

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 HOUSE COMMITTEE
ON
GOVERNMENT REFORM
March 16, 2022; 9:00 A.M.

SENATE BILL 3040, SD2
RELATING TO PROCUREMENT

Chair McKelvey, Vice Chair Wildberger, and members of the committee, thank you for the opportunity to submit testimony on Senate Bill 3040, SD2. The State Procurement Office (SPO) strongly supports this bill to increase transparency and efficiency in procurement.

As stated in its testimony submitted on the original version of this bill, the SPO has digitized its processes and conducted business online to improve its level of customer service, and it seeks to transition to an online procurement automation system (eProcurement System) as a self-funded model to stay on par with industry standards. A procurement automation system, which is an accounting-oriented, multi-module, data-based system that integrates all procurement activities from solicitation to contract management, will provide the following benefits and more:

Maximized administrative efficiency and resources (one-stop-shop for government buyers and vendors)

- Automated government policy and guidance (built-in adaptable technology to remain compliant with policy)
- Improved user-friendly procurement templates
- Increased competition (more competition means lower costs)
- Managed spending (leverage buying power, monitor compliance)
- Validated data (spend data)
- Mitigated risks from nonconforming contracts
- Improved transparency and accountability (less off-contract/non-catalog spend)

SB 3040 SD2 describes how the procurement automation system can be a self-funded model. If a self-funded model is not used, the cost would be approximately \$5 million for implementation, plus an additional \$500,000 to \$1 million for annual licenses.

Thank you.

DAVID Y. IGE
GOVERNOR



CRAIG K. HIRAI
DIRECTOR

GLORIA CHANG
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE
P.O. BOX 150
HONOLULU, HAWAII 96810-0150

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 GOVERNMENT REFORM
ON
SENATE BILL NO. 3040, S.D. 2

March 16, 2022
9:00 a.m.
Room 309 and Videoconference

RELATING TO PROCUREMENT

The Department of Budget and Finance (B&F) offers comments on Senate Bill (S.B.) No. 3040, S.D. 2.

S.B. No. 3040, S.D. 2, authorizes the State Procurement (SP) Administrator to develop and administer Procurement Automation Systems (PAS) and assess, charge, and collect a transaction fee from all vendors using the PAS; establishes a SP Automation System Special Fund (SPASSF); and amends Section 103D-1010, HRS, to conform with the amendments made to Section 103D-1001, HRS, by Act 55, SLH 2021. PAS is defined to mean an eProcurement, accounting-oriented, multi-module, data-based system that integrates procurement activities from solicitation to contract management. The measure also appropriates unspecified general funds in FY 23 to the SP Office (SPO) to fund 5.00 full-time equivalent (FTE) Purchasing Specialist positions, of which 1.00 FTE position shall manage the PAS within the SPO.

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.

Additionally, regarding the establishment of the SPASSF, as a matter of general policy, B&F does not support the creation of special funds which do not meet the requirements of Section 37-52.3, HRS. Special funds should: 1) serve a need as demonstrated by the purpose, scope of work and an explanation why the program

cannot be implemented successfully under the general fund appropriation process;

2) reflect a clear nexus between the benefits sought and charges made upon the users or beneficiaries or a clear link between the program and the sources of revenue;

3) provide an appropriate means of financing for the program or activity; and

4) demonstrate the capacity to be financially self-sustaining. In regard to S.B. No. 3040, S.D. 2, it is difficult to determine whether the special fund meets the criteria to establish a special fund.

Thank you for your consideration of our comments.

DAVID Y. IGE
GOVERNOR OF HAWAII



ELIZABETH A. CHAR, M.D.
DIRECTOR OF HEALTH

STATE OF HAWAII
STATE COUNCIL
ON DEVELOPMENTAL DISABILITIES
PRINCESS VICTORIA KAMĀMALU BUILDING
1010 RICHARDS STREET, Room 122
HONOLULU, HAWAII 96813
TELEPHONE: (808) 586-8100 FAX: (808) 586-7543
March 16, 2022

The Honorable Representative Angus L.K. McKelvey, Chair
House Committee on Government Reform
The Thirty-First Legislature
State Capitol
State of Hawai'i
Honolulu, Hawai'i 96813

Dear Representative McKelvey and Committee Members:

SUBJECT: SB3040 SD2 Relating to Procurement

The Hawaii State Council on Developmental Disabilities **STRONGLY SUPPORTS SB3040 SD2**, which authorizes the State Procurement Administrator to develop and administer procurement automation systems and assess, charge, and collect a transaction fee from all vendors using the procurement automation systems. Establishes the state procurement automation system special fund. Amends section 103D-1010, HRS, to conform with the amendments made to section 103D-1001, HRS, by Act 55, SLH 2021.

