

DAVID Y. IGE
Governor

JOSH GREEN
Lt. Governor



PHYLLIS SHIMABUKURO-GEISER
Chairperson, Board of Agriculture

MORRIS M. ATTA
Deputy to the Chairperson

State of Hawaii
DEPARTMENT OF AGRICULTURE
1428 South King Street
Honolulu, Hawaii 96814-2512
Phone: (808) 973-9600 FAX: (808) 973-9613

**TESTIMONY OF PHYLLIS SHIMABUKURO-GEISER
CHAIRPERSON, BOARD OF AGRICULTURE**

**BEFORE THE SENATE COMMITTEES ON JUDICIARY
AND
WAYS AND MEANS**

**MARCH 2, 2022
9:30 P.M.
VIA VIDEOCONFERENCE**

**SENATE BILL NO. 2384 SD1
RELATING TO HAWAII PRODUCTS PREFERENCE**

Chairpersons Rhoads, Dela Cruz and Members of the Committees:

Thank you for the opportunity to testify on Senate Bill 2384 SD1. This measure amends the procurement preference for Hawaii products to only apply to agricultural goods, value-added products, and commodities. The Department appreciates the amendments made by the previous committee to preserve the preference for Hawaii made agricultural goods, value-added products, and commodities. The preference for locally grown agricultural products serves an important role in achieving the State's food production and sustainability goals. The Department supports this measure and otherwise defers to the State Procurement Office regarding its impact on the procurement process.

Thank you for the opportunity to testify on this measure.





**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>
Twitter: [@hawaiispo](https://twitter.com/hawaiispo)

TESTIMONY
OF
BONNIE KAHAKUI, ACTING ADMINISTRATOR
STATE PROCUREMENT OFFICE

TO THE SENATE COMMITTEES
ON
JUDICIARY
AND
WAYS AND MEANS

March 2, 2022, 9:30 A.M.

SENATE BILL 2384 SD1
RELATING TO HAWAII PRODUCTS PREFERNCE

Chair Rhoads, Chair Dela Cruz, Vice-Chair Keohokalole, Vice Chair Keith-Agaran, and members of the committees, thank you for the opportunity to submit testimony on SB2384 SD1. The State Procurement Office (SPO) submits the following comments:

The Hawaii Products preference should be removed from the procurement process for construction services because it is no longer required to incentivize the use of Hawaii products and therefore does not justify the increase in construction cost when the preference is applied.

When HRS §103D-1002 was enacted in 1994, it was intended to encourage the use of Hawaii products, which may not have been as price-competitive and/or available in the quantities required to meet construction industry needs. Currently, 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.

Reference: <https://spo.hawaii.gov/for-vendors/hawaii-product-preferences/>.

In this case, with vendors using the same local sources for aggregates and raw materials, all construction vendors qualify for the Hawaii Products list, which defeats the purpose of the preference since pursuant to HAR §3-124-5(b), "...no preference shall be considered when only registered Hawaii products are offered." As a result, the preference creates extra work for each vendor who must complete and submit form SPO-038, *Certification for Hawaii Product Preference*, pursuant to the Hawaii products notice contained in solicitations where this preference is applicable (i.e., public works construction solicitations).

In 2019, SPO sent out a brief survey to registered vendors to gather information about their experience with the Hawaii Products program, only 13 vendors (out of 49 vendors contacted) responded. The average respondent gave a neutral score of 3.3 out of 5 on a usefulness scale of Hawaii Product Preference. Seven out of 13 vendors responded that they used Hawaii Product Preference in State Solicitations in the last 24 months.

Additionally, when the preference is applied, it sometimes results in increased cost of construction to the State, due to a change in market conditions over the years since the enactment of the original legislation. For the State public works division, the preference has also increased the amount of staff time to evaluate/apply the preference and has decreased the efficiency of the construction procurement process because it can be difficult for agencies to determine whether it is being fairly assessed/applied. For instance, some bidders claim the preference by providing a lump sum price (instead of using the appropriate unit for the material) or have a quantity which is very different from that of other bidders. Since some differences in quantity is due to the contractor's method of work, it is difficult for agencies to discern when a bidder is attempting to gain a competitive advantage using this preference by skewing the pricing of the Hawaii products.

Based on SPO's findings that the Hawaii Products preference is no longer necessary in the construction procurement process, the following amendments to HRS §103D-1002(i) and adding a new subsection (l) are proposed as follows:

“(i) This section shall not apply [~~whenever its~~] when at least one of the following conditions is met: (1) Its application will disqualify any governmental agency from receiving federal funds or aid [-]; or (2) The solicitation is for public works construction.”

