



UNIVERSITY OF HAWAII SYSTEM

Legislative Testimony

Testimony Presented Before the
House Committee on Government Reform
February 9, 2022 at 9:30 a.m.

By
Jan Gouveia
Vice President for Administration
University of Hawai'i

HB 2068 – RELATING TO HAWAII PRODUCTS

Chair McKelvey, Vice Chair Wildberger, and members of the committee:

The University of Hawai'i is in support of HB 2068, Relating to Hawaii Products.

In the last several years, there have been no situations where the Hawai'i Products Preference has changed the award of a project. The University supports the idea of exempting construction from the Hawai'i Products Preference as this would streamline the bid preparation and bid award phases for projects.

Thank you for the opportunity to testify in support of HB 2068.

DAVID Y. IGE
GOVERNOR



BONNIE KAHAKUI
ASSISTANT ADMINISTRATOR

**STATE OF HAWAII
STATE PROCUREMENT OFFICE**

P.O. Box 119
Honolulu, Hawaii 96810-0119
Tel: (808) 586-0554
email: state.procurement.office@hawaii.gov
<http://spo.hawaii.gov>

TESTIMONY
OF
BONNIE KAHAKUI, ACTING ADMINISTRATOR
STATE PROCUREMENT OFFICE

TO THE SENATE COMMITTEE
ON
GOVERNMENT REFORM

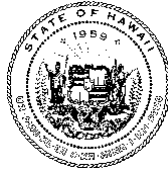
February 9, 2022, 9:30 A.M.

HOUSE BILL 2068
RELATING TO HAWAII PRODUCTS

Chair McKelvey, Vice Chair Wildberger, and members of the committee, thank you for the opportunity to submit testimony on House Bill 2068. The State Procurement Office (SPO) supports the measure with comments.

Most of the listed Hawaii Products are in the Construction and Soil Amendments category, where vendors acquire aggregates locally for use in various construction mixes. In this case, with vendors using the same sources for aggregates and raw materials, everyone qualifies for the Hawaii Products list. This defeats the purpose of the preference and creates extra work for each vendor who must complete and submit form SPO-038, Certification for Hawaii Product Preference.

Thank you



STATE OF HAWAII
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES
P.O. BOX 119, HONOLULU, HAWAII 96810-0119

WRITTEN TESTIMONY
OF
CURT T. OTAGURO, COMPTROLLER
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES
TO THE
HOUSE COMMITTEE
ON
GOVERNMENT REFORM

WEDNESDAY, FEBRUARY 9, 2022, 9:30 A.M.
CONFERENCE ROOM 309, STATE CAPITOL

H.B. 2068

RELATING TO HAWAII PRODUCTS

Chair McKelvey, Vice Chair Wildberger, and Members of the Committee, thank you for the opportunity to submit testimony on H.B. 2068. The Department of Accounting and General Services (DAGS) strongly supports the proposed legislation to exempt construction procurements from this requirement for the following reasons:

- It has achieved its goal with respect to construction procurements.

When this preference was first enacted, there were issues with the availability and price competitiveness of local construction materials; those issues do not exist today in Hawaii's construction industry. Contractors and subcontractors have indicated that they would now choose to use Hawaii Products even without the incentive provided by this preference.

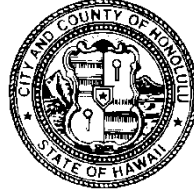
- There are also other reasons to use Hawaii products, such as LEED conformance requirements for the use of regionally extracted/manufactured products associated with new construction.

- It is contrary to the legislature’s goal to increase the efficiency, effectiveness, and economy of the public works construction procurement process.
 - It reduces the efficiency of the construction procurement process due to the difficulty of determining whether it is being fairly assessed. Some bidders claim the preference by providing a lump sum price (instead of using the appropriate unit of measure for the material) or claim a quantity which is very different from that of other bidders. Since some differences in quantity can be attributed to the contractor’s method of work, it is difficult to determine when a bidder is attempting to gain a competitive advantage using this preference by skewing the pricing of Hawaii products.
 - It is no longer effective because it is not required to incentivize the use of Hawaii products in construction.
 - It is not economical because the public no longer benefits from the added construction cost associated with application of the preference.

