



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 SENATE COMMITTEE
ON
GOVERNMENT OPERATIONS
February 9, 2023, 3:00 pm

SENATE BILL 1129
RELATING TO PROCUREMENT

Chair McKelvey, Vice Chair Gabbard, and members of the committee, thank you for the opportunity to submit testimony on Senate Bill 1129. The State Procurement Office (SPO) provide comments and recommendations to Section 2, page 3, line 9 to 12:

“(c) Procurement of [~~\$25,000~~] \$50,000 to less than \$250,000 shall be made in accordance with small purchase procedures, provided that such small purchase procurements through an electronic system shall be required.”

Comments: Public procurement's primary objective is to provide everyone equal opportunity to compete for government contracts, prevent favoritism, collusion, or fraud in awarding of contracts. Increasing the small purchase threshold to \$50,000, for electronic procurement, would result in less transparency, reduced competition, and higher risk of parceling, which is the artificial division of purchase of same, like, or related items of goods, services, or construction into several small purchases or smaller quantities, in order evade the statutory competitive requirements.

Additionally, obtaining quotes, without an electronic procurement (eProcurement) system, may lead to the agency only going to the same vendors repeatedly, which would be in violation of HRS 103D-101(a)(6)(A) Encourage economic competition by:

“(A) Ensuring that all persons are afforded an equal opportunity to compete in a fair and open environment.”

Chapter 103D, Hawaii Revised Statutes, Hawaii Public Procurement Code (Code), is the State's single source of public procurement policy to be applied equally and uniformly, while providing fairness, open competition, a level playing field, government disclosure, and transparency in the procurement and contracting process vital to good government. As stated in the National Association of State Procurement Officials (NASPO) white paper on "Ethics and Accountability," "Maintaining the integrity of public procurement is one of the most important pillars of government."

Recommendation: The State Procurement Office recommends leaving 103D-305(c) untouched to read:

(c) Procurements of \$25,000 to less than \$250,000 shall be made in accordance with small purchase procedures; provided that such small purchase procurements through an electronic system be required.

Thank you.

JOSH GREEN, M.D.
GOVERNOR



EDWIN H. SNIFFEN
DIRECTOR

Deputy Directors
DREANALEE K. KALILI
TAMMY L. LEE
ROBIN K. SHISHIDO
JAMES KUNANE TOKIOKA

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

IN REPLY REFER TO:

February 9, 2023
3:00 P.M.
State Capitol Conference Rm. #225, and Videoconference

S.B. 1129
RELATING TO PROCUREMENT

Senate Committee on Government Operations

The Department of Transportation (DOT) **supports** this bill with its provisions to increase the dollar threshold in HRS §103-53(e)(1) from \$25,000 to \$50,000 for the requirement to obtain a contractor's tax clearance documentation prior to execution of a contract with state or county agencies, and to increase the dollar threshold in HRS §103D-305(c) from \$25,000 to \$50,000 as the minimum required for procurements to be made in accordance with small purchase procedures through an electronic system.

The DOT believes that these revised dollar thresholds will increase the expediency and efficiency of routine operational requirements to maintain and improve the state's transportation infrastructure through the procurements of related systems, supplies and services that are needed to do so.

Thank you for the opportunity to provide testimony.

SAH - Subcontractors Association of Hawaii

1188 Bishop St., Ste. 1003**Honolulu, Hawaii 96813-2938

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February 9, 2023

Testimony To: Senate Committee on Government Operations
Senator Angus L.K. McKelvey, Chair

Presented By: Tim Lyons, President

Subject: S.B. 1129 – RELATING TO PROCUREMENT

Chair McKelvey and Members of the Committee:

I am Tim Lyons, President of the Subcontractors Association of Hawaii. The SAH represents the following nine separate and distinct contracting trade organizations.

HAWAII FLOORING ASSOCIATION

ROOFING CONTRACTORS ASSOCIATION OF HAWAII

HAWAII WALL AND CEILING INDUSTRIES ASSOCIATION

ELECTRICAL CONTRACTORS ASSOCIATION OF HAWAII

TILE CONTRACTORS PROMOTIONAL PROGRAM

PLUMBING AND MECHANICAL CONTRACTORS ASSOCIATION OF HAWAII

SHEETMETAL AND AIR CONDITIONING NATIONAL CONTRACTORS ASSOCIATION OF HAWAII

PAINTING AND DECORATING CONTRACTORS ASSOCIATION

PACIFIC INSULATION CONTRACTORS ASSOCIATION

We are not in favor of this bill.

Exempting such projects from the Procurement Code by lowering the threshold is not entirely the way to go.

There are many smaller contractors whose livelihood depends on small contracts. They are not the "big boys" that are participating in million dollar projects. They concentrate their efforts in small jobs which may include those under \$50,000.00. That is because the smaller projects take a lot less time, ties up their bond for a much less shorter period of time and they can see the job through completion without long term planning including materials and labor needs. So this bill could impact them severely.

If the Committee wishes to proceed, we also believe that it should be made clear that these projects are subject to the Subcontractor Listing Clause in the Procurement Code and other public postings by SPO. It is noted that 103D-305b allows for a specific provision that imposes bonding requirements for jobs that are greater than \$50,000.00. That tells us that exceptions to the Small Purchase Program can be better defined in having certain provisions apply.

Again, we sympathize with the State and the Procurement Agencies when situations such as this arise however we think it is very important to recognize that there are some contractors who depend on this particular type of procurement as their livelihood and accommodating the agencies to make it easier for them to expedite these contracts can also have the adverse effect of drastically harming smaller contractors.

Thank you.

SB-1129

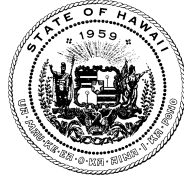
Submitted on: 2/7/2023 1:54:42 PM

Testimony for GVO on 2/9/2023 3:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Gerard Silva	Individual	Oppose	Written Testimony Only

Comments:

Why to Much. We canot trust the Government to do the right thing any MORE!!!!



STATE OF HAWAII
HAWAII STATE PUBLIC LIBRARY SYSTEM
'OIHANA HALE WAIHONA PUKE AUPUNI O KA MOKU'AINA O HAWAII
OFFICE OF THE STATE LIBRARIAN
44 MERCHANT STREET
HONOLULU, HAWAII 96813

SENATE COMMITTEE ON GOVERNMENT OPERATIONS
Thursday, February 9, 2023
3:00 pm
Conference Room 225

By Stacey A. Aldrich
State Librarian

S.B. 1129 RELATING TO PROCURMENT

To: Sen. Angus L.K. McKelvey, Chair
Sen. Mike Gabbard, Vice Chair
Members of the Senate Committee on Government Operations

The Hawaii State Public Library System (HSPLS) **supports** S.B.1129, which raises the procurement threshold for small purchases to \$50,000.

The cost of supplies, equipment, construction materials and services have risen rapidly, and the current procurement threshold creates a hindrance in managing the volume and diversity of the Hawaii State Public Library System's buying activities. The proposed \$50,000 procurement threshold is a sensible response today's purchasing environment, particularly with respect to necessary repairs and maintenance at our facilities.

Thank you for the opportunity to provide testimony on S.B. 1129.