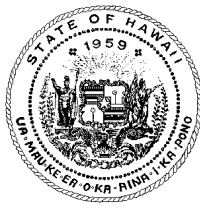


JOSH GREEN, M.D.
GOVERNOR
KE KIA'ĀINA



STATE OF HAWAII | KA MOKU'ĀINA 'O HAWAII
**DEPARTMENT OF CORRECTIONS
AND REHABILITATION**
*Ka 'Oihana Ho'omalua Kalaima
a Ho'oponopono Ola*
1177 Alakea Street
Honolulu, Hawaii 96813

TOMMY JOHNSON
DIRECTOR

Melanie Martin
Deputy Director
Administration

Pamela J. Sturz
Deputy Director
Correctional Institutions

Sanna Muñoz
Deputy Director
Rehabilitation Services
and
Programs

No. _____

**TESTIMONY ON HOUSE BILL 381
RELATING TO PROCUREMENT.**

by
Tommy Johnson, Director
Department of Corrections and Rehabilitation

House Committee on Finance
Representative Kyle T. Yamashita, Chair
Representative Jenna Takenouchi, Vice Chair

Wednesday, February 26, 2025; 10:50 a.m.
State Capitol, Conference Room 308 & via Videoconference

Chair Yamashita, Vice Chair Takenouchi, and Members of the Committee:

The Department of Corrections and Rehabilitation (DCR) supports House Bill (HB) 381, which proposes to increase the procurement thresholds for small purchases.

DCR agrees that the cost of goods, services, construction, and other procurement related costs continue to rise, and adjusting the dollar values of what qualifies as a small purchase, which was last adjusted in 1997, will afford DCR the purchasing flexibility needed for its 24/7 correctional facility operations.

Thank you for the opportunity to provide testimony in support of HB 381.



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

P.O. Box 119
Honolulu, Hawaii 96810-0119
Tel: (808) 586-0554
email: state_procurement_office@hawaii.gov
<http://spo.hawaii.gov>

TESTIMONY
OF
BONNIE KAHAKUI, ADMINISTRATOR
STATE PROCUREMENT OFFICE

TO THE HOUSE COMMITTEE
ON
FINANCE
FEBRUARY 26, 2025, 10:50 A.M.

HOUSE BILL 381
RELATING TO PROCUREMENT

Chair Yamashita, Vice Chair Takenouchi, and members of the committee, thank you for the opportunity to submit testimony on House Bill 381. The State Procurement Office (SPO) opposes Section 2, page 1, lines 13-14, which amends the small purchase threshold for goods and services, and construction. The SPO also opposes the revised language in Section 2, page 2, lines 7-8, which increases the threshold by which procurements must be conducted through an electronic procurement system. Furthermore, the SPO opposes increasing the threshold to \$10,000, by which agencies are required to verify compliance that is proposed in Section 3, page 3, line 2.

In 1993, when the Hawaii Procurement Code was first enacted, the small purchase threshold was \$10,000 for services and supplies, and \$25,000 for construction. The threshold for services and supplies remained at that level until 1997, at which time the threshold was increased to \$25,000 for goods and services. It was again increased in 2006 to \$50,000 for goods and services, and added the electronic procurement component. In 2009, another increase to \$100,000 was made for goods and services, and \$250,000 for construction, where they remain today.

In a recent survey of the 50 states and the District of Columbia, the small purchase threshold for goods and services varies from \$1,000 to \$250,000. However, 31 states' small purchase threshold is under \$100,000, 14 states are at \$100,000, and only 6 states exceed \$100,000. This information shows that **90%** of all states have a small purchase threshold of \$100,000 or less. None of the states exceed \$250,000 for construction.

The proposed changes to the small purchase threshold will impact the purpose of the Hawaii Procurement Code, which is "to foster effective broad-based competition within the free enterprise program and to provide safeguards for the maintenance of a procurement program of quality and integrity."

