
A BILL FOR AN ACT

RELATING TO PROCUREMENT.

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

1 SECTION 1. Following the 2009 legislative session, the
2 chairs of the senate committee on economic development and
3 technology and the house committee on economic revitalization,
4 business and military affairs convened a technology caucus work
5 group to bring together industry stakeholders and interested
6 policymakers to develop recommendations for legislation to
7 enhance Hawaii's struggling economy. The work group provided a
8 forum to review the current status of Hawaii's
9 science/technology industry, identify state or county actions
10 that impede long-term growth and expansion of technology
11 companies, and develop recommendations to address these
12 impediments. The work group also identified best practices
13 supporting the growth and development of science/technology
14 industries in other jurisdictions to aid in developing proposed
15 suggestions for future legislation. One of the issues examined
16 was reseller agreements under Western States Contracting
17 Alliance (WSCA) multi-state contracting agreements.



1 WSCA was formed in October 1993 by the state purchasing
2 directors from fifteen western states. The primary purpose of
3 creating WSCA was to establish the means by which participating
4 states may join together in cooperative multi-state contracting
5 to achieve cost-effective and efficient acquisition of quality
6 products and services. WSCA uses a cooperative, competitive
7 model to capture the best pricing possible for the volume of
8 purchases being made. However, once a brand determination has
9 been made, and WSCA has been chosen as the contracting vehicle,
10 there is no incentive for the chosen manufacturer to offer any
11 additional discounts below the pre-negotiated WSCA price.

12 WSCA does allow for the extension of this competitive
13 environment at the individual order level by allowing each
14 contract holder to designate multiple resellers (servicing
15 subcontractors) to quote and sell products under their
16 respective WSCA contract within any particular participating
17 state. The use of reseller agents expands the discounting
18 possibilities by pitting two or more resellers against each
19 other in a competitive environment -- in most cases ensuring
20 additional discounts are offered by the resellers to secure the
21 task order award. Additionally, as these selected reseller
22 agents are usually local firms, WSCA customers receive better



1 service than if working directly with a manufacturer that has
2 little or no local presence. The majority of states with WSCA
3 agreements use reseller agents.

4 In the past, Hawaii placed orders for goods and services
5 directly with local reseller agents for goods and services
6 procured under WSCA multistate agreements; however, since 2009,
7 the state procurement office has changed its practices and now
8 requires purchase orders for goods and services to be placed
9 directly with original equipment manufacturers. By doing so,
10 the State has eliminated an efficient, cost-effective means of
11 obtaining local support for goods and services procured under
12 WSCA agreements and replaced it with a procedure that costs the
13 same, but does not include the level of servicing support that
14 occurred previously.

15 The purpose of this Act is to implement recommendations of
16 the technology caucus work group by requiring the state
17 procurement office to authorize reseller agreements in
18 multi-state contracting agreements.

19 SECTION 2. Chapter 103D, Hawaii Revised Statutes, is
20 amended by adding a new section to be appropriately designated
21 and to read as follows:



1 "§103D- Reseller agreements. The state procurement
2 office shall authorize local reseller agreements as part of any
3 multi-state contracting agreement and shall place orders
4 directly with local resellers authorized and designated by
5 original equipment manufacturers or other national equipment or
6 products suppliers.

7 For the purposes of this section "local reseller" means a
8 business having:

- 9 (1) Its principal place of business or ancillary
10 headquarters located within the state; and
11 (2) Not less than thirty-five per cent of its employees
12 residing within the state."

13 SECTION 3. This Act does not affect rights and duties that
14 matured, penalties that were incurred, and proceedings that were
15 begun before its effective date.

16 SECTION 4. New statutory material is underscored.

17 SECTION 5. This Act shall take effect upon its approval.



Report Title:

Procurement; Reseller Agreements

Description:

Requires the State Procurement Office to authorize reseller agreements in multi-state contracting agreements and to place orders directly with local resellers designated by original equipment manufacturers; defines "local reseller." (HB2133 CD1)

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