This measure will correct a conflict in the procurement code relating to Qualified Community Rehabilitation Programs (QCRP). Act 055 of the 2021 Hawaii legislative session removed 14c certificates from the requirement of being a QCRP program under 103D-1001 of the procurement code and replaced it with: "Maintains a disabled to non-disabled employee ratio equal to or greater than one to three at all times. To ensure integrated employment of individuals with disabilities, this one-to-three ratio is to include all levels of employment, management, and sub-contracting."

The employee ratio language in procurement code 103D-1010 needs to be removed to conform with the amendment made to section 103D-1001 by Act 55, Session Laws of Hawaii 2021. We support the changes on page 9 lines 10 and 12-16.

Thank you for the opportunity to submit testimony in **strong support of SB3040 SD2**.

Sincerely,

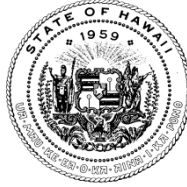
A handwritten signature in blue ink that reads "Daintry Bartoldus".

Daintry Bartoldus

SB3040 Relating to Procurement
February 03, 2022
Page 2 of 2

Executive Administrator

DAVID Y. IGE
GOVERNOR



TESTIMONY BY:

JADE T. BUTAY
DIRECTOR

Deputy Directors
ROSS M. HIGASHI
EDUARDO P. MANGALLAN
PATRICK H. MCCAIN
EDWIN H. SNIFFEN

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

March 16, 2022
9:00 A.M.
State Capitol, Teleconference

**S.B. 3040, S.D. 2
RELATING TO PROCUREMENT**

House Committee on Government Relations

The Department of Transportation, Highways Division (DOT-HWY), **supports** this bill that would authorize the State Procurement Administrator to develop and administer procurement automation systems and assess, charge, and collect a transaction fee from all vendors using the procurement automation systems; establish a procurement automation system special fund; and amends section 103D-1010, Hawaii Revised Statutes (HRS), to conform with the amendments made to section 103D-1001, HRS, by Act 55, SLH 2021 and Appropriates funds.

Prior to the pandemic, DOT-HWY bid and proposal document submissions for goods, services, and construction above the small purchase limits were physically submitted in hard copy sealed envelope to the department, either in person, or through post or courier.

Since the pandemic, the DOT-HWY has made available both the solicitation documents as well as allowed for the submission of bid and proposal documents through the state electronic procurement system, HlePRO.

Having a procurement automation system would benefit the DOT-HWY. During fiscal year 2021, DOT-HWY had bid openings for forty-five (45) projects, with contract amounts totaling approximately \$200 million.

Thank you for the opportunity to provide testimony.



**Testimony to the House Committee on Government Reform
Representative Angus McKelvey, Chair
Representative Tina Wildberger, Vice-Chair
Wednesday, March 16, 2022, 9:00 a.m.
Via Videoconference; Room 309
SB 3040, SD2, Relating to Procurement**

Dear Chair McKelvey, Vice-Chair Wildberger, and members of the GVR Committee:

On behalf of the Hawai'i Alliance of Nonprofit Organizations, I would like to offer our testimony in opposition to parts of SB 3040, SD2, Relating to Procurement.

Hawai'i Alliance of Nonprofit Organizations (HANO) is a statewide, sector-wide professional association of nonprofits. Our mission is to unite and strengthen the nonprofit sector as a collective force to improve the quality of life in Hawai'i. Our member organizations provide essential services to every community in the state.

SB 3040, SD2 would also authorize the State Procurement Office to develop and administer procurement automation systems and assess a transaction fee, reportedly not to exceed 2.5%, from all vendors using the systems. HANO opposes any such transaction fee imposed on the purchase of health and human services provided by nonprofit organizations. Unlike private for-profit businesses, nonprofit organizations bid on State contracts to help deliver needed services to communities, families, or individuals which are intended to maintain or improve health or social well-being, rather than to make a profit. Providers will often spend their own funds, raised via charitable donations, fundraising, or grants, to provide the services under a State contract which will cover only part of the budget. To put additional fees on a nonprofit will only result in less services being provided to Hawaii's needy.

As such, HANO requests that Section 4, page 7, lines 1-3 of the SD1 be amended to exempt procurements made under Chapter 103F, HRS, from the imposition of transaction fees as follows:

"(8) Assess, charge, and collect a transaction fee for the use of the procurement automation systems to cover procurement automation system costs; **provided contracts awarded pursuant to Chapter 103F shall be exempt from the transaction fee."**

Mahalo for the opportunity to provide written testimony.

Lisa Maruyama
President and CEO