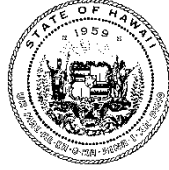


DAVID Y. IGE
GOVERNOR



BONNIE KAHAKUI
ACTING ADMINISTRATOR

STATE OF HAWAII
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, ACTING ADMINISTRATOR
STATE PROCUREMENT OFFICE
TO THE HOUSE COMMITTEE
ON
CONSUMER PROTECTION & COMMERCE
MARCH 24, 2021, 2:00 PM
SENATE BILL 1035, SD2, HD1
RELATING TO PROCUREMENT

Chair Johanson, Vice Chair Kitagawa, and members of the committee, thank you for the opportunity to submit testimony on SB 1035, SD2, HD1 - Relating to Procurement. The State Procurement Office (SPO) is in strong support of this bill and appreciates further discussion on this bill.

Background Information and Justification

1) Procurement Automation System

In response to the COVID-19 public health crisis, the Hawaii state government has moved to digitize its processes and conduct business online to continue its current level of customer service.

In support of that move, the SPO seeks to transition its manual procurement processes to an online digital system – a procurement automation system – to increase efficiency, save personnel time, create a consistent “face” for the executive branch, ease contractor confusion, and exact better spend data to leverage economies of scale. Other positive impacts include faster access to government goods and services; digital and transparent spend data; improved, user-friendly procurement templates; SPO response to and guidance for complex procurements; and faster and enhanced sharing of information by agencies.

2) Financing the Procurement Automation System

The COVID-19 public health crisis resulted in budget cuts, and SPO is looking at ways to remain financially sustainable while providing procurement services and guidance pursuant to Chapters 103D and 103F of the Hawaii Revised Statutes. Senate Bill 1035 SD2SD1 will allow the State Procurement Office to charge an administration fee and deposit revenues into a special fund and to expend the funds for the project management of the procurement automation system.

The SPO is proposing to collect an administrative fee that will pay for the procurement automation system, saving approximately \$1.2M of general funds each year. In addition, the fee will assist in paying for a program management team to manage and grow the automation system to ensure statewide access for the full life-cycle, and to receive monies paid to the state.

The administrative fee is dependent on the responses SPO receives from the competitive solicitation for a Procurement Automation System and should not be subject to chapter 91, HRS. The fee will only be imposed on purchases made from/through the automated system. Therefore, we recommend the following revisions:

Section 3, page 6, lines 8-10, to read:

(7) Assess and collect an administrative fee pursuant to chapter 91 to cover procurement automation system costs.

Thank you.

SAH - Subcontractors Association of Hawaii

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

Phone: (808) 537-5619 ✦ Fax: (808) 533-2739

March 24, 2021

Testimony To: House Committee on Consumer Protection & Commerce
Representative Aaron Ling Johanson, Chair

Presented By: Tim Lyons
President

Subject: S.B. 1035, SD 2, HD 1 – RELATING TO PROCUREMENT

Chair Johanson and Members of the Committee:

I am Tim Lyons, President of the Subcontractors Association of Hawaii and we have some concerns about this bill. The Subcontractors Association of Hawaii is composed of the following nine separate and distinct subcontracting organizations which include:

HAWAII FLOORING ASSOCIATION
ROOFING CONTRACTORS ASSOCIATION OF HAWAII
HAWAII WALL AND CEILING INDUSTRIES ASSOCIATION
TILE CONTRACTORS PROMOTIONAL PROGRAM
PLUMBING AND MECHANICAL CONTRACTORS ASSOCIATION OF HAWAII
SHEETMETAL CONTRACTORS ASSOCIATION OF HAWAII
PAINTING AND DECORATING CONTRACTORS ASSOCIATION
PACIFIC INSULATION CONTRACTORS ASSOCIATION
ELECTRICAL CONTRACTORS ASSOCIATION OF HAWAII

The bill allows the Administrator of the Procurement Office to “[A]ssess and collect an administrative fee to cover procurement automation system costs”, subject to Chapter 91. The addition of Chapter 91 is a good amendment. (Section 3 Section 103D-206(7)).

We are however still unclear as to how this fee is going to be assessed. Is it assessed on all bidders; successful and otherwise or is it assessed only on the successful bidder? When is it paid? As part of the bid amount or is it assessed after the completion of the contract as a separate line item? Please note that obviously any fee tacked on to the procurement submittal will have an overall cost impact to the final cost of the job and, therefore to the taxpayers and the budget. We note that while House Standing Committee Report 1081 notes that the fee would be “less than 1%” there does not appear to be any parameters about the fee in the bill. We believe there should be.

Thank you.



March 23, 2021

Representative Aaron Ling Johanson, Chair
Representative Lisa Kitagawa, Vice Chair
House Committee on Consumer Protection and Commerce

Chair Johanson, Vice Chair Kitagawa, and Members of the Committee:

SUBJECT: SB1035 SD2 HD1 RELATING TO PROCUREMENT

My name is Gregg Serikaku, Executive Director for the Plumbing and Mechanical Contractors Association of Hawaii, and we are the State's largest association representing plumbing, air conditioning, refrigeration, steamfitter, and fire sprinkler contractors in Hawaii.

We concur with the concerns raised by the Subcontractors Association of Hawaii regarding the proposed fees to cover the costs of a procurement automation system:

- Who pays this fee?
- How is the fee paid?
- When is the fee collected?
- What is the amount of the fee?

We hope these questions will be clarified as this bill continues through the legislative process.

Thank you for this opportunity to provide our testimony.

Respectfully yours,

A handwritten signature in black ink that reads "Gregg S. Serikaku". The signature is written in a cursive, flowing style.

Gregg S. Serikaku
Executive Director