



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

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TESTIMONY
OF
BONNIE KAHAKUI, ADMINISTRATOR
STATE PROCUREMENT OFFICE

TO THE HOUSE COMMITTEE
ON
FINANCE
February 26, 2025; 10:50 AM

HOUSE BILL 1414
RELATING TO PROCUREMENT

Chair Yamashita, Vice Chair Takenouchi, and members of the committee, thank you for the opportunity to submit testimony on House Bill 1414. The State Procurement Office opposes this bill, which would allow an agency, using the competitive sealed bidding method of procurement pursuant to HRS 103D-302, to award to the responsible, responsive vendor whose bid is most beneficial to taxpayers or is in the best interest of the State.

The Hawaii Public Procurement Code, Chapter 103D of the Hawaii Revised Statutes (HRS), is modeled after the American Bar Association (ABA) Model Procurement Code. The competitive sealed bidding method is intended to be the starting point to meet the circumstances of each procurement. Procurement officials are able to select an appropriate source selection method, based on that procurement official's determination. The intent in every procurement is to conduct procurement transactions by fair and open competition under varying market conditions in order to satisfy public needs for supplies, services, and construction at the most economical prices.

Fair and open competition is a basic tenet of public procurement. Such competition reduces the opportunity for favoritism and inspires public confidence that contracts are awarded equitably and economically. Since the marketplace is different for various supplies, services, and construction, the Code authorizes a variety of source selection methods to provide the best competition of all types of procurements. It permits less formal competitive procedures in which the amount of the contract does not warrant the expense and time otherwise involved in more complex procurements.

The small purchases method of procurement, pursuant to HRS 103D-305, may be utilized when the purchase of goods or services is less than \$100,000, and less than \$250,000 for construction. Typically, small purchases are one-time purchases or for a limited period. When award to the lowest responsive, responsible offeror is not practicable, award shall be made to the offeror whose quotation provides the best value to the State, with written justification.

The competitive sealed proposal method of procurement, pursuant to HRS 103D-303, may also be used when the department wishes to evaluate offerors' proposals based on the solicitation criteria, where price is not the primary factor, and award is made to the vendor who ranks the highest.

Consequently, this bill is not necessary as the procurement officer has the authority to select the best method of procurement for the given situation. SPO recommends this bill be deferred.

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

JOSH GREEN, M.D.
GOVERNOR
KE KIA'ĀINA



KEITH A. REGAN
COMPTROLLER
KA LUNA HO'OMALU HANA LAULĀ

MEOH-LENG SILLIMAN
DEPUTY COMPTROLLER
KA HOPE LUNA HO'OMALU HANA LAULĀ

STATE OF HAWAII | KA MOKU'ĀINA O HAWAII
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES | KA 'OIHANA LOIHELU A LAWELAWE LAULĀ
P.O. BOX 119, HONOLULU, HAWAII 96810-0119

WRITTEN TESTIMONY
OF
KEITH A. REGAN, COMPTROLLER
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES
TO THE

COMMITTEE ON FINANCE

FEBRUARY 26, 2025, 10:50 A.M.
CONFERENCE ROOM 308 AND VIA VIDEOCONFERENCE, STATE CAPITOL

H.B. 1414

RELATING TO PROCUREMENT

Chair Yamashita, Vice Chair Takenouchi, and Members of the Committee, thank you for the opportunity to submit testimony on H.B. 1414.

The Department of Accounting and General Services (DAGS) **opposes** this bill, which allows agencies to award projects procured in accordance with HRS §103D-302 - competitive sealed bidding to other than the lowest responsible and responsive bidder, if it is not deemed to be the bid 'most beneficial to taxpayers or otherwise in the best interests of the State with approval of the chief procurement officer.

There is already a procurement method which allows agencies to select the awardee that is "most advantageous, taking into consideration price and the evaluation factors set forth in the request for proposals". These types of procurements should be done in accordance with HRS §103D-304 – competitive sealed proposals. This

procurement method allows agencies to establish evaluation criteria and indicate the relative importance of each criterion in the selection process, increasing the chance that: 1) offerors understand what is important to the soliciting agency and submit offers which appropriately address these factors in their proposal; and 2) agencies can achieve their goals for the project.

If the proposed bill is approved, it will reduce the transparency of the competitive sealed bid process because the words 'most beneficial to taxpayers or otherwise in the best interests of the State' are subjective.

