

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

LATE

SENATE COMMITTEE ON WAYS AND MEANS
Tuesday, February 18, 2025
10:01am
Conference Room 211 & Videoconference

By Stacey A. Aldrich
State Librarian

S.B. 1234 SD1 RELATING TO GOVERNMENTAL EFFICIENCY

To: Sen. Donovan M. Dela Cruz, Chair
Sen. Sharon Y. Moriwaki, Vice Chair
Members of the Senate Committee on Ways and Means

The Hawaii State Public Library System (HSPLS) offers **comments** on S.B.1234 SD1 which authorizes executive and administrative departments and agencies to enter into intergovernmental and partnership agreements with private sector entities, nonprofit organizations, and other governmental bodies.

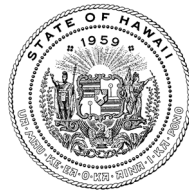
The HSPLS supports the intent of SB1234 SD1, but does not believe this legislation is necessary, as HSPLS is already actively engaged in intergovernmental agreements and partnerships with private, non-profit and other governmental bodies.

Examples of the types of agreements and partnerships that HSPLS is participating in include:

- Partnership with the Friends of the Library of Hawaii which supports statewide programs, including a private sponsorships for the Summer Reading program
- Statewide digital literacy classes, in partnership with the federal Department of Labor and the State Department of Labor and Industrial Relations
- Telehealth resources, in partnership with the State Department of Health and Pacific Telehealth Resource Center
- Partnerships with non-profits to provide free assistance with tax returns
- Partnership with the Executive Office on Early Learning to support early learning classrooms

- Partnership with the County of Hawaii to co-locate a public library adjacent to a transit hub in the Pahoia area
- Partnership with the Imagination Library to bring free reading materials to rural homes
- Partnership with Alu Like to keep the Hana Public and School Library open for community use
- Partnerships with Women, Infants and Children program and Hawaii Judiciary for community courts

Thank you for the opportunity to provide testimony on S.B. 1065 SD1.



JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
LIEUTENANT GOVERNOR

LUIS P. SALAVERIA
DIRECTOR

SABRINA NASIR
DEPUTY DIRECTOR

EMPLOYEES' RETIREMENT SYSTEM
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
OFFICE OF THE PUBLIC DEFENDER

STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE
Ka 'Oihana Mālama Mo'ohelu a Kālā
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ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT

WRITTEN ONLY
TESTIMONY BY LUIS P. SALAVERIA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE SENATE COMMITTEE ON WAYS AND MEANS
ON
SENATE BILL NO. 1234, S.D. 1

February 18, 2025
10:01 a.m.
Room 211 and Videoconference

LATE

RELATING TO GOVERNMENTAL EFFICIENCY

The Department of Budget and Finance (B&F) offers comments on this bill.

Senate Bill (S.B.) No. 1234, S.D. 1, authorizes State Executive departments and agencies to enter into intergovernmental agreements and partnership agreements with private and non-profit entities, provided that each agreement shall promote public benefits; be consistent with applicable statutory mandates and State policy goals; comply with Chapter 103D, HRS; and obtain approval from the Department of the Attorney General, provided further that the State Executive departments and agencies exercising such authority shall provide annual reports on their agreements to the Legislature.

B&F notes that the language proposed is overly broad and does not account for potential issues arising from private activity when the agreements involve capital improvement program (CIP) projects. The Internal Revenue Code sets certain restrictions on the issuance and use of tax-exempt general obligation bonds, including restrictions on private use of the CIP project financed by the bonds to ensure that

private users are not benefitting from the tax-exempt status of the bonds. When private activity restrictions are violated, the Internal Revenue Service (IRS) may declare the entire issue of bonds that financed the violating CIP project to be taxable, which would negatively impact the State's bond rating and further result in a decreased ability to obtain funding for future CIP projects and increased annual costs for debt service. Even if the State can remedy the private activity issue prior to the IRS declaring a change to the bond issue's taxable status, it is likely that there will still be a negative impact to the marketability of the State's future bonds.

For that reason, B&F strongly recommends caution when State Executive departments and agencies enter into these intergovernmental and partnership agreements. Furthermore, they will need to work closely with B&F to ensure private activity restrictions will not be violated.

Thank you for your consideration of our comments.

JOSH B. GREEN, M.D.
GOVERNOR
KE KIA'ĀINA



BONNIE KAHAKUI
ADMINISTRATOR

STATE OF HAWAII | KA MOKU'ĀINA O HAWAII'
STATE PROCUREMENT OFFICE

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LATE

**TESTIMONY
OF
BONNIE KAHAKUI, ADMINISTRATOR
STATE PROCUREMENT OFFICE
TO THE SENATE COMMITTEE
ON
ENERGY AND INTERGOVERNMENTAL AFFAIRS
FEBRUARY 18, 2025; 10:01 AM
SENATE BILL 1234, SD1
RELATING TO GOVERNMENTAL EFFICIENCY**

Chair Dela Cruz, Vice Chair Moriwaki, and members of the committee, thank you for the opportunity to submit testimony on Senate Bill 1234, SD1.

The State Procurement Office (SPO) appreciates the overall intent of this bill; however, intergovernmental agreements and partnerships are addressed in Hawaii Revised Statutes (HRS) Chapter 103D - Part VIII - Governmental Relations and Cooperative Purchasing. Therefore, this bill is not necessary.

Intergovernmental agreements and partnerships are defined in HRS Section 103D-801 and described in HRS Section 103D-804. HRS Section 103D-801 defines "cooperative purchasing" as "procurement conducted by a public or external procurement unit with one or more public procurement units, external procurement units, or nonprofit private procurement units, pursuant to this chapter." HRS Section 103D-804 states that "a public procurement unit may enter into an agreement, independent of the requirements of parts III and XII, with any other public procurement unit, external procurement unit, or nonprofit private health and human services organization."

Pursuant to Hawaii Administrative Rules (HAR) 3-128-2, prior written approval of the State Chief Procurement Officer is required before entering into a cooperative purchasing agreement. Many departments, such as Budget and Finance, Department of Accounting and General Services, Department of Business Economic Development and Tourism, Department of Human Resources Development, Department of Human Services, Department of Land and Natural Resources, Department of Health, Department of Transportation, and the Department of Defense, already use HAR 3-128-2 to engage in cooperative agreements between other departments, jurisdictions, other States, or cooperative alliances. Additionally, the SPO signs cooperative agreements with the Department of Education on behalf of the Executive Departments to take advantage of volume discounts for goods and services such as pest control, disposable food service products, and library furniture.

The SPO is also the primary member of two national cooperative purchasing programs: the National Association of State Procurement Officials (NASPO), Sourcewell, and the federal cooