



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

February 22, 2022, 10:00 A.M.

SENATE BILL 3369 SD1
RELATING TO PROCUREMENT

Chair Dela Cruz, Vice Chair Keith-Agaran, and members of the committee, thank you for the opportunity to submit testimony on Senate Bill 3369 SD1. 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, except those of the Department of Education, Hawaii Health Systems Corporation, University of Hawaii, and Office of Hawaiian Affairs under the State Procurement Office.

The SPO offers the following comments:

- 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.

As stated in its testimony on the SB 3369, the original version of this bill, the SPO suggests that the final report by the Procurement Services Consolidation Working Group including the following:

- Recruitment and Retention of Qualified Procurement Professionals
Recommendations to attract high-quality procurement professionals to work for the State of Hawaii should address both recruitment, retention, and competitive compensation of high-quality procurement professionals. The SPO has found that after its investment of training in procurement professionals, several are often lured by promotions and/or higher-paying procurement positions in the private sector. The Working Group will need the collaboration of the Department of Budget & Finance and the Department of Human Resources and Development on addressing these issues.
- 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

DAVID Y. IGE
GOVERNOR



CRAIG K. HIRAI
DIRECTOR

GLORIA CHANG
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE
P.O. BOX 150
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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
SENATE BILL NO. 3369, S.D. 1

February 22, 2022
10:00 a.m.
Room 211 and Videoconference

RELATING TO PROCUREMENT

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

S.B. No. 3369, S.D. 1, establishes a Procurement Services Consolidation Working Group (PSCWG), which shall develop a plan for the phased consolidation of all State Executive Branch procurement services and staff within five years, except those of the Department of Education, Hawai'i Health Systems Corporation, University of Hawai'i, and Office of Hawaiian Affairs, under the State Procurement Office (SPO); and requires the PSCWG to recommend ways to attract high quality procurement professionals to the State. The bill also appropriates \$250,000 in 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.

B&F notes that, with respect to the general fund appropriation in this bill, that 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.

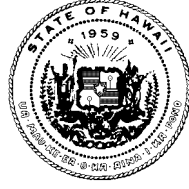
Further, the federal American Rescue Plan (ARP) Act requires that states receiving ARP ESSER funds must maintain state support for:

- 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.

DAVID Y. IGE
GOVERNOR



CATHY BETTS
DIRECTOR

JOSEPH CAMPOS II
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES

P. O. Box 339
Honolulu, Hawaii 96809-0339

February 20, 2022

TO: The Honorable Senator Donovan M. Dela Cruz, Chair
Senate Committee on Ways & Means

FROM: Cathy Betts, Director

SUBJECT: **SB 3369 SD1 - RELATING TO PROCUREMENT.**

Hearing: Tuesday, February 22, 2022, 10:00 a.m.
Via Videoconference, State Capitol

DEPARTMENT'S POSITION: The Department of Human Services (DHS) appreciates the intent of this measure, requests an amendment, and provides the following comments. The Department defers to the Department of Accounting & General Services.

PURPOSE: The purpose of this bill is to establish a procurement services consolidation working group to develop a plan for the phased consolidation of all state executive branch procurement services and staff within five years, except those of the Department of Education, Hawaii Health Systems Corporation, University of Hawaii, and Office of Hawaiian Affairs under the State Procurement Office (SPO). Requires the working group to recommend ways to attract high quality procurement professionals to the State. Appropriates moneys.

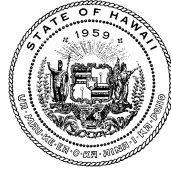
The Department appreciates exploring improving procurement efficiency statewide by consolidating services and staff. However, the Department respectfully requests an amendment that DHS be excluded from the consolidation plans because its procurement requires highly specialized expertise in subject matter areas that are somewhat unique to DHS.

The Department procurements result in the current management of approximately 200 contracts providing specialized program services to families and individuals the Department

serves. The Director of the Department of Human Services has delegated varying levels of procurement authority to DHS employees allowing each program to conduct a range of procurement transactions. These employees have completed the required SPO training to procure and manage service contracts for various specialized DHS program services, including child welfare, youth and adult protective and community services, vocational rehabilitation services, homelessness services, Medicaid, Supplemental Nutrition Assistance Program (SNAP), child care services, and Temporary Assistance for Needy Families (TANF).

DHS currently maintains a hybrid procurement structure with delegated procurement authority provided to the division and program levels supported by a procurement unit in the Department's fiscal management office. This decentralized structure with program specialists involved in all aspects of the procurement process ensures that each contract meets the needs of specific program goals and objectives, which often involve complying with various federal funding and grant requirements, including numerous reporting requirements.

Thank you for the opportunity to provide testimony on this bill.



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 COMMITTEE
ON
WAYS AND MEANS

TUESDAY, FEBRUARY 22, 2022, 10:00 A.M.
VIA VIDEOCONFERENCE, STATE CAPITOL

S.B. 3369, S.D. 1

RELATING TO PROCUREMENT

Chair Dela Cruz, Vice Chair Keith-Agaran, and Members of the Committee, thank you for the opportunity to submit testimony on S.B. 3369, S.D. 1. The Department of Accounting and General Services (DAGS) appreciates the intent of this bill and offers the following comments.

This bill presumes that the procurement needs of all Executive Branch agencies except the Department of Education, Hawaii Health Systems Corporation, and the University of Hawaii are formulaic and mandates consolidation of procurement expertise. DAGS contends that, for construction procurement in particular, this is not universally beneficial for all of the remaining Executive Branch agencies, which is also why DAGS has opposed past proposals to recentralize all construction procurement within one primary agency.

Certain agencies have unique additional procurement requirements that cannot be incorporated into a one-size-fits-all format. Failure to meet these requirements may jeopardize

the agencies' mission and programmatic support. This is particularly true for agencies with federal program and/or grant requirements.

DAGS recommends the following revision to S.B.3369, S.D. 1: On Page 2, SECTION 2, (a)(1), refine the scope of the plan so it excludes construction procurement from centralized procurement:

" (1) Develop a plan for the phased consolidation of all state executive branch procurement services and staff within five years, except with the exception of all construction procurement, the department of education, Hawaii health systems corporation, University of Hawaii, and office of Hawaiian affairs, under the state procurement office. The plan shall include:"

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