



STATE OF HAWAII
STATE PROCUREMENT OFFICE

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TESTIMONY
OF
BONNIE KAHAKUI, ACTING ADMINISTRATOR
STATE PROCUREMENT OFFICE

TO THE SENATE COMMITTEE
ON
WAYS AND MEANS

April 8, 2022, 10:30AM

HOUSE BILL 1974 HD1, SD1
RELATING TO PROCUREMENT

Chair Dela Cruz, Vice Chair Keith-Agaran, and members of the committees, thank you for the opportunity to submit testimony on HB1974 HD1, SD1. The State Procurement Office (SPO) supports the intent of this bill and appreciates the amendments made by the previous committee to SECTIONS 3 and 4 of the current bill clarifying that the Small Business Initiative will be for five years from the date of enactment and appropriating funding to further promote small business participation in government contracting opportunities.

The State of Hawaii does not have a formal small business program or substantive 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.

In 2019, the SPO launched the Small Business Initiative Database on the Hawaii Awards & Notices Data System (HANDS) pursuant to Act 42 (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 three phases being completed. 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. Completed. Reference: https://hands.ehawaii.gov/hands/smallbusiness
Phase II (unfunded)	SB landing page as well as SB vendor and System Administrator dashboards.
Phase III (unfunded)	SB Administrator Role, announcements, and reports.

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 5-year 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** shall be used for the establishment of one full-time equivalent (1.00 FTE) small business procurement coordinator position exempt from chapter 76, Hawaii Revised Statutes, in the state procurement office **as a permanent position**; 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 5-year initiative**.

For more information, please see attached *Historical Background for Small Business*.

Thank you.

Historical Background for Small Business

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.

Historical Background for Small Business (continued)

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.hawaiiisbo.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.

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.

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 April 6, 2022, there was a total of 116 Small Businesses self-registered on the database.

DAVID Y. IGE
GOVERNOR



CRAIG K. HIRAI
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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 SENATE COMMITTEE ON WAYS AND MEANS
ON
HOUSE BILL NO. 1974, H.D. 1, S.D. 1

April 8, 2022
10:30 a.m.
Room 211 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, S.D. 1.

H.B. No. 1974, H.D. 1, S.D. 1, establishes the Small Business Assistance Initiative (SBAI) within the State Procurement Office (SPO), to consist of a Small Business Procurement Coordinator (SBPC) and Small Business Office (SBO). The SBAI is to facilitate the collection and development of relevant data and information to assist small businesses, and the term of the initiative shall be five years from the enactment of this measure.

The measure appropriates \$366,000 in general funds in FY 23 to SPO for the SBAI, provided that the sum appropriated shall be used as follows: 1) \$115,000 to complete the State small business database as provided by Act 42, SLH 2017, prior to its repeal; 2) \$126,000 for the establishment of one permanent full-time equivalent SBPC position in the SPO; and 3) \$125,000 for the hiring of a local small business to operate and maintain the SBO and for the marketing and outreach of the SBAI for the full term of the five-year initiative.

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:

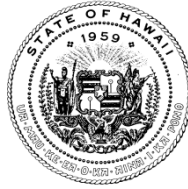
- Elementary and secondary education in FY 22 at least at the proportional level of the state's support for elementary and secondary education relative to the state's overall spending, averaged over FYs 17, 18 and 19; and
- Higher education in FY 22 at least at the proportional level of the state's support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



TESTIMONY BY:

JADE T. BUTAY
DIRECTOR

Deputy Directors
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April 8, 2022
10:30 a.m.

State Capitol, Room 211 & Videoconference

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

Senate Committee on Ways and Means

The Hawaii Department of Transportation (HDOT) supports H.B. 1974, H.D. 1, S.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.

HDOT supports appropriating \$115,000 to complete the small business database, \$126,000 for the establishment of one permanent full-time equivalent small business procurement coordinator, and \$125,000 for the retention of a local small business to operate and maintain the small business office to provide marketing and outreach for the small business initiative.

The HDOT's Disadvantaged Business Enterprise (DBE) program is a federally mandated small business initiative that provides business opportunities within HDOT'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. HDOT 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.



