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TESTIMONY
OF
BONNIE KAHAKUI, ACTING ADMINISTRATOR
STATE PROCUREMENT OFFICE

TO THE SENATE COMMITTEE
ON
GOVERNMENT OPERATIONS
February 3, 2022; 3:00 PM

SENATE BILL 3040
RELATING TO PROCUREMENT

Chair Moriwaki, Vice Chair Dela Cruz, and members of the committee, thank you for the opportunity to submit testimony on Senate Bill 3040. The State Procurement Office (SPO) supports this bill.

Procurement Policy Board

The SPO strongly supports streamlining and increasing efficiency to fulfil its statutory duties.

Pursuant to Sections 103D-201, 103D-202, and 103F-106 of the Hawaii Revised Statutes (HRS), the seven-member Procurement Policy Board (PPB) adopts, amends, or repeals, administrative rules to carry out and effectuate the purpose and provisions of Chapter 103D, Hawaii Revised Statutes (HRS), governing the procurement, management, control, and disposal of any and all goods, services, construction, and Chapter 103F, HRS, for the purchase of health and human services. The PPB considers and decides on matters of policy, including those referred to it by a chief procurement officer; audits and monitors the implementation of its Hawaii Administrative Rules (HAR) and the requirements of its statutes. The PPB also issues Procurement Directives to transmit the HAR and policies and review applications for and recommends the appointment of the administrator for State Procurement Office.

When it was active, the PPB had been outstanding in its tasks, and its members have provided valuable input as representatives of their respective sectors. The PPB last held a meeting in May 2019 but has not been able to hold subsequent meetings due to attrition, a lack of applications to fill resulting vacancies, and the inability to meet quorum. Furthermore, the nominating process posed a challenge. While there are well-qualified individuals who have submitted applications, the **number** of applications submitted do not meet the requirement stated in Section 103D-201(3), HRS: "The initial and subsequent members of the policy board, other than the comptroller, shall be appointed by the governor from a list of **three** individuals for

each vacant position, submitted by a nominating committee composed of four individuals chosen as follows: two persons appointed by the governor; one person appointed by the president of the senate; and one person appointed by the speaker of the house.”

The inability for the PPB to meet hinders the SPO’s ability to adopt, amend, or repeal administrative rules to carry out the objective of Chapter 103D, Hawaii Revised Statutes. In place of the PPB, the SPO will adhere to Chapter 91, HRS, to provide the balance necessary to ensure fair and equitable treatment to government entities, vendors, and stakeholders. The SPO comments that if §103D-201 and §103D-202, HRS, are repealed, the Hawaii Administrative Rules will have to be amended and will require time to process.

Procurement Automation Systems/eProcurement

The SPO strongly supports the language in SB 3040 regarding the procurement automation system.

The SPO has digitized its processes and conducted business online to improve its level of customer service, and it seeks to transition to an online procurement automation system (eProcurement System) as a self-funded model to stay on par with industry standards. A procurement automation system, which is an accounting-oriented, multi-module, data-based system that integrates all procurement activities from solicitation to contract management, will provide the following benefits and more:

- Maximized administrative efficiency and resources (one-stop-shop for government buyers and vendors)
- Automated government policy and guidance (built-in adaptable technology to remain compliant with policy)
- Improved user-friendly procurement templates
- Increased competition (more competition means lower costs)
- Managed spending (leverage buying power, monitor compliance)
- Validated data (spend data,
- Mitigated risks
- Improved transparency and accountability (less off-contract/non-catalog spend)

SB 3040 describes how the procurement automation system can be a self-funded model. If a self-funded model is not used, the cost would be approximately \$5 million for implementation, plus an additional \$500,000 to \$1 million for annual licenses.

Thank you.



Testimony to the Senate Committee on Government Operations
Senator Sharon Moriwaki, Chair
Senator Donovan Dela Cruz, Vice-Chair
Thursday, February 3, 2022, 3:00 p.m.
Via Videoconference
SB 3040, Relating to Procurement

Dear Chair Moriwaki, Vice-Chair Dela Cruz, and members of the GVO Committee:

On behalf of the Hawai'i Alliance of Nonprofit Organizations, I would like to offer our comments on SB 3040, Relating to Procurement.

Hawai'i Alliance of Nonprofit Organizations (HANO) is a statewide, sector-wide professional association of nonprofits. Our mission is to unite and strengthen the nonprofit sector as a collective force to improve the quality of life in Hawai'i. Our member organizations provide essential services to every community in the state.

SB 3040 would amend the nomination process and the number of the members for the Procurement Policy Board. HANO understands the overall intent to improve the functionality of the Board and supports the elimination of the nominating committee to streamline the recruitment process. However, HANO opposes the decrease of the number of Policy Board members representing the field of health and human services from two to one and offers our assistance in identifying potential members for the Board.

SB 3040 would also authorize the State Procurement Office to develop and administer procurement automation systems and assess a transaction fee, reportedly not to exceed 2.5%, from all vendors using the systems. HANO opposes any such transaction fee imposed on the purchase of health, human, education, environment, and other community services provided by nonprofit organizations. Unlike private for-profit businesses, nonprofit organizations bid on State contracts to help deliver services deemed by the State as needed to improve the social, health, or economic well-being of our residents, rather than to make a profit. Nonprofits will often spend its own funds, raised via charitable donations, fundraising, or grants, to provide the services under a State contract which will cover only part of the budget. To put additional fees on a nonprofit will only result in less services being provided to Hawaii's needy.

Mahalo for the opportunity to provide written testimony.

Lisa Maruyama
President and CEO