We believe this incentive is no longer required to encourage use of Hawaii Products for construction. Exempting construction procurement from section 103D-1002, Hawaii Revised Statutes, will help increase the economy, efficiency, effectiveness, and impartiality of the public works construction procurement process.

Thank you for the opportunity to submit testimony on this matter.

RICK BLANGIARDI
MAYOR



ANDREW T. KAWANO
DIRECTOR

CARRIE CASTLE
DEPUTY DIRECTOR

TESTIMONY OF ANDREW T. KAWANO
DIRECTOR OF BUDGET AND FISCAL SERVICES
CITY AND COUNTY OF HONOLULU
BEFORE THE HOUSE COMMITTEE ON GOVERNMENT REFORM
February 9, 2022, 9:30 AM, Conference Room 309 and Videoconference

TO: The Honorable Angus L.K. McKelvey, Chair
and Members of the House Committee on Government Reform

RE: SUPPORT OF HOUSE BILL 2068, RELATING TO HAWAII PRODUCTS

The Department of Budget and Fiscal Services, City and County of Honolulu (City), **supports** House Bill 2068, Relating to Hawaii Products.

All preferences under the Hawaii Public Procurement Code require additional time and resources to review and analyze offers. This complicates and further delays the procurement process, increases chances for protest and complaints, and increases costs to the City. Any bid preference will promote inefficiencies and possibly lead to instances where applying a preference could result in awarding a contract that is actually higher than the lowest bid.

For the reasons stated above, the City supports House Bill 2068.

Mahalo for the opportunity to testify on this bill. Should you have any questions or concerns, please feel free to contact the Department of Budget & Fiscal Services' Division of Purchasing at 808-768-5535 or bfspurchasing@honolulu.gov.

HB-2068

Submitted on: 2/8/2022 10:10:24 AM

Testimony for GVR on 2/9/2022 9:30:00 AM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Christine Kinimaka	DAGS	Support	Yes

Comments:

I am available for comments in support of DAGS' written testimony as submitted.

BOARD OF WATER SUPPLY

CITY AND COUNTY OF HONOLULU
630 SOUTH BERETANIA STREET
HONOLULU, HI 96843
www.boardofwatersupply.com



February 9, 2022

RICK BLANGIARDI, MAYOR

BRYAN P. ANDAYA, Chair
KAPUA SPROAT, Vice Chair
RAY C. SOON
MAX J. SWORD
NA'ALEHU ANTHONY

JADE T. BUTAY, Ex-Officio
DAWN B. SZEWCZYK, Designate Ex-Officio

ERNEST Y. W. LAU, P.E.
Manager and Chief Engineer

ELLEN E. KITAMURA, P.E.
Deputy Manager and Chief Engineer

The Honorable Angus L. K. McKelvey, Chair
and Members
Committee on Government Reform
House of Representatives
Hawaii State Capitol, Room 309
Honolulu, Hawaii 96813

Dear Chair McKelvey and Members:

Subject: House Bill 2068: Relating to Hawaii Products

The Honolulu Board of Water Supply (BWS) supports House Bill (HB) 2068, which proposes to exempt construction procurements from section 103D-1002, Hawaii Revised Statutes (HRS).

The BWS supports exempting construction from the Hawai'i Products Preference. The purpose of section 103D-1002, HRS, is to incentivize contractors and subcontractors to use Hawaii products. Instead it has had unintended consequences in decreasing the efficiencies of the procurement process. Removing this preference would streamline the bidding process.

Thank you for the opportunity to provide testimony in support of HB 2068.

Very truly yours,

ERNEST Y. W. LAU, P.E.
Manager and Chief Engineer

1065 Ahua Street
Honolulu, HI 96819
Phone: 808-833-1681 FAX: 839-4167
Email: info@gcahawaii.org
Website: www.gcahawaii.org



GCA of Hawaii

GENERAL CONTRACTORS ASSOCIATION OF HAWAII

Quality People. Quality Projects.