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

DEPARTMENT OF BUDGET AND FISCAL SERVICES
KA 'OIHANA MĀLAMA MO'OHĒLU A KĀLĀ
CITY AND COUNTY OF HONOLULU

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TESTIMONY OF ANDREW T. KAWANO
DIRECTOR OF BUDGET AND FISCAL SERVICES
CITY AND COUNTY OF HONOLULU
BEFORE THE HOUSE OF REPRESENTATIVES COMMITTEE ON FINANCE
February 26, 2025, 10:50 A.M., Conference Room 308 and Videoconference

TO: The Honorable Representative Kyle T. Yamashita, Chair
The Honorable Representative Jenna Takenouchi, Vice Chair
and Members of the House Committee on Finance

RE: OPPOSITION OF HOUSE BILL HB 1414, RELATING TO PROCUREMENT

The Department of Budget and Fiscal Services, City and County of Honolulu (City), **strongly opposes** House Bill (HB) 1414, Relating to Procurement.

Amending Hawai'i Revised Statutes (HRS) 103D-302 to allow the award of a contract under competitive sealed bidding to other than the lowest **responsive and responsible** bidder is unnecessary. To be a "responsive bidder" means *a person who has submitted a bid which conforms in all material respects to the invitation for bids* and to be a "responsible bidder" means *a person who has the capability in all respects to perform fully the contract requirements, and the integrity and reliability that will assure good faith performance, pursuant to the responsibility determination standards adopted by the policy board.*

HRS 103D-303 Competitive Sealed Proposals already provides for an award to be made to the responsible offeror whose proposal is determined in writing to be the most advantageous, taking into consideration price and the evaluation factors set forth in the request for proposals.

Maintaining the clear distinction between Competitive Sealed Bidding (HRS 103D-302) and Competitive Sealed Proposals (HRS 103D-303) preserves the integrity of the procurement process. Offerors should be made aware of the method of award during the solicitation process. By determining best value after bids are received, the solicitation no longer has a fair and transparent process to award a contract.

The changes being proposed will lead to an increase in the amount of protests received and require additional time and resources.

For the reason stated above, the City strongly opposes House Bill 1414.

Mahalo for the opportunity to testify on this bill. Should you have any questions or concerns, please feel free to contact the Department of Budget & Fiscal Services' Division of Purchasing at 808-768-5535 or bfspurchasing@honolulu.gov.



February 26, 2025

TO: HONORABLE KYLE YAMASHITA, CHAIR, HONORABLE JENNA TAKENOUCI, VICE CHAIR, COMMITTEE ON FINANCE.

SUBJECT: **OPPOSITION TO H.B. 1414, RELATING TO PROCUREMENT.** For procurements conducted by competitive sealed bidding, authorizes the head of a procurement agency to award a contract to a bidder who is not the lowest responsible and responsive bidder if the head of the procuring agency determines that the award is most beneficial to taxpayers or otherwise in the best interests of the State.

HEARING

DATE: Wednesday, February 26, 2025
TIME: 10:50 a.m.
PLACE: Capitol Room 308

Dear Chair Yamashita, Vice Chair Takenouchi and Members of the Committee,

The General Contractors Association of Hawaii (GCA) is an organization comprised of approximately five hundred (500) general contractors, subcontractors, and construction related firms. The GCA was established in 1932 and is the largest construction association in the State of Hawaii. Our mission is to elevate Hawaii's construction industry and strengthen the foundation of our community.

GCA **Opposes** H.B. 1414, which for procurements conducted by competitive sealed bidding, authorizes the head of a procurement agency to award a contract to a bidder who is not the lowest responsible and responsive bidder if the head of the procuring agency determines that the award is most beneficial to taxpayers or otherwise in the best interests of the State.

The primary purpose of the Procurement Code is to ensure fair and ethical procurement while maximizing the use of public funds.

This measure would go against the two prongs of the purpose of a procurement code. A bidder who is determined to be responsible and responsive has met the requirements to bid for the work. Allowing the head of the procuring agency to award it to any bidder they want would open the door to unethical procurement and circumvent the primary purpose of having a procurement code.

Under this language, the procuring agency can award the procurement contract to anyone who bid on the work, whom they determine to be most beneficial to taxpayers, and not the lowest responsible bidder or even the second lowest responsible bidder. There is no framework for determining what "most beneficial to taxpayers or best interests of the state" means. Therefore, the GCA has serious ethical concerns with this measure.

