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# A BILL FOR AN ACT

RELATING TO PROCUREMENT.

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

1           SECTION 1. Small businesses are the lifeblood of the  
2 State's economy. Act 50, Session Laws of Hawaii 2005, was  
3 enacted to promote the growth and development of small  
4 businesses in Hawaii through the establishment of a small  
5 business preference program as part of the procurement process.  
6 Additionally, Act 213, Session Laws of Hawaii 2007, approved the  
7 funding for a full-time position in the state procurement office  
8 with the purpose of implementing part IX (assistance to small  
9 businesses), chapter 103D, Hawaii Revised Statutes.  
10 Unfortunately, due to funding and staffing cuts in 2008, this  
11 position was never filled and was eliminated from the state  
12 procurement office. Although section 3-124-73, Hawaii  
13 Administrative Rules, and related interim small business  
14 preference rules went into effect in 2007, a dedicated position  
15 to carry out those rules was lacking. In the absence of this  
16 dedicated position or a small business office, these interim  
17 rules failed to help the small business community and the rules  
18 expired in 2011.



1           The legislature finds that small businesses owned by  
2 veterans, native Hawaiians, and women are the most vulnerable  
3 and disadvantaged businesses within our State. The legislature  
4 further finds that an initiative is needed to identify,  
5 quantify, and address the needs of these small businesses and to  
6 measure and track their present participation in state small  
7 business contracts.

8           The legislature further finds that the State must create,  
9 develop, and implement strategies to ensure that small  
10 businesses, including businesses owned by veterans, native  
11 Hawaiians, and women, are able to effectively participate in  
12 small business contracting opportunities within our State.

13           The legislature further finds that previously developed  
14 administrative rules with respect to the development of small  
15 business contracts with the State were not effective because of  
16 a lack of appropriate business metrics and data available to  
17 provide relevant information necessary for the creation of those  
18 rules.

19           The legislature finds that any solution to address small  
20 business concerns in the State must be attempted incrementally.  
21 The legislature further finds that the state procurement office



1 is now ready to address part IX of the Hawaii Public Procurement  
2 Code and assist self-identified small businesses in obtaining  
3 state contracts. The legislature intends to facilitate this  
4 process by creating a small business assistance initiative to  
5 convene small business stakeholders, collect and develop  
6 relevant data and information necessary for small businesses to  
7 compete for and obtain small business contracts, and identify  
8 and resolve issues that must be addressed to develop an  
9 effective small business state contracting program within the  
10 state procurement process.

11 The purpose of this Act is to establish the small business  
12 assistance initiative and provide staffing for the  
13 implementation of part IX (assistance to small businesses),  
14 chapter 103D, Hawaii Revised Statutes.

15 SECTION 2. (a) There is established, within the state  
16 procurement office, a three-year small business assistance  
17 initiative to facilitate the collection and development of  
18 relevant data and information and convene stakeholders for the  
19 development of an effective small business program, including  
20 the development of rules.



1 (b) The small business assistance initiative shall consist  
2 of a small business procurement coordinator, a small business  
3 office, and a small business advisory group.

4 (c) There is established, as part of the small business  
5 assistance initiative established under subsection (a), a small  
6 business advisory group. The small business advisory group  
7 shall be convened by the chief procurement officer of the State,  
8 shall consist of members from state agencies, non-profit  
9 entities, and local businesses, and shall be staffed by the  
10 state procurement office. The small business advisory group  
11 shall:

- 12 (1) Meet regularly to discuss the progress of the  
13 initiative and to investigate any substantial problems  
14 brought to the attention of the group;
- 15 (2) Recommend parameters to expand the initiative's policy  
16 to include other methods of procurement or other  
17 substantive improvements;
- 18 (3) Recommend the placement and scope, administrative  
19 definition, staffing, and funding requirements for a  
20 state small business office designed to help small



1 businesses better utilize a state small business  
2 program;

3 (4) Recommend the disposition of the small business  
4 procurement coordinator, including continuing the  
5 position of small business procurement coordinator as  
6 a civil service exempt position, converting the  
7 position to a full-time civil service position, or  
8 placing the position outside of the initiative;

9 (5) Recommend goals that should be established to award a  
10 percentage of state annual expenditures to identified  
11 veteran, native Hawaiian, and female owned businesses  
12 based on metrics established by the small business  
13 advisory group;

14 (6) Recommend the appropriate next steps for a state small  
15 business program as it looks to fully implement  
16 section 103D-906, Hawaii Revised Statutes;

17 (7) Undertake and complete a study to determine the  
18 viability of transferring the functions of the small  
19 business office to an office within an existing state  
20 department and submit the study and final  
21 recommendation to the procurement policy board and to



1 the legislature in the report described in paragraph  
2 (9);

3 (8) Use data received from the small business procurement  
4 coordinator and small business office to make  
5 recommendations for rules to be developed by the chief  
6 procurement officer and the procurement policy board;  
7 and

8 (9) By November 30, 2020, draft, publish, and disseminate  
9 to the procurement policy board, the legislature, and  
10 the public a final report of all the recommendations,  
11 observations, and metrics related to the initiative,  
12 as well as the initiative's success in encouraging and  
13 increasing small business participation in the state  
14 procurement process and the amount of state contracts  
15 being awarded to small businesses.