Uploaded via Capitol Website

February 9, 2022

TO: HONORABLE ANGUS MCKELVEY, CHAIR, HONORABLE TINA WILDBERGER, VICE CHAIR, COMMITTEE ON GOVERNMENT REFORM

SUBJECT: **SUPPORT OF H.B. 2068, RELATING TO HAWAII PRODUCTS.** Exempts construction procurements from section 103D-1002, Hawaii Revised Statutes.

HEARING

DATE: Wednesday, February 9, 2022
TIME: 9:30 a.m.
PLACE: Capitol Room 309

Dear Chair McKelvey, Vice Chair Wildberger and Members of the Committee,

The General Contractors Association of Hawaii (GCA) is an organization comprised of approximately six hundred (600) general contractors, subcontractors, and construction related firms. The GCA was established in 1932 and is the largest construction association in the State of Hawaii. The GCA's mission is to represent its members in all matters related to the construction industry, while improving the quality of construction and protecting the public interest.

GCA is in **support** of H.B. 2068, which exempts construction procurements from section 103D-1002, Hawaii Revised Statutes, as it applies to construction procurements.

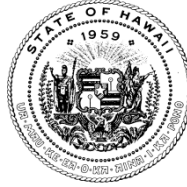
The purpose of section 103D-1002, HRS, is to incentivize contractors and subcontractors to use Hawaii products to support the local industry. However, the incentive has had unintended consequences including increased construction costs, decreased efficiency of the procurement process, and increased the chances for protests. The preference has been difficult to evaluate and removing this preference will simplify the construction procurement process.

The GCA agrees with the justification sheet provided by the Department of Accounting and General Services for this measure. Specifically, that the preference should be removed from the procurement process for construction because it is no longer needed to incentivize Hawaii products and does not justify the increase in construction cost when the preference is applied. Additionally, the preference is contrary to the Legislature's goal to increase the economy, efficiency, effectiveness, and impartiality of the public works construction procurement process.

For these reasons we ask that the Committee pass this measure.

Thank you for this opportunity to testify in support of this measure.

DAVID Y. IGE
GOVERNOR



TESTIMONY BY:

JADE T. BUTAY
DIRECTOR

Deputy Directors
ROSS M. HIGASH
EDUARDO P. MANGLALLAN
PATRICK H. MCCAIN
EDWIN H. SNIFFEN

STATE OF HAWAII
DEPARTMENT OF TRANSPORTATION
869 PUNCHBOWL STREET
HONOLULU, HAWAII 96813-5097

Wednesday, February 9, 2022
9:30 A.M.
State Capitol
Conference Room 309
VIA VIDEOCONFERENCE

H.B. 2068
RELATING TO HAWAII PRODUCTS

House Committee on Government Reform

The Department of Transportation (DOT) **supports** the proposed bill to amend subsection (i) in Section 103D-1002, Hawaii Revised Statutes, exempting construction procurements from the requirements of Section 103D-1002, Hawaii Revised Statutes, related to Hawaii Products; amending the language to add conditional requirements, of at least one condition, pertaining to the application would disqualify any governmental agency from receiving federal funds or aid; or solicitation is for construction.

The preference for Hawaii products was established to encourage the use of Hawaii products by bidders to support local industries. Contractors and subcontractors bidding public works projects have indicated it has become a common practice to source products locally due to availability and pricing, which levels the playing field for all vendors. In addition, if the original intent of the preference has basically been met, the continued practice of applying the bid adjustment for the preference in the bid evaluation only, thereby impacting the bid order used for the determination of award, directly adds to the cost of construction to the State and taxpayers. If, in fact, contractors and subcontractors no longer require the added incentive to use Hawaii products, the value and benefits of the preference are no longer significant as it relates to increasing economy, efficiency, and effectiveness for public works construction. Awarding contracts, at possibly higher costs based on the preference adjustment, is not in the best interest of the State and taxpayers.

The application of preferences, like Hawaii products, on construction have been direct issues of protest for DOT projects. An example is the 2020 Maalo Road Resurfacing, Mile Post 1.0 to Mile Post 2.0 Project which was delayed more than 120 days because of a protest in part on the interpretation of the Hawaii Products Preference. Protests negatively impact timely project delivery that may increase costs and present further

delays, which adversely affect the scheduled completion of projects for the State and its communities.

Thank you for the opportunity to provide testimony.