HB-1414

Submitted on: 2/24/2025 2:01:53 PM

Testimony for FIN on 2/26/2025 10:50:00 AM

Submitted By	Organization	Testifier Position	Testify
Andrew Crossland	Individual	Support	Written Testimony Only

Comments:

I write to urge your strong support for H.B. No. 1414, a bill that strengthens procurement processes in Hawaii by empowering agency heads to prioritize taxpayer value and the State’s best interests over rigid, outdated rules. This legislation embodies the principles of efficiency, accountability, and common-sense governance that resonate across party lines—values that Republicans champion and Democrats can embrace. Below, I outline why this bill deserves a resounding “yes” vote.

1. Protecting Taxpayer Dollars Over Blind Bureaucracy

The current procurement law forces agencies to award contracts to the lowest bidder, even when that choice wastes taxpayer money in the long run. H.B. No. 1414 fixes this by allowing agency heads, with oversight from the chief procurement officer, to select a bidder whose proposal delivers the most value—whether through quality, durability, or economic benefit. Republicans know government must stop throwing good money after bad deals, and Democrats should agree that protecting public funds is a bipartisan priority. This isn’t about favoritism; it’s about results.

2. Empowering Leadership to Serve the People

Republicans believe in strong, decisive leadership that cuts through red tape to get things done. This bill gives agency heads the flexibility to make smart calls when the lowest bid doesn’t serve Hawaii’s families, workers, or businesses. Democrats, who often advocate for effective governance, should see this as a win too—it ensures leaders can act in the public’s best interest, not just follow a checklist. With the chief procurement officer’s approval required, accountability stays ironclad.

3. Boosting Hawaii’s Economy with Practical Choices

When all bids exceed available funds, H.B. No. 1414 lets agencies negotiate with the lowest responsible bidder to adjust costs and scope. This keeps projects moving forward instead of stalling out—think infrastructure, schools, or small business contracts that create jobs. Republicans back this because it fuels economic growth without reckless spending. Democrats should too, as it supports working families and communities that rely on timely state action. Delay isn’t an option when people are counting on us.

4. Balancing Flexibility with Fiscal Responsibility

Critics might cry “cronyism,” but this bill isn’t a free-for-all. It demands that any deviation from the lowest bidder be justified as “most beneficial to taxpayers” or in the “best interests of the State”—and it requires approval from a top official. That’s a guardrail both parties can trust. Republicans demand fiscal discipline; Democrats want fairness. H.B. No. 1414 delivers both, ensuring every decision is transparent and defensible.

5. A Unifying Step Forward for Hawaii

This isn’t a partisan issue—it’s a Hawaii issue. We’re a state that prides itself on ingenuity and resilience, not slavish devotion to one-size-fits-all rules. Republicans see this bill as a way to root out inefficiency; Democrats can view it as a tool to build a government that works for everyone. At a time when division dominates headlines, supporting H.B. No. 1414 is a chance to show unity for the sake of our people.

Conclusion: Vote Yes for a Stronger, Smarter Hawaii

H.B. No. 1444 isn’t just a tweak to procurement—it’s a bold stand for taxpayers, jobs, and effective government. Republicans like me back it because it reflects our commitment to draining waste and empowering leaders. Democrats should join us because it aligns with their goals of equity and progress. Together, let’s pass this bill and make Hawaii a model of practical, principled governance. I respectfully urge every member of this committee to vote “yes” on this Bill.

HB-1414

Submitted on: 2/24/2025 3:35:07 PM

Testimony for FIN on 2/26/2025 10:50:00 AM

Submitted By	Organization	Testifier Position	Testify
Terri Yoshinaga	Individual	Support	Written Testimony Only

Comments:

I support this bill.

HB-1414

Submitted on: 2/26/2025 8:34:18 AM

Testimony for FIN on 2/26/2025 10:50:00 AM

Submitted By	Organization	Testifier Position	Testify
Charmaine Doran	Individual	Support	Written Testimony Only

Comments:

Thank you for hearing this measure. The State of Hawai'i has longed struggled with companies that swoop in underbid local companies and then dissolve. Leaving shoddy work behind. This has occurred even recently. Over the years, the State has looked at many different fixes to the procurement system. I encourage this body to explore whether there bill is a step to strengthen the system and deliver a greater benefit for Hawaii's people, our companies, and organized labor organizations.