Increasing the thresholds to \$100,000 to use an electronic procurement system would result in less transparency and reduced competition, which may lead to increased costs, procurement irregularities, and higher risk of parceling, which is the artificial division of goods, services, and construction in order to evade the statutory competitive requirements.

As the table indicates, there are a substantial number of transactions which fall into this category, under \$100,000. That is **\$45 MILLION to \$50 MILLION** in transactions that would have been impacted.

Fiscal Year	Number of Small Purchase Transactions Under \$100,000	Awarded Amounts
2023	1700	\$50,989,788.85
2024	1600	\$44,388,640.93

Raising the threshold for procurements to be conducted on an eProcurement system would allow procurements of less than \$100,000 to be competed through a manual process. Procurements less than \$100,000 may not be viewable and competed to all vendors that could be considered, and requests for quotes would be to a limited group that a procuring agency deemed to be on a “favorites” list.

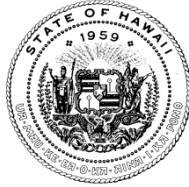
All jurisdictions should utilize technological advances rather than resorting to labor-intensive, manual processes. Reverting to dated manual processes is contrary to enhancing operational efficiencies. Procurement automation is one way to supplement the process in the wake of labor shortages. By using an electronic procurement system, accurate procurement data would be immediately available to jurisdictions, negating the need for agencies to compile data manually.

Public procurement’s primary objective is to provide everyone with an equal opportunity to compete for government contracts, and to prevent favoritism, collusion, or fraud in awarding contracts. The Hawaii Procurement Code, HRS 103D-101(a)(6), says “Encourage competition by ensuring that all persons are afforded an equal opportunity to compete in a fair and open environment.”

Furthermore, by raising the requirements to comply with all laws governing entities doing business with the State upon award would mean contracting with potentially bad contractors that may be delinquent in paying their taxes, keeping up with insurance, or adhering with labor laws. Raising the threshold to \$10,000 could diminish the state’s goal of receiving goods, services, and construction from quality and compliant contractors.

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

JOSH GREEN, M.D.
GOVERNOR
KE KIA'ĀINA



EDWIN H. SNIFFEN
DIRECTOR
KA LUNA HO'OKELE

Deputy Directors
Nā Hope Luna Ho'okele
DREANALEE K. KALILI
TAMMY L. LEE
CURT T. OTAGURO
ROBIN K. SHISHIDO

STATE OF HAWAI'I | KA MOKU'ĀINA 'O HAWAI'I
DEPARTMENT OF TRANSPORTATION | KA 'OIHANA ALAKAU
869 PUNCHBOWL STREET
HONOLULU, HAWAII 96813-5097

February 26, 2025
10:50 a.m.
State Capitol
VIA VIDEOCONFERENCE
Conference Room 308

H.B. 381
RELATING TO PROCUREMENT

The House Committee on Finance

The Department of Transportation (DOT) **supports** the bill with its provisions to increase the procurement thresholds for small purchases.

The amendments to increase the procurement thresholds for small purchases, Section 103D-305, Hawaii Revised Statutes, to procurements of less than \$150,000 for goods and services, or \$360,000 for construction, allows for flexibility and competition and intends to increase the expediency and efficiency of purchasing to meet operational requirements.

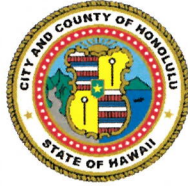
The increased threshold for construction would have been valuable in a previous procurement for rockfall mitigation, as it would have allowed an expanded scope of work, based on risk assessment, taking into consideration the need for expedited attention to maximize mitigation efforts.

Thank you for the opportunity to provide testimony.

