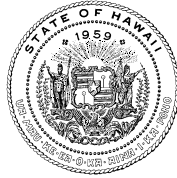


JOSH GREEN, M.D.
GOVERNOR
KE KIA'ĀINA



KEITH A. REGAN
COMPTROLLER
KA LUNA HO'OMALU HANA LAULĀ

MEOH-LENG SILLIMAN
DEPUTY COMPTROLLER
KA HOPE LUNA HO'OMALU HANA LAULĀ

STATE OF HAWAII | KA MOKU'ĀINA O HAWAII
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES | KA 'OIHANA LOIHELU A LAWELAWE LAULĀ
P.O. BOX 119, HONOLULU, HAWAII 96810-0119

WRITTEN TESTIMONY
OF
KEITH A. REGAN, COMPTROLLER
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES
TO THE

COMMITTEE ON GOVERNMENT OPERATIONS

MARCH 18, 2025, 3:05 P.M.
CONFERENCE ROOM 225 AND VIA VIDEOCONFERENCE, STATE CAPITOL

H.B. 987, H.D. 1

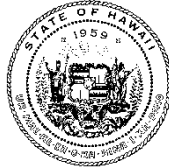
RELATING TO PROCUREMENT

Chair McKelvey, Vice Chair Gabbard, and Members of the Committee, thank you for the opportunity to submit testimony on this measure.

The Department of Accounting and General Services (DAGS) strongly **supports** H.B. 987, H.D. 1 which establishes a procurement automation system special fund and aligns section 103D-203(b), HRS, with section 302A-1702, HRS, which added the Executive Director of the School Facilities Authority as chief procurement officer.

H.B. 987, H.D. 1 is a DAGS administrative measure which establishes a special fund to collect transaction fees and makes a housekeeping amendment which adds the School Facilities Authority Executive Director to the list of chief procurement officers.

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



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**TESTIMONY
OF
BONNIE KAHAKUI, ADMINISTRATOR
STATE PROCUREMENT OFFICE**

**TO THE SENATE COMMITTEE
ON
GOVERNMENT OPERATIONS
MARCH 18, 2025, 3:05 PM**

**HOUSE BILL 987, HD1
RELATING TO PROCUREMENT**

Chair McKelvey, Vice Chair Gabbard, and members of the committee, thank you for the opportunity to submit testimony on House Bill 987, HD1, which establishes a state procurement automation system special fund and makes a housekeeping amendment to section 103D-203(a), Hawaii Revised Statutes (HRS). The State Procurement Office (SPO) strongly supports this measure.

In 2022, through Senate Bill 3040 CD1, which became Act 176, Session Laws of Hawaii (SLH) 2022, the Legislature authorized the procurement automation system and authorized the SPO to implement a transaction fee on vendors, called a Vendor-Collected Administrative Fee (VCAF) beginning in fiscal year 2024-2025 to pay for the administration of the procurement automation system. Without a self-funded model, the SPO would request from the Legislature for an appropriation of approximately \$7 million for implementation of the system, and an additional \$300,000 per year for annual licenses and maintenance of the system.

Pursuant to Act 176, SLH 2022, the SPO is implementing Aloha eBUYS, a cutting-edge, cloud-based eProcurement solution that modernizes and elevates the state's procurement operations by redefining how Executive Branch Departments procure goods and services, and empowering vendors to do business with the State more efficiently. Aloha eBUYS is funded by the VCAF collected on all spend on (and spend utilizing pricing of Statewide Contracts only on the eMarketplace) and allows for revenue sharing.

However, the Legislature stopped short of authorizing a procurement automation special fund into which to deposit the transaction fees collected.

Until a procurement automation special fund is established, the contracted vendor collects the VCAF and holds the State's share of the funds in trust for the State. The establishment of a

special fund would ensure that these fees are deposited into a special fund that will be administered by the SPO for future enhancements to the project.

The SPO also supports the housekeeping amendment to section 103D-203, HRS. Section 302A-1702, HRS, under Act 72, SLH 2020, created the School Facilities Authority and mandated that its Executive Director serve as its chief procurement officer. This housekeeping amendment adds the School Facilities Authority Executive Director to the list of chief procurement officers in section 103D-203(a), HRS.

Thank you for the opportunity to submit testimony in support of this measure.