STATE OF HAWAII
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TESTIMONY ON HOUSE BILL 1974, HD1, SD1 RELATING TO PROCUREMENT

PRESENTATION TO THE

SENATE COMMITTEE ON WAYS AND MEANS

BY

MR. RONALD P. HAN JR. DIRECTOR OF THE STATE OFFICE OF VETERANS
SERVICES

APRIL 8, 2022

Chair Dela Cruz, Vice-Chair Keith-Agaran, and members of the Committee.

I'm Ron Han, Director of the State Office of Veterans Services (OVS). I appreciate this opportunity to provide testimony **in Support** of the concepts in House Bill 1974, HD1, SD1.

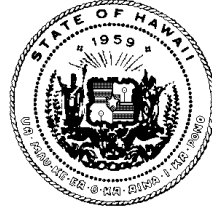
This measure establishes the small business initiative within the State Procurement Office, to consist of a small business procurement coordinator and a small business office. This will help to create, develop, and implement strategies to facilitate small businesses owned by Veterans, Native Hawaiians and women to be able to effectively participate in small business contracting opportunities throughout the State.

The OVS supports the intent expressed in this measure as long as its implementation does not impact or replace the priorities set forth in the Executive Budget.

Thank you for this opportunity to provide testimony on behalf of Hawaii's Veterans and their families.

Point of Contact: Ron Han/ email: ronald.p.han@hawaii.gov / (808) 433-0422.

LATE



‘O kēia ‘ōlelo hō’ike no ke
Komikina Kūlana Olakino o Nā Wāhine

Testimony on behalf of the
**Hawai‘i State Commission on the Status of
Women**

Support for H.B. 1974 HD 1, SD1
April 7, 2022

Dear Chair Dela Cruz, Vice Chair Keith-Agaran, and Honorable Members,

The Hawai‘i State Commission on the Status of Women **supports** H.B. 1974, HD1, SD1 which establishes the small business assistance initiative within the state procurement office, to consist of a small business procurement coordinator and small business office.

This bill could help women and women-owned small businesses recover short-term from the challenges of capitalism and sexism that have been aggravated by the covid-19 pandemic. To be successful, this bill should also be accompanied by restoration of funding and enhanced investment in agencies, initiatives and programs that support the female workforce in Hawai‘i.

Sincerely,

Hawai‘i State Commission on the Status of Women

LEGISLATIVE TESTIMONY

Senate Committee on Ways and Means

HB1974 HD1 SD1 – RELATING TO PROCUREMENT

Friday, April 8, 2022, 10:30am, Rm 211 & Videoconference

The Council for Native Hawaiian Advancement (CNHA) submits testimony in **SUPPORT** of HB1974, HD1 SD1, which establishes a small business assistance initiative within the State Procurement Office and specifies that a contract shall be awarded to a Native Hawaiian-owned, veteran-owned, or female-owned small business to oversee the operations and maintenance of the small business office.

CNHA appreciates the Legislature’s attention to the value of Native Hawaiian, veteran, and woman-owned small businesses and their capacity to effect positive change on Hawai’i’s business environment for the greater benefit of the State’s economy and its impact on resident quality of life. By elevating these businesses to a level of oversight, CNHA hopes that this initiative will serve as a vehicle to further uplift businesses owned by individuals from historically marginalized communities.

Accordingly, the Council for Native Hawaiian Advancement urges the Committee to **PASS** HB1974, HD1 SD1. Mahalo nui for this opportunity to provide testimony on this measure.

Respectfully,

J. Kūhiō Lewis
CEO, Council for Native Hawaiian Advancement

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April 7, 2022

Aloha, Senator Donovan M. Dela Cruz, Chair; Senator Gilbert S.C. Keith-Agaran, Vice Chair, and members of the Committee on Ways and Means:

I am writing to express my **support** of HB1974 HD1 SD1 related to procurement.

I am a part Hawaiian entrepreneur, journalist, and advocate of Hawaii's innovation sector. I am also a member of the Native Hawaiian Chamber of Commerce, the Council for Native Hawaiian Advancement, and the Chamber of Commerce Hawaii.

I believe investing in our small businesses pays big dividends in the long run, especially as our state begins to make tangible moves towards a more sustainable, diversified local economy.

Establishing a small business assistance initiative, similar to those already in place at the federal level, is crucial, particularly for Native Hawaiian-owned, Women-owned, and Service Disabled Veteran-owned businesses.

Please pass HB 1974 HD1 SD1 to level the playing field for small, local and underserved businesses in Hawaii.

Mahalo for your consideration.



Ryan Kawailani Ozawa