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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. The legislature finds that during challenging  
2 economic times, it is necessary for the State to investigate and  
3 employ digital technology and other innovative ways of  
4 maintaining and improving state services and infrastructure,  
5 ensure input by stakeholders, and ensure the prudent and  
6 cost-effective expenditure of public moneys.

7           The legislature further finds that the state procurement  
8 office is responsible for reviewing the solicitation, award, and  
9 administration of contracts, advising government agencies on  
10 procurement issues, and providing procurement training to the  
11 State's decentralized procurement staff. The state procurement  
12 office administers statewide, multi-agency contracts that take  
13 advantage of the State's aggregated purchasing power to leverage  
14 better pricing and value for the State and the counties. In  
15 fiscal year 2018-2019, these contracts saved the State of Hawaii  
16 and its political subdivisions approximately \$19,000,000 in



1 goods and services, plus savings in personnel, purchasing, and  
2 subject matter expert hours.

3       The legislature additionally finds that government  
4 purchasing offices for several states operate using a  
5 self-funded model derived from a transaction fee ranging from  
6 one per cent to two-and-a-half per cent charged to all contracts  
7 in their respective procurement automation systems.

8       Beginning in fiscal year 2022-2023, this Act authorizes the  
9 Hawaii state procurement office to assess all vendors a  
10 transaction fee not to exceed two-and-a-half per cent on each  
11 order the vendor receives on the procurement automation systems.  
12 This transaction fee will be used to pay for the development,  
13 implementation, legacy transition, maintenance, system training,  
14 configuration, and management of procurement automation systems.  
15 To manage the systems, the state procurement office requests the  
16 addition of one position.

17       The special committee on State of Hawaii procurement, which  
18 has been reviewing state procurement policies and procedures,  
19 informally notified the state procurement office that additional  
20 oversight over complex procurement issues, such as construction  
21 procurement for the State, is necessary. To provide adequate



1 guidance and oversight to state and county agencies, the state  
2 procurement office will require qualified procurement personnel  
3 and thus seeks the addition of four positions.

4 The purpose of this Act is to improve procurement  
5 efficiency, minimize risks, and save taxpayer dollars by:

- 6 (1) Defining the term "procurement automation system";
- 7 (2) Authorizing the administrator of the state procurement  
8 office to develop and administer procurement  
9 automation systems and to charge and collect a  
10 transaction fee from all vendors using the procurement  
11 automation systems to fund the development,  
12 implementation, and maintenance of the systems;
- 13 (3) Creating the state procurement automation system  
14 special fund;
- 15 (4) Amending section 103D-1010, Hawaii Revised Statutes,  
16 to conform with the amendment made to section  
17 103D-1001, Hawaii Revised Statutes, by Act 55, Session  
18 Laws of Hawaii 2021; and
- 19 (5) Adding one full-time equivalent (1 FTE) position to  
20 manage the procurement automation systems and an  
21 additional four full-time equivalent (4 FTE) positions



1 to ensure oversight over state and county procurement  
2 and complex procurement issues.

3 SECTION 2. Chapter 103D, Hawaii Revised Statutes, is  
4 amended by adding a new section to part II to be appropriately  
5 designated and to read as follows:

6 "§103D- State procurement automation system special  
7 fund. (a) There is established in the state treasury the state  
8 procurement automation system special fund to be administered by  
9 the state procurement office, into which shall be deposited:

10 (1) All revenues from the operation of the procurement  
11 automation systems, including transaction fees  
12 collected from all vendors using the procurement  
13 automation systems;

14 (2) Interest earned on money in the state procurement  
15 automation system special fund; and

16 (3) Appropriations made by the legislature to the fund.

17 (b) Moneys in the state procurement automation system  
18 special fund shall be used by the state procurement office for  
19 the development, implementation, management, and operation of  
20 the procurement automation systems."



1 SECTION 3. Section 103D-104, Hawaii Revised Statutes, is  
2 amended by adding a new definition to be appropriately inserted  
3 and to read as follows:

4 "Procurement automation system" means an eProcurement,  
5 accounting-oriented, multi-module, data-based system that  
6 integrates procurement activities from solicitation to contract  
7 management."

