

JOSH GREEN, M.D.
GOVERNOR



KEITH T. HAYASHI
SUPERINTENDENT

STATE OF HAWAII
DEPARTMENT OF EDUCATION
KA 'OIHANA HO'ONA'AUAO
P.O. BOX 2360
HONOLULU, HAWAII 96804

Date: 01/30/2024

Time: 02:00 PM

Location: 309 VIA VIDEOCONFERENCE

Committee: House Education

Department: Education

Person Testifying: Keith T. Hayashi, Superintendent of Education

Title of Bill: HB 2620 RELATING TO DEPARTMENT OF EDUCATION
PROCUREMENT.

Purpose of Bill: Exempts Department of Education purchases of local edible produce and packaged food products less than \$100,000 from the electronic procurement system requirement. Requires at least three written quotes for Department of Education purchases of local edible produce and packaged food products between \$15,000 to less than \$100,000.

Department's Position:

The Hawaii State Department of Education (Department) supports HB 2620.

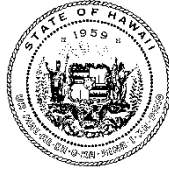
This bill will increase the School Food Services Branch's small purchase procurement capacity and flexibility to procure more locally grown produce to aid in the Department's progress to meet the legislatively mandated local farm-to-school ingredients purchasing goals.

The Department recognizes that the bill will require back-end tracking of expenditures on specific produce items to stay within the \$15,000 to \$100,000 cost range to avoid the risk of parceling. The Department also recognizes the necessity of gathering competitive bids to comply with small purchase procurement requirements.

This bill will further support the Department in dealing with the inflationary pressures that have increased the cost of goods.

Thank you for the opportunity to testify on this measure.

JOSH B. GREEN, M.D.
GOVERNOR
KE KIA'ĀINA



BONNIE KAHAKUI
ACTING ADMINISTRATOR

STATE OF HAWAI'I | KA MOKU'ĀINA O HAWAI'I
STATE PROCUREMENT OFFICE

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TESTIMONY
OF
BONNIE KAHAKUI, ACTING ADMINISTRATOR
STATE PROCUREMENT OFFICE

TO THE HOUSE COMMITTEE
ON
EDUCATION
January 30, 2024, 2:00 PM

HOUSE BILL 2620
RELATING TO DEPARTMENT OF EDUCATION PROCUREMENT

Chair Woodson, Vice Chair La Chica, and members of the committee, thank you for the opportunity to submit testimony on House Bill 2620. The State Procurement Office (SPO) supports the bill's objective to raise the small purchase threshold for the Department of Education's (DOE) local edible produce and packaged food products procurement from \$25,000 to \$100,000, aligning with small purchase procedures outlined in §103D-305, Hawaii Revised Statutes (HRS). However, the SPO strongly opposes the bill's provision exempting the DOE from conducting small purchases exceeding \$25,000 through an electronic system, as proposed in Section 1, page 2, lines 6 through 8, and Section 2, page 2, lines 12 through 20.

The SPO provides the following comments and recommendations:

Comments: The SPO is concerned that allowing the DOE to solicit only three quotes may lead to parceling, violating ethical public procurement principles that ensure equal opportunities for all individuals to compete in a fair and transparent setting. This approach may result in repeatedly selecting the same vendors, hindering others from participating in the procurement process. Moreover, reliance on paper or manual processes lacks transparency and clear accountability.

If the DOE encounters specific goods or services for which competitive procurement is impractical or disadvantageous to the State, existing statutes and rules, such as HRS §103D-102 and HAR §3-120-5, already provide a process for exemptions for goods and services (excluding construction). This process is open and transparent, thus avoiding a blanket exemption for the DOE.

Exemptions to the Chapter 103D, HRS, the Hawaii Procurement Code (Code) mean that all procurements made with taxpayer monies will not have the same oversight, accountability and transparency requirements mandated by those procurements processes provided in the code. It means that there is no requirement for due diligence, proper planning, or consideration of protections for the state in contract terms and conditions, nor are there any set requirements to conduct cost and price analysis and market research or post-award contract management. As such, Agencies can choose whether to compete any procurement or go directly to one contractor. As a result, leveraging economies of scale and cost savings efficiencies found in the consistent application of the procurement code are lost. It also means Agencies are not required to adhere to the code's procurement integrity laws.

The National Association of State Procurement Officials states that “Businesses suffer when there is inconsistency in procurement laws and regulations. Complex, arcane procurement rules of numerous jurisdictions discourage competition by raising the costs to businesses to understand and comply with these different rules. Higher costs are recovered through the prices offered by a smaller pool of competitors, resulting in unnecessarily inflated costs to state and local governments.”

When public bodies are removed from the Hawaii Public Procurement Code, it results in the harm described above. As these entities create their own procurement rules, businesses are forced to track their various practices. Moreover, a public body often can no longer achieve the benefits of aggregation by using another public body’s contract because different state laws and regulations may apply to the various public bodies making compliance more difficult.

Each year new procurement laws are applied to state agencies causing state agency contracts to become more complex and costly, while other public bodies, such as agencies with strong legislative influence, are exempted. Relieving some public bodies from some laws by exempting or excluding them from compliance with a common set of legal requirements creates an imbalance wherein the competitive environment becomes different among the various jurisdictions and the entire procurement process becomes less efficient and costlier for the state and vendors.

Thank you.