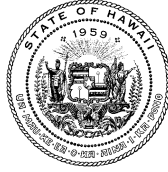
“(l) The department of accounting and general services shall notify, in writing, all vendors of construction products who are registered on the Hawaii Products List with the state procurement office of any amendments to section 103D-1002, including effective dates and dates of repeal.”

With respect to the Hawaii product preference for agricultural goods, to provide a metric for determining whether a product is eligible for the preference or not, the SPO proposes the following amendment to HRS §103D-1001's definition of "Hawaii input" as follows:

““Hawaii input” means the part of the cost of a product that is attributable to production, manufacturing, or other expenses arising within the State. “Hawaii input” includes but is not limited to: (1) The cost to mine, excavate, produce, manufacture, raise, [~~or~~] grow, assemble or fabricate the materials in Hawaii;”

Thank you.

DAVID Y. IGE
GOVERNOR



CURT T. OTAGURO
COMPTROLLER
AUDREY HIDANO
DEPUTY COMPTROLLER

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

SENATE COMMITTEES
ON
WAYS AND MEANS
AND
JUDICIARY

WEDNESDAY, MARCH 2, 2022, 9:30 A.M.
CONFERENCE ROOM 211, STATE CAPITOL

S.B. 2384, S.D. 1

RELATING TO HAWAII PRODUCTS PREFERENCE.

Chairs Dela Cruz and Rhoads, Vice Chairs Keith-Agaran and Keohokalole, and members of both Committees, thank you for the opportunity to submit testimony on S.B. 2384, S.D. 1.

The Department of Accounting and General Services (DAGS) strongly supports the intent of this bill, and we appreciate the revisions which eliminate this preference as it applies to construction.

The elimination of this preference as it applies to construction will simplify the solicitation documents, increase the efficiency of the bid evaluation process, and eliminate the possibility of the State paying more for construction without justifiable benefit due to application of the Hawaii products preference.

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



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March 2, 2022

HEARING BEFORE THE
SENATE COMMITTEE ON WAYS AND MEANS
SENATE COMMITTEE ON JUDICIARY

TESTIMONY ON SB 2284, SD1
RELATING TO HAWAII PRODUCTS PREFERENCE

Conference Room 211 & Videoconference
9:30 AM

Aloha Chairs Dela Cruz and Rhoads, Vice Chairs Keith-Agaran and Keohokalole, and Members of the Committees:

I am Brian Miyamoto, Executive Director of the Hawai'i, Farm Bureau (HFB). Organized since 1948, the HFB is comprised of 1,800 farm family members statewide and serves as Hawai'i's voice of agriculture to protect, advocate and advance the social, economic, and educational interests of our diverse agricultural community.

The Hawaii Farm Bureau supports SB 2284, SD1, which amends the procurement preference for Hawaii products to only apply to agricultural goods, value-added products, and commodities.

HFB strongly supports the increased use of locally grown agricultural products, fruits, vegetables, meats, dairy, and poultry products in our schools and other public institutions.

In 2009, the State enacted ACT 175 which gave Hawaii agricultural products a price preference and included Hawaii agricultural products under the State's procurement code. HFB believed that an agricultural producers' price preference for bidding presented a competitive advantage. This included enjoyment of the small business preference rule that permits an agency to identify certain contracts for competition among small businesses or requires a large business to subcontract with small businesses to provide the products. We believed that the preference helped cultivate a level playing field with out-of-state bidders and created additional market opportunities for Hawai'i's farmers and small businesses

Thank you for the opportunity to provide our comments and thank you for your continued support of Hawai'i's agricultural community.



UNIVERSITY OF HAWAII SYSTEM

Legislative Testimony

Testimony Presented Before the
Senate Committee on Ways and Means
And
Senate Committee on Judiciary
March 2, 2022 at 9:30 a.m.

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

SB 2384 SD1 – RELATING TO HAWAII PRODUCTS PREFERENCE

Chairs Dela Cruz and Rhoads, Vice Chairs Keith-Agaran and Keohokalole, and members of the committees:

The University of Hawai'i is in support of SB 2384 SD1, Relating to Hawaii Products Preference.

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

The SD1 version of SB 2384 narrowed the application of the Hawai'i Products Preference to "agricultural goods, value-added products, and commodities" instead of eliminating the preference in its entirety. Should this measure continue to move forward, the University recommends that definitions of these terms be added to the bill as "value-added products" and "commodities" could be broadly construed with a nearly limitless application without additional clarification.

Thank you for the opportunity to testify in support of SB 2384 SD1.



Email: communications@ulupono.com

SENATE COMMITTEES ON JUDICIARY AND WAYS & MEANS
Wednesday, March 2, 2022 — 9:30 a.m.

Ulupono Initiative supports SB 2384 SD 1, Relating to Hawai'i Products Preference.