OFFICE OF THE MAYOR
KE KE'ENA O KA MEIA
CITY AND COUNTY OF HONOLULU

530 SOUTH KING STREET, ROOM 300 • HONOLULU, HAWAII 96813
PHONE: (808) 768-4141 • FAX: (808) 768-4242 • WEBSITE: honolulu.gov

RICK BLANGIARDI
MAYOR
MEIA



MICHAEL D. FORMBY
MANAGING DIRECTOR
PO'O HO'OKELE

KRISHNA F. JAYARAM
DEPUTY MANAGING DIRECTOR
HOPE PO'O HO'OKELE

February 24, 2025

The Honorable Kyle T. Yamashita, Chair
The Honorable Jenna Takenouchi, Vice Chair
and Members of the House Committee on Finance
House of Representatives
415 South Beretania Street
Honolulu, Hawai'i 96813

Subject: Testimony in Support of HB 381 – Relating to Procurement

Dear Chair Yamashita, Vice Chair Takenouchi, and Committee Members:

On behalf of the City and County of Honolulu (City), the City stands in **strong support** of HB381, Relating to Procurement. HB 381 is part of the HI Council of Mayors' bill package and would increase thresholds for small purchase procurement.

As stated in the bill's preamble, these dollar amount thresholds have not been adjusted since 1997. Inflation, especially in the last few years, has greatly increased the cost of goods and services across the country, thereby reducing procurement actions that qualify as a small purchase. The adverse impact is an increase to the administrative burden and time required to procure goods and services for government operations and services.

We note that the Senate has not scheduled the companion and has, instead, proceeded with SB 383, which does not cover electronic small purchases or HCE compliant small purchases. In 2024's HI Council of Mayors' package, we introduced similar bills, HB 1862 and SB 2202, but stopped pursuing hearings when we realized the thresholds for electronic purchases and HCE compliant purchases also create large bottlenecks for our departments. I strongly believe that these changes will help the City and County of Honolulu, as well as all other Hawai'i State and County agencies, better and more effectively serve its residents.

Thank you for the opportunity to testify.

Sincerely,

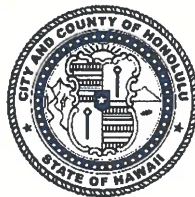
A handwritten signature in black ink, appearing to read "Michael D. Formby".

Michael D. Formby
Managing Director Designate

HONOLULU POLICE DEPARTMENT
KA 'OIHANA MĀKA'I O HONOLULU
CITY AND COUNTY OF HONOLULU

801 SOUTH BERETANIA STREET • HONOLULU, HAWAII 96813
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RICK BLANGIARDI
MAYOR
MEIA



ARTHUR J. LOGAN
CHIEF
KAHU MĀKA'I

KEITH K. HORIKAWA
RADE K. VANIC
DEPUTY CHIEFS
HOPE LUNA NUI MĀKA'I

OUR REFERENCE RH-PH

February 26, 2025

The Honorable Kyle T. Yamashita, Chair
and Members
Committee on Finance
House of Representatives
415 South Beretania Street, Room 308
Honolulu, Hawai'i 96813

Dear Chair Yamashita and Members:

SUBJECT: House Bill No. 381, Relating to Procurement

I am Ryan T. Hironaka, Major of the Finance Division of the Honolulu Police Department (HPD), City and County of Honolulu.

The HPD supports House Bill No. 381, Relating to Procurement.

Increasing the threshold from \$25,000 to \$100,000 will allow departments within the jurisdictions to procure goods and services outside of an electronic system without going through a central purchasing area. This bill will benefit the goals and operations of the HPD and allow us to better service the community.

Adjusting the dollar values of what qualifies as a small purchase will afford agencies the same purchasing power as in 1997 but in today's dollar value. With the updated thresholds, the HPD will be able to conduct small purchases and alleviate the workload of the central purchasing area that currently processes the HPD's procurements of greater than \$25,000.

The Honorable Kyle T. Yamashita, Chair
and Members
February 26, 2025
Page 2

The HPD urges you to support House Bill No. 381, Relating to Procurement.

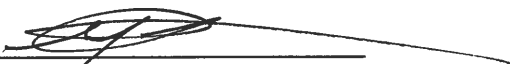
Thank you for the opportunity to testify.

Sincerely,



Ryan T. Hironaka, Major
Finance Division

APPROVED:



Arthur J. Logan
Chief of Police