



GOV. MSG. NO. 1214

EXECUTIVE CHAMBERS
KE KE'ENA O KE KIA'ĀINA

JOSH GREEN, M.D.
GOVERNOR
KE KIA'ĀINA

June 27, 2024

The Honorable Ronald D. Kouchi
President of the Senate,
and Members of the Senate
Thirty-Second State Legislature
State Capitol, Room 409
Honolulu, Hawai'i 96813

The Honorable Scott K. Saiki
Speaker, and Members of the
House of Representatives
Thirty-Second State Legislature
State Capitol, Room 431
Honolulu, Hawai'i 96813

Dear President Kouchi, Speaker Saiki, and Members of the Legislature:

This is to inform you that on June 27, 2024, the following bill was signed into law:

SB2536 SD1 HD1 CD1

RELATING TO PROCUREMENT
PREFERENCES AND RECIPROCITY.
ACT 113

Sincerely,

Josh Green, M.D.
Governor, State of Hawai'i

THE SENATE
THIRTY-SECOND LEGISLATURE, 2024
STATE OF HAWAII

S.B. NO. 2536
S.D. 1
H.D. 1
C.D. 1

A BILL FOR AN ACT

RELATING TO PROCUREMENT PREFERENCES AND RECIPROCITY.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The legislature finds that Hawaii service
2 businesses are an important aspect of the State's economy. They
3 boost the economy by employing Hawaii residents who spend their
4 earnings in the State. Therefore, when expending public funds,
5 the term "buy local" should apply to the State's purchase of
6 services in the same way as it does to the purchase of goods.

7 The legislature further finds that many of the State's
8 residents who earn college degrees either leave the State or do
9 not return due to the lack of career opportunities. Public
10 accounting firms with offices in the State help to address these
11 needs by offering professional career paths that allow residents
12 to remain in the State. These public accounting firms are
13 committed to helping residents develop the professional and
14 technical skills necessary to succeed in the public accounting
15 industry; however, the high cost of operating a business and the
16 high cost of living in Hawaii makes it difficult to compete for
17 government contracts against firms without offices in Hawaii
18 that operate out of low-cost jurisdictions.



1 The legislature also finds that procurement preferences can
2 encourage the growth and sustainability of businesses that
3 employ Hawaii residents by providing them with a competitive
4 advantage in government contracts. This, in turn, can lead to
5 the creation of new jobs or the retention of existing ones and
6 increase economic activity within the State.

7 Accordingly, the purpose of this Act is to:

- 8 (1) Establish a new accounting services procurement
9 preference for certain Hawaii accounting service
10 businesses and add it to the list of selection
11 criteria for the procurement of professional services;
12 and
- 13 (2) Clarify that the existing reciprocity procurement
14 preference includes offerors under sections 103D-302
15 and 103D-303, Hawaii Revised Statutes.

16 SECTION 2. Chapter 103D, Hawaii Revised Statutes, is
17 amended by adding a new section to part X to be appropriately
18 designated and to read as follows:

19 "§103D- Accounting service businesses. (a) In any
20 expenditure of public funds for accounting services, the use of
21 Hawaii accounting service businesses shall be preferred. Where



1 a package bid or response to a request for proposal contains
2 Hawaii and non-Hawaii accounting service businesses, for the
3 purpose of selecting the lowest bid or purchase price only, the
4 bid or offer by a non-Hawaii accounting service business shall
5 be increased by a preference percentage of twenty per cent;
6 provided that the Hawaii accounting service business shall
7 provide a self-certification that:

8 (1) Not less than eighty per cent of the labor for
9 accounting services, with respect to time and expenses
10 incurred, will be performed in the State by persons
11 domiciled in the State; and

12 (2) With respect to the size of the physical location, the
13 commercial place of business is of sufficient capacity
14 to accommodate every person performing accounting
15 services under any contract subject to chapter 103D.

16 (b) This section shall not apply when precluded by federal
17 requirements for competitive bidding or offers."

18 SECTION 3. Section 103D-1001, Hawaii Revised Statutes, is
19 amended by adding three new definitions to be appropriately
20 inserted and to read as follows:



1 "Accounting service" means the art of recording,
2 classifying, and summarizing, in a significant manner and in
3 terms of money, transactions and events that are, at least in
4 part, of a financial character, and interpreting the results.
5 "Accounting service" includes assurance services, such as the
6 performance of an audit.

