

SB1358

RELATING TO PROCUREMENT.

Requires the state procurement office to establish a database of all government procurement contracts, accessible to each governmental body. Appropriates funds to establish the database.

DAVID Y. IGE
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**TESTIMONY
OF
SARAH ALLEN, ADMINISTRATOR
STATE PROCUREMENT OFFICE**

**TO THE HOUSE COMMITTEE
ON
GOVERNMENT OPERATIONS
February 17, 2015, 1:20 p.m.**

**SB 1358
RELATING TO PROCUREMENT**

Chair Dela Cruz, Vice-Chair Nishihara, and members of the committee, thank you for the opportunity to submit testimony on SB 1358. This measure would require the SPO to establish and maintain a database of *all* procurement contract data received from each governmental body of the state. The State Procurement Office (SPO) supports transparency and accountability in government contracting and submits comments on this measure.

While the intent of SB 1358 is worthy of support and vigorous pursuit, there are several steps that must precede the establishing of a database. Importantly, we must have adequate training across agencies and departments of procurement specialists who understand acquisition, contract management and the procurement life cycle. Without adequate training, the data collected and maintained would lack useful meaning. A successful training program requires resources.

With regard to the language of SB 1358, the SPO has concerns about the word "all" as it is used in section 1(a) and 1(b). "[A]ll procurement contract data" is over-inclusive. Just as adequate training is needed to build knowledge so that reporting is meaningful, the data included in a contract database must be selected so as to garner the greatest meaning and usefulness. "All data" can be duplicative. "All data" can be inefficient. Exactly what data should be tracked needs to be determined with more specificity. It would be an antiquated, cost prohibitive and slow process to have all departments send their data to the SPO. Each purchasing entity must have a mechanism to quickly enter data.

Our experience with our current contracts database has taught us the more information requested, the less likely the information will be entered accurately, if at all. This is especially true if replication of information already in existence must be entered for the purpose of a database. The most workload and cost efficient way to ensure information is entered meaningfully is through incorporating a unified business process flow that incorporates eProcurement, contract development, contract management, and contract reporting systems. To further ensure that data will be reported consistently and all relevant information shared by every department and CPO jurisdiction, the SPO asks that a transparency mandate applicable across the state be included in any measure for a procurement database.

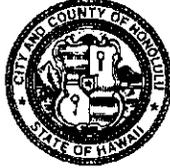
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Finally, the establishment and maintenance of a database will require a significant investment of resources, at minimum \$2.3 million.

Thank you.

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TESTIMONY OF NELSON H. KOYANAGI, JR.
DIRECTOR OF BUDGET AND FISCAL SERVICES
CITY AND COUNTY OF HONOLULU
BEFORE THE SENATE COMMITTEE ON GOVERNMENT OPERATIONS
FEBRUARY 17, 2015, 1:20 P.M., Conference Room 414

SENATE BILL 1358, "RELATING TO PROCUREMENT"

Position: Request Revisions

TO: The Honorable Donovan M. Dela Cruz, Chair
and Members of the Committee on Government Operations

The Department of Budget and Fiscal Services, City and County of Honolulu,
requests revisions to Senate Bill No. 1358, Relating to Procurement.

If the above bill is passed, the Department of Budget and Fiscal Services, City and County of Honolulu requests that a portion of the bill's budget allocation be distributed to the various counties to carry out the bill's intent.

Mahalo for the opportunity to testify on this bill. Should you have any questions or concerns, please feel free to contact the Department of Budget & Fiscal Services' Division of Purchasing at 808-768-5535 or bfspurchasing@honolulu.gov.



Email: communications@ulupono.com

SENATE COMMITTEE ON GOVERNMENT OPERATIONS
Tuesday, February 17, 2015 — 1:20 p.m. — Room 414

Ulupono Initiative Strongly Supports SB 1358, Relating to Procurement

Dear Chair Dela Cruz, Vice Chair Nishihara, and Members of the Committee:

My name is Brandon Lee and I am a policy and public-private partnership associate of the Ulupono Initiative, a Hawai'i-based impact investment company that strives to improve the quality of life for the people of Hawai'i by working toward solutions that create more locally grown food, increase clean, renewable energy, and waste reduction. We believe that self-sufficiency is essential to our future prosperity, and will help shape a future where economic progress and mission-focused impact can work hand in hand.

Ulupono strongly supports SB 1358, which requires the State Procurement Office to establish a database of all government procurement contracts, because it aligns with our goal of providing more locally produced food.

Procurement is one of the major areas where local farmers can obtain large volumes of sales and ultimately grow their businesses. Yet, there are differing policy philosophies to determine the best procurement structure to allow for more locally produced foods to enter into the State's procurement channels. But, there is not an easily searchable procurement database to identify the best procurement policies.

Currently, there are 20+ differing departments with differing procurement processes and criteria. Since different departments have different procurement needs, flexibility is important but standardization is ideal for tracking. In the current procurement database that identifies recipients of procurement contracts, the information is extremely difficult to navigate. At best, I can identify 40,000 different procurement line items across the publicly available database going back roughly 15 years.

Since the database needs a lot of work, it effectively means the State Procurement Office cannot truly identify procurement trends and effectiveness of policies designed to improve procurement. For Ulupono, an agricultural investor, this means as we try to identify the best solution for increasing locally produced foods into the system, we do not know what policies are effective, why they are effective, and what to do in the future. If a database exists, this can re-shape and make procurement much more efficient and effective for many

Investing in a Sustainable Hawai'i

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issues, not just local food procurement. Over the last 15 years of data, it appears, the State has spent ~\$26.4 billion in procurement contracts. This figure is also grossly low because better data about procurement contracts exist in latter years.

Yet, without better data tracking and analytics, we do not know, nor will we know going forward, if there are better optimization policies and strategies to allow the State to get the most for its money. A more efficient, transparent, and effective State government is predicated on developing a rich and user-friendly database for the State Procurement Office.

While funding for databases is challenging given the State's fiscal situation, with so much money that the State spends on procurement, they should be better able to track where the money is going and why. If not, the State will continue to open itself up to being penny wise and pound-foolish.

Thank you for this opportunity to testify.

Respectfully,

Brandon Lee
Policy and Public-Private Partnership Associate