfill our mission and tackle the challenges Native Hawaiian-owned businesses face, we believe we believe that our members (many of whom are Native Hawaiian small business owners) would greatly benefit if this measure becomes law.

At the Federal level, we have seen first-hand the invaluable assistance provided to small businesses that participate in the various Federal small business contracting programs, including the 8(a) Business Development, HUBZone, Women-Owned, and Service Disabled Veteran-Owned Programs. The resources and preferences provided through these programs help small businesses qualify for and obtain Federal contracts that they otherwise would not have access to. This enables small businesses to build their experience and capabilities, create jobs, and establish strong businesses. These programs provide a helpful frame of reference and have data that speak to each program's effectiveness with respect to the target group(s).

Other states have successfully created their own state procurement programs that target specific underrepresented and vulnerable groups, similar to those which HB 1974 focuses on. To that

end, NHCC firmly believes that a small business program in the State of Hawaii is long overdue and could provide much-needed support to our local business community. We have consistently heard concerns from our small business members about challenges with finding, pursuing and qualifying for State contract opportunities. We believe the provisions in HB 1974 will help identify these problems and provide solutions, based on metrics and data, to help ensure small businesses are able to successfully obtain State small business contracting opportunities.

According to the U.S. Small Business Administration (SBA) Office of Advocacy's Small Business 2021 Profile for the State of Hawaii, there are over 130,000 small businesses in the State, of which roughly 81,500 are minority-owned, 8,100 are veteran-owned, and 48,500 are women-owned.¹ These figures demonstrate that there is a significant number of small businesses that could benefit from a State small business program.

Unfortunately, other than data from Federal agencies, such as the U.S. Small Business Administration and U.S. Census Bureau, there is not a lot of information about our local small businesses, particularly: 1) Native Hawaiian-owned businesses; and 2) businesses that seek contract opportunities with the State. We strongly believe that data is needed to not only create a successful small business program, but moreover to provide the assistance and support that our small businesses need. To that end, we are pleased to note that in providing for the collection of relevant information and data, HB 1974 recognizes the importance of data collection and metrics.

All the provisions outlined in HB 1974, including the establishment of the small business assistance initiative, small business office, and small business procurement coordinator position within the state procurement office, are crucial first steps to establishing successful policies and recommendations relevant to State contract opportunities and an effective state small business program.

Again, we strongly urge the passage of HB 1974. Thank you for your time and the opportunity to submit testimony.

Mahalo,



Shannon H. Edie
President
Native Hawaiian Chamber of Commerce

¹ <https://cdn.advocacy.sba.gov/wp-content/uploads/2021/08/30141859/Small-Business-Economic-Profile-HI.pdf>