7 "Commercial place of business" means a physical location in
8 the State, such as an office, suite, or unit, where business is
9 regularly conducted. A "commercial place of business" shall not
10 include a dwelling or any physical location in which a person
11 resides or a physical location used for business purposes in
12 violation of the applicable land use or zoning laws.

13 "Hawaii accounting service business" means any person,
14 agency, corporation, or other business entity engaged in the
15 business of accounting services with a commercial place of
16 business located in the State."

17 SECTION 4. Section 103D-304, Hawaii Revised Statutes, is
18 amended by amending subsection (e) to read as follows:

19 "(e) The selection criteria employed in descending order
20 of importance shall be:



- 1 (1) Experience and professional qualifications relevant to
2 the project type;
- 3 (2) Past performance on projects of similar scope for
4 public agencies or private industry, including
5 corrective actions and other responses to notices of
6 deficiencies;
- 7 (3) Capacity to accomplish the work in the required time;
8 [and]
- 9 (4) For accounting services, whether the accounting
10 service business is located in the State, with a
11 preference for Hawaii accounting service businesses;
12 provided that the Hawaii accounting service business
13 shall provide a self-certification that:
- 14 (A) Not less than eighty per cent of the labor for
15 accounting services, with respect to time and
16 expenses incurred, will be performed in the State
17 by persons domiciled in the State; and
- 18 (B) With respect to the size of the physical
19 location, the commercial place of business is of
20 sufficient capacity to accommodate every person



1 performing accounting services under any contract
2 subject to this chapter; and

3 [~~4~~] (5) Any additional criteria determined in writing by
4 the selection committee to be relevant to the
5 purchasing agency's needs or necessary and appropriate
6 to ensure full, open, and fair competition for
7 professional services contracts."

8 SECTION 5. Section 103D-1004, Hawaii Revised Statutes, is
9 amended by amending subsection (a) to read as follows:

10 "(a) To ensure fair and open competition for Hawaii
11 businesses engaged in contracting with other states, the chief
12 procurement officer may impose a reciprocal preference against
13 bidders and offerors pursuant to sections 103D-302 and 103D-303
14 from those states which apply preferences. The amount of the
15 reciprocal preference shall be equal to the amount by which the
16 non-resident preference exceeds any preference applied by this
17 State.

18 In determining whether a bidder or offeror qualifies as a
19 resident bidder~~[r]~~ or offeror, the definition used by the other
20 state in applying a preference shall apply."



1 SECTION 6. Statutory material to be repealed is bracketed
2 and stricken. New statutory material is underscored.

3 SECTION 7. This Act shall take effect on July 1, 2024, and
4 shall be repealed on June 30, 2028; provided that sections
5 103D-304, 103D-1001, and 103D-1004, Hawaii Revised Statutes,
6 shall be reenacted in the forms in which they read on the day
7 before the effective day of this Act.



S.B. NO. 2536
S.D. 1
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APPROVED this **27th** day of **June**, 2024

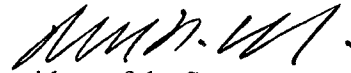
A handwritten signature in black ink, appearing to read "Josh Green". The signature is written in a cursive style with a large initial "J".

GOVERNOR OF THE STATE OF HAWAII

THE SENATE OF THE STATE OF HAWAI'I

Date: May 1, 2024
Honolulu, Hawai'i 96813

We hereby certify that the foregoing Bill this day passed Final Reading in the Senate of the Thirty-Second Legislature of the State of Hawai'i, Regular Session of 2024.



President of the Senate



Clerk of the Senate

SB No. 2536, SD 1, HD 1, CD 1

THE HOUSE OF REPRESENTATIVES OF THE STATE OF HAWAII

Date: May 1, 2024
Honolulu, Hawaii

We hereby certify that the above-referenced Bill on this day passed Final Reading in the House of Representatives of the Thirty-Second Legislature of the State of Hawaii, Regular Session of 2024.



Scott K. Saiki
Speaker
House of Representatives



Brian L. Takeshita
Chief Clerk
House of Representatives