8 SECTION 4. Section 103D-206, Hawaii Revised Statutes, is  
9 amended to read as follows:

10 **"§103D-206 Additional duties of the administrator of the**  
11 **procurement office.** In addition to the duties referred to in  
12 section 103D-205, the administrator shall:

- 13 (1) Perform periodic review of the procurement practices  
14 and procedures of all governmental bodies, in  
15 collaboration with the state procurement policy board,  
16 for compliance with the procurement code;
- 17 (2) Assist, advise, and guide governmental bodies in  
18 matters relating to procurement;
- 19 (3) Determine corrective actions; provided that if a  
20 procurement officer under the jurisdiction of the  
21 administrator of the state procurement office or a



1 chief procurement officer of any of the other state  
2 entities under section 103D-203, fails to comply with  
3 any determination rendered by the administrator within  
4 thirty days from the date of the issuance of the  
5 determination, or longer if permitted by the  
6 administrator upon request by the procurement officer  
7 or a chief procurement officer, the procurement  
8 officer or chief procurement officer shall be subject  
9 to an administrative fine under section 103D-106, for  
10 every day of noncompliance;

- 11 (4) Develop and administer a statewide procurement  
12 orientation and training program;
- 13 (5) Develop, distribute, and maintain a procurement manual  
14 for all state procurement officials; [~~and~~]
- 15 (6) Develop, distribute, and maintain a procurement guide  
16 for vendors wishing to do business with the State and  
17 its counties[~~+~~];
- 18 (7) Develop and administer procurement automation systems;  
19 and



1        (8) Assess, charge, and collect a transaction fee for the  
 2                    use of the procurement automation systems to cover  
 3                    procurement automation system costs."

4            SECTION 5. Section 103D-1010, Hawaii Revised Statutes, is  
 5 amended by amending its title and subsection (a) to read as  
 6 follows:

7            "[~~§~~103D-1010~~§~~] **Purchases from qualified community**  
 8 **rehabilitation programs.** (a) Any governmental body, without  
 9 advertising or calling for bids, may purchase goods or services  
 10 provided by qualified community rehabilitation programs serving  
 11 persons with disabilities that have indicated an interest in  
 12 supplying the goods or services and on an equitable basis may  
 13 apportion the business among the interested programs; provided  
 14 that the goods and services meet the specifications and needs of  
 15 the purchasing agency and are purchased at a fair market price  
 16 as determined by the appropriate public agency; and provided  
 17 further that the programs [~~comply with the following:~~

18            ~~(1) Meet~~] meet all of the requirements of a qualified  
 19                    community rehabilitation program under section  
 20                    103D-1001 [~~;~~~~and~~



1       ~~(2) Maintain a disabled to non-disabled employee ratio~~  
2           ~~equal to or in excess of three to one for work hours~~  
3           ~~of direct labor at all times on the work contracted]."~~

4           SECTION 6. There is appropriated out of the general  
5 revenues of the State of Hawaii the sum of \$           or so much  
6 thereof as may be necessary for fiscal year 2022-2023 to fund  
7 five full-time equivalent (5 FTE) purchasing specialist  
8 positions, of which one full-time equivalent (1 FTE) position  
9 shall manage the procurement automation system within the state  
10 procurement office.

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

13           SECTION 7. Statutory material to be repealed is bracketed  
14 and stricken. New statutory material is underscored.

15           SECTION 8. This Act shall take effect on July 1, 2050.





**Report Title:**

Procurement; Automation System; Special Fund; Qualified  
Community Rehabilitation Programs; Appropriation

**Description:**

Authorizes the State Procurement Administrator to develop and administer procurement automation systems and assess, charge, and collect a transaction fee from all vendors using the procurement automation systems. Establishes the state procurement automation system special fund. Amends section 103D-1010, HRS, to conform with the amendments made to section 103D-1001, HRS, by Act 55, SLH 2021. Appropriates funds. Effective 7/1/2050. (SD2)

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