



**STATE OF HAWAII
STATE PROCUREMENT OFFICE**

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TESTIMONY
OF
BONNIE KAHAKUI, ACTING ADMINISTRATOR
STATE PROCUREMENT OFFICE

TO THE HOUSE COMMITTEE
ON
CONSUMER PROTECTION & COMMERCE

March 22, 2022, 2:00 P.M.

SENATE BILL 3369, SD2, HD1
RELATING TO PROCUREMENT

Chair Johanson, Vice Chair Kitagawa, and members of the committee, thank you for the opportunity to submit testimony on Senate Bill 3369 SD2, HD1. The State Procurement Office (SPO) appreciates the intent of the bill and welcomes the opportunity to be an active participant in the Procurement Services Consolidation Working Group, which shall develop a plan for the phased consolidation of all state executive branch procurement services and staff within five years.

The SPO offers the following comments:

- The Procurement Services Consolidation Working Group should exclude the Department of Education, which is highly complex and specialized, covering goods, services, professional services, health and human services, food, and construction.

The DOE operates as its own procurement jurisdiction with the DOE Superintendent as its Chief Procurement Office. DOE is its own jurisdiction and has its own Procurement and Contracts branch for goods and services, Facilities and Operations branch for construction, and School Food Services for meal programs.

Procurement for the Department of Education (DOE) is highly specialized; and each school has its unique needs for its students. Under the present budgeting system, operating funds for purchases are allocated to each school. Each school and office initiate their own purchase orders up to their statutory monetary authorization and funds available. Schools and state-level offices determine their own needs, what to purchase, and from whom. Although the Department permits each school and office to make its

own purchasing decisions, it requires all purchases conform to state laws, State Procurement Board rules, and DOE policies and procedures.

The SPO recommends the following revisions:

SECTION 1, (1), Page 1, lines 12-17:

“(1) Establish a working group to develop a plan for the phased in consolidation of procurement services and staff within executive branch agencies within a five-year timespan, excluding the department of education, Hawaii health systems corporation, University of Hawaii, and office of Hawaiian affairs;”

SECTION 2, (a) (1), Page 2, lines 8-12:

(1) Develop a plan for a five-year phased in consolidation, under the state procurement office, of all state executive branch procurement services and staff, except the department of education, Hawaii health systems corporation, University of Hawaii, and office of Hawaiian affairs.”

SECTION 2, (b) (2), Page 3, line 19 to Page 4, line 2:

(2) The head of each principal executive branch department, or that person’s designee, excepting the department of education, Hawaii health systems corporation, University of Hawaii, and office of Hawaiian affairs.”

- The working group should be allowed to determine what level of consolidation and procurement support should be provided to suit each State agency’s unique needs for best practices.

For example, construction procurement requires highly specialized expertise and professional services in the area of planning, design, architecture, engineering, and construction, and should remain with agencies that procure and oversee construction. Having construction procurement in a centralized format may not be beneficial.

- The working group will need to consider unique procurement that have federal program or grant requirements. For example, the federal Coronavirus Response and Relief Supplemental Appropriations Act has specific compliance requirements on the use of those specific federal funds.
- The SPO appreciates the continued discussion on the merits of this bill and an appropriation amount that would support the activities for the phased consolidation of state executive branch procurement services. Senate Bill 3369, SD1, contained an appropriation amount of \$250,000, which is the best estimate that the SPO can provide.

As stated in our previous testimony, the SPO suggests that the final report by the Procurement Services Consolidation Working Group including the following:

- Certified Training Program
The development and implementation of a certified training program would ensure that all procurement staff take the necessary training to conduct procurement correctly. The training certification program would be multi-tiered based on methods of dollar thresholds and number of classes or contact hours, with training renewal to occur every five years.
- Procurement Automation System (eProcurement)
The implementation of a procurement automation system, which is an accounting-oriented, multi-module, data-based system that integrates all procurement activities from solicitation to contract management, should be part of a centralized procurement environment. This procurement automation system will mitigate errors and risk, increase efficiency, and maximize resources. The SPO requests that the Legislature consider language regarding the procurement automation system in Senate Bill 3040, SD1.

Thank you

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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 CONSUMER PROTECTION & COMMERCE
ON
SENATE BILL NO. 3369, S.D. 2, H.D. 1

March 22, 2022
2:00 p.m.
Room 329 and Videoconference

LATE

RELATING TO PROCUREMENT

The Department of Budget and Finance (B&F) offers comments on Senate Bill (S.B.) No. 3369, S.D. 2, H.D. 1.

S.B. No. 3369, S.D. 2, H.D. 1, establishes a Procurement Services Consolidation Working Group (PSCWG), which shall develop a plan for the phased consolidation, under the State Procurement Office (SPO), of all State Executive Branch procurement services and staff within five years, except those of the Hawai'i Health Systems Corporation, University of Hawai'i, and Office of Hawaiian Affairs; and requires the PSCWG to recommend ways to attract high quality procurement professionals to the State. The bill also appropriates unspecified general funds in FY 23 to SPO to support the activities of PSCWG, including the hiring of staff and creation of a phased consolidation plan.

Regarding the concept of a phased consolidation of procurement services within SPO, B&F has concerns that an unintended consequence of consolidating procurement services for such a large number of agencies may hinder the responsiveness to individual impacted agencies.

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.