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GOVERNOR
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BONNIE KAHAKUI
ACTING ADMINISTRATOR

STATE OF HAWAI'I | KA MOKU'ĀINA O HAWAI'I
STATE PROCUREMENT OFFICE

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TESTIMONY
OF
BONNIE KAHAKUI, ACTING ADMINISTRATOR
STATE PROCUREMENT OFFICE

TO THE HOUSE COMMITTEE
ON
FINANCE

March 31, 2023, 3:00 PM

SENATE BILL 1129, SD2, HD1
RELATING TO PROCUREMENT

Chair Yamashita, Vice Chair Kitagawa, and members of the committee, thank you for the opportunity to submit testimony on Senate Bill 1129, SD2, HD1. The State Procurement Office (SPO) opposes the bill due to the changes in Section 2, page 3, line 9 to 12, and provides comments:

“(c) Procurements of [~~\$25,000~~] \$50,000 to less than \$250,000 shall be made in accordance with small purchase procedures; provided that [~~such~~] these small purchase procurements shall be conducted through an electronic system [~~shall be required~~].”

Comments: Public procurement's primary objective is to provide everyone equal opportunity to compete for government contracts, and to prevent favoritism, collusion, or fraud in awarding of contracts. Increasing the small purchase threshold to \$50,000 for electronic procurement would result in less transparency, reduced competition, and higher risk of parceling, which is the artificial division of purchase of same, like, or related items of goods, services, or construction into several small purchases or smaller quantities, in order evade the statutory competitive requirements.

Additionally, obtaining quotes without an electronic procurement (eProcurement) system may lead to the agency only going to the same vendors repeatedly, which would be in violation of HRS 103D-101(a)(6)(A) Encourage economic competition by:

“(A) Ensuring that all persons are afforded an equal opportunity to compete in a fair and open environment.”

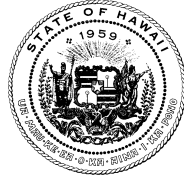
From calendar years 2020 to March 30, 2023, there were approximately 1,771 awards, between \$25,000 and \$50,000, posted on the Hawaii Awards & Notices Data System (HANDS); a total value of approximately \$68.2 million. If the bill passes, **approximately 550 awards, valued at approximately \$21,000,000 each year, would lack transparency, and fail to give vendors equal opportunity to compete for government contracts.**

Calendar Year	Number of Transactions between \$25,000 - \$50,000	Total Amount
2020	522	\$19,873,471.15
2021	547	\$20,991,214.25
2022	637	\$24,791,450.05
2023	65	\$2,543,158.42
Total	1,771	\$68,199,293.87

Recommendation: The State Procurement Office recommends leaving 103D-305(c) untouched to read:

(c) Procurements of \$25,000 to less than \$250,000 shall be made in accordance with small purchase procedures; provided that such small purchase procurements through an electronic system be required.

Thank you for the opportunity to provide testimony on this measure.



STATE OF HAWAII
HAWAII STATE PUBLIC LIBRARY SYSTEM
'OIHANA HALE WAIHONA PUKE AUPUNI O KA MOKU'ĀINA O HAWAII
OFFICE OF THE STATE LIBRARIAN
44 MERCHANT STREET
HONOLULU, HAWAII 96813

HOUSE COMMITTEE ON FINANCE

Friday, March 31, 2023

3:00PM

Conference Room 308

**By Stacey A. Aldrich
State Librarian**

S.B. 1129 SD2 HD1 RELATING TO PROCUREMENT

To: Rep. Kyle T. Yamashita, Chair
Rep. Lisa Kitagawa, Vice Chair
Members of the House Committee on Finance

The Hawaii State Public Library System (HSPLS) **supports** S.B.1129 SD2 HD1, which raises the procurement threshold for small purchases to \$50,000.

The cost of supplies, equipment, construction materials and services have risen rapidly, and the current procurement threshold creates a hindrance in managing the volume and diversity of the Hawaii State Public Library System's buying activities. The proposed \$50,000 procurement threshold is a sensible response to today's purchasing environment, particularly with respect to necessary repairs and maintenance at our facilities.

It has been years since the threshold for the small purchases has been increased. Not raising the threshold for small purchases that is commensurate with the rise in costs of goods and materials negatively impacts the efficiency of State operations.

Thank you for the opportunity to provide testimony on this measure.