16 (d) There is established the position of small business  
17 procurement coordinator within the state procurement office,  
18 which shall be exempt from chapter 76, Hawaii Revised Statutes.  
19 The small business procurement coordinator, with the assistance  
20 of the small business office, shall be responsible for the  
21 collection and maintenance of data from the state small business



1 database, the provision of this data and metrics to the small  
2 business advisory group, and the daily operations of the small  
3 business assistance initiative established in subsection (a).  
4 The small business procurement coordinator shall also be  
5 responsible for implementing programs and procedures to carry  
6 out the intent of part IX, chapter 103D, Hawaii Revised  
7 Statutes, to assist small businesses, including:

- 8 (1) Establishing and maintaining a statewide small  
9 business database;
- 10 (2) Establishing and managing a small business  
11 registration, certification, and identification  
12 process;
- 13 (3) Drafting policies and rules to assist in the  
14 implementation of part IX, chapter 103D, Hawaii  
15 Revised Statutes;
- 16 (4) Producing, publishing, and disseminating training  
17 materials designed to inform procurement staff and  
18 self-identified small business vendors of all small  
19 business programs and opportunities;
- 20 (5) Conducting surveys of, and collecting feedback from,  
21 procurement staff and self-identified small business



1 vendors to be presented to the small business advisory  
2 group and chief procurement officer of the State; and  
3 (6) Producing an annual report of small business  
4 participation metrics and data to be submitted to the  
5 small business advisory group.  
6 (e) There is established, as part of the initiative under  
7 subsection (a) and within the state procurement office, a small  
8 business office. A contract to hire a firm to perform the  
9 operations and maintenance of the small business office for the  
10 duration of the initiative shall be executed. The contract  
11 shall be awarded to an existing Hawaii-based small business  
12 advocacy group with experience in helping small businesses  
13 obtain state and federal contracts. The awardee shall be a  
14 small business owned by a native Hawaiian, veteran, or female,  
15 and shall have an understanding of the small business community  
16 to be able to meet the requirements of the small business  
17 initiative. The small business office shall be responsible for:  
18 (1) Providing timely training and reports relating to key  
19 developments in the small business community;  
20 (2) Establishing communications with self-identified  
21 vendors that may include developing and implementing a





- 1 newsletter and email campaign to keep vendors informed  
2 of current small business events;
- 3 (3) Producing and publicizing outreach campaigns related  
4 to the small business initiative and other small  
5 business programs and opportunities as may be  
6 developed or discovered;
- 7 (4) Creating, developing, advertising, and encouraging  
8 vendor participation in workshops, seminars, and  
9 training designed to promote and enhance small  
10 business participation in state contracts;
- 11 (5) Establishing mechanisms and implementing procedures  
12 for conducting audits, handling disputes, and  
13 investigating allegations of fraud and other  
14 misappropriations of the small business initiative and  
15 its benefits to small businesses;
- 16 (6) Aggregating all small business resources and materials  
17 from around the State and presenting them in an easily  
18 accessible and understandable online format by  
19 potential vendor participants;
- 20 (7) Coordinating with small business advocates in the  
21 public and private sectors to create a small business



1 network that can be easily accessed by all small  
2 businesses;

3 (8) Answering small business vendors' emails and questions  
4 about the State's existing small business programs;  
5 and

6 (9) Collecting data on existing and future small business  
7 vendor disputes, problems, difficulties, successes,  
8 recommendations, and any other metrics deemed  
9 important to the initiative by the state procurement  
10 office or legislature.

11 (f) The small business assistance initiative shall cease  
12 to exist on June 30, 2020; provided that the small business  
13 advisory group shall remain responsible for submitting a report  
14 pursuant to subsection (c)(9).

15 SECTION 3. There is appropriated out of the general  
16 revenues of the State of Hawaii the sum of \$250,000 or so much  
17 thereof as may be necessary for fiscal year 2017-2018 for  
18 assisting small businesses; provided that the sum appropriated  
19 shall be used:

20 (1) To complete the state small business database;



- 1           (2) For the establishment of one full-time equivalent
- 2                   (1.00 FTE) temporary small business procurement
- 3                   coordinator position exempt from chapter 76, Hawaii
- 4                   Revised Statutes, in the state procurement office; and
- 5           (3) For the hiring of a local small business to operate
- 6                   and maintain the small business office and for
- 7                   marketing of and outreach for the small business
- 8                   assistance initiative.

9           The sum appropriated shall be expended by the state  
10 procurement office for the purposes of this Act.

11           SECTION 4. This Act shall take effect on July 1, 2017, and  
12 shall be repealed on June 30, 2020.



**Report Title:**

Procurement; Small Business; Appropriation

**Description:**

Assists small business in the state procurement process by establishing a temporary small business assistance initiative, small business advisory group, small business office, and small business procurement coordinator position within the State Procurement Office. Appropriates funds. (HB1382 CD1)

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