Email: communications@ulupono.com

HOUSE COMMITTEE ON EDUCATION
Tuesday, January 30, 2024 — 2:00 p.m.

Ulupono Initiative supports HB 2620, Relating to Department of Education Procurement.

Dear Chair Woodson and Members of the Committee:

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, clean transportation choices, and better management of freshwater resources.

Ulupono supports HB 2620, which exempts Department of Education (DOE) purchases of local edible produce and packaged food products less than \$100,000 from the electronic procurement system requirement and requires at least three written quotes for DOE purchases of local edible produce and packaged food products between \$15,000 to less than \$100,000.

Ulupono supports the State's farm-to-institution efforts, including the DOE's Farm to School Program, which has the potential to leverage the department's significant buying power to become one of the state's largest purchasers of local food (perhaps one day the largest) while also shaping the tastes, attitudes and eating habits of Hawai'i's keiki for healthy outcomes. The State has committed to local food procurement goals through 2050 (including the DOE's own statutorily required goal of 30% local by 2030), and it is important to provide opportunities for local producers to participate in institutional purchasing. By expanding the small purchase exemption for the DOE, schools across the state will have an additional tool to procure fresh products from local farmers and ranchers.

Thank you for the opportunity to testify.

Respectfully,

Micah Munekata
Director of Government Affairs

Investing in a Sustainable Hawai'i



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January 30, 2024

HEARING BEFORE THE
HOUSE COMMITTEE ON EDUCATION

TESTIMONY ON HB 2620
RELATING TO DEPARTMENT OF EDUCATION PROCUREMENT

Conference Room 309 & Videoconference
2:00 PM

Aloha Chair Woodson, Vice-Chair La Chica, and Members of the Committee:

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 Hawai'i Farm Bureau supports HB 2660, which exempts Department of Education purchases of local edible produce and packaged food products less than \$100,000 from the electronic procurement system requirement and requires at least three written quotes for Department of Education purchases of local edible produce and packaged food products between \$15,000 to less than \$100,000.

HFB strongly supports the increased use of locally grown agricultural products, fruits, vegetables, meats, dairy, poultry, and value-added products in our schools and state facilities. We support the State's Farm-to-School goal of 30% by 2030, in accordance with Act 175, SLH 2021.

Increased purchasing by DOE will help address food security and food sustainability by creating demand for local farm products which will result in farmers and ranchers growing more. It will also help provide more of Hawai'i's fresh and nutritious foods to our students.

Hawai'i's farmers and ranchers have tried to work with the procurement system and can speak to the shortcomings of the system. For example, supplying a school or schools within a geographic area is feasible. Providing to the entire school system is not. The focus should now be on working with the procurement system to make institutional markets accessible while considering the capacity of farmers and ranchers in Hawai'i. Assistance to farmers and ranchers on how to navigate the system should also be a priority.

HFB is committed to working with the Department of Education to implement a procurement program that will allow Hawai'i farmers and ranchers to source more local products for Hawai'i's Farm to School program.

Thank you for the opportunity to testify on this important matter.



HIPHI Board

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Tobacco-Free Hawai'i

Community Health
Worker Initiative

COVID-19 Response

Hawai'i Drug & Alcohol Free
Coalitions

Hawai'i Farm to School Hui

Hawai'i Oral Health Coalition

Hawai'i Public Health Training Hui

Healthy Eating + Active Living

Kūpuna Collective

Date: Monday, January 29, 2024

To: Representative Justin H. Woodson, Chair
Representative Trish La Chica, Vice Chair
Members of the Education Committee

Re: Strong Support for HB2620 Relating to Department of Education
procurement

Mtg: Tuesday, January 30, 2024

Hawai'i Public Health Institute (HIPHI) works to advance policy and systems change to reduce disparities and improve the health of Hawai'i residents. HIPHI is home to and testifies here on behalf of The Hawai'i Farm to School Hui,ⁱ which collectively represents over 40 organizations from across the islands.

Hawai'i Public Health Institute appreciates the opportunity to provide Support for HB2620, which exempts purchases of local edible produce and packaged food products of under \$100,000 from the electronic procurement system for the Department of Education (DOE).

This bill increases flexibility for local food purchases from small and medium-sized farmers, who often do not have the time or resources to respond to electronic bid requests for larger quantities of product.

For several years the Farm to School Hui and HIPHI, along with other organizations, have advocated regionalizing local food purchases. For example, bananas to be served in school breakfast on Kauai should be purchased from farmers on that island. This arrangement would also allow for more interaction between the school community and the local farmers. This can lead to increased nutritional education and knowledge of locally grown and raised foods for consumption by Hawai'i's students, which will positively impact the health of our keiki and the development of Hawai'i sustainable food systems.

Under Act 175, the DOE is required to purchase locally grown food as 30% of total procurement by 2030 and 50% by 2050. More flexibility in purchasing from small and medium-sized farmers will not just help reach this goal, it will help students and their families understand why this goal is important.

Mahalo for this opportunity to testify in support of HB2620.

Mahalo,



Dennis Chase
Hawai'i Farm to School Hui Program Manager
Hawai'i Public Health Institute

ⁱ Founded in 2010, the **Hawai'i Farm to School Hui** is a statewide network comprising five island-level networks, community organizations, schools, state agencies, and other food systems stakeholders with a collective mission to strengthen Hawaii's farm to school movement. The three pillars of successful farm to school programs are 1) school gardens and on-campus farms, 2) education, and 3) school food improvements through local procurement.