Dear Chair Rhoads, Chair Dela Cruz, and Members of the Committees:

My name is Micah Munekata, and I am the Director of Government Affairs at Ulupono Initiative. We are a Hawai'i-focused impact investment firm that strives to improve the quality of life throughout the islands by helping our communities become more resilient and self-sufficient through locally produced food; renewable energy and clean transportation; and better management of freshwater and waste.

Ulupono supports SB 2384 SD 1, which amends the procurement preference for Hawai'i products to only apply to agricultural goods, value-added products, and commodities.

Ulupono supports the Senate Draft 1, specifically as it relates to Hawai'i agricultural products. Maintaining this agricultural preference directly supports Act 175 and Act 176 passed by the State Legislature in 2021 to increase local food purchases by state institutions. Through Act 175, SLH 2021, the State Legislature tasked the Department of Education to serve school meals containing 30% locally sourced ingredients by 2030, supporting farm to school efforts to increase local, nutritious product consumption for our keiki and provide a consistent local market for Hawai'i's farmers and ranchers. Through Act 176, SLH 2021, the State Legislature expanded its commitment across all state institutions by mandating a 50% locally sourced meals by 2050 goal. Last year marked an important State commitment to supporting local producers and local communities.

We understand that cheap imported products from the continental U.S. constantly challenge local food product prices. Hawai'i's small farm size and high input costs make it challenging to compete with large mainland producers that can scale operations to achieve low market prices. Hawai'i producers need all possible support in order to compete with imports, including government policies such as a local procurement preference.

Thank you for this opportunity to testify.

Respectfully,

Micah Munekata
Director of Government Affairs

Investing in a Sustainable Hawai'i

SB-2384-SD-1

Submitted on: 2/28/2022 12:31:10 PM

Testimony for JDC on 3/2/2022 9:30:00 AM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Bev Brody	Testifying for Get Fit Kauai	Support	No

Comments:

Thank you for the opportunity to submit testimony. Get Fit Kauai strongly supports SB2384.



Food+ Policy Internship 2022

food@purplemaia.org

February 27, 2022

To: Chair Dela Cruz, Vice Chair Keith Agaran, Chair Rhoads, Vice Chair Keohokalole and Senate committee members

Subject: SB2384 SD1 RELATING TO HAWAII PRODUCTS PREFERENCE AS AMENDED

Aloha e Chair Rhoads, Vice Chair Keohokalole, and Senate members of the JDC Committee and Chair Dela Cruz, Vice Chair Keith-Agaran, and Senate Members of the WAM Committee.

We respectfully **SUPPORT SB2384 SD1 Relating to Hawaii Products Preference, AS AMENDED** which amends the procurement preference for Hawaii products to apply to the procurement of agricultural goods, value-added products, and commodities.

We at Hawaii Food + Policy appreciates the prioritization and support for Hawaii producers of “agricultural goods, value-added products, and commodities (Haw. Rev. Stat. § 103D-1010),” through consideration of the passing of this bill. Incentivizing Hawaii local producers through this amendment will increase opportunities for Hawaii local producers to expand into government market sectors such as State institutions. The passing of this bill may provide risk reduction of introduced invasive species and diseases through imported produce, plants and animals.

More Hawaii legislative action is needed to better promote and support the growth and expansion for Hawaii based companies including those in the agriculture and construction industries by laws such as Haw. Rev. Stat. § 103D-1010.

Challenges faced by Hawaii producers will not be solved with the passing of this bill, however with continued legislative actions, and amendments to state and county policies, this support will help level the competition Hawaii producers have with imports.

The Food+ Policy internship develops student advocates who learn work skills while increasing civic engagement to become emerging leaders. We focus on good food systems policy because we see the importance and potential of the food system in combating climate change and increasing the health, equity, and resiliency of Hawai'i communities.

In 2022, the cohort of interns are undergrads and graduate students from throughout the UH System. They are a mix of traditional and nontraditional students, including parents and veterans, who have backgrounds in education, farming, public health, nutrition, and Hawaiian culture.



Food+ Policy Internship 2022

food@purplemaia.org

Food + Policy respectfully supports passing SB2384SD1 as amended as it applies to the procurement of agricultural goods, value-added products, and commodities.

Thank you for this opportunity to testify. We request your consideration to retain language for Hawaii products as it applies to the procurement of agricultural goods, value-added products, and commodities.

Mahalo,

Hawai'i Food + Policy
#fixourfoodsystem

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SB-2384-SD-1

Submitted on: 2/27/2022 12:07:59 PM

Testimony for JDC on 3/2/2022 9:30:00 AM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Thomas Brandt	Individual	Support	No

Comments:

Support!

#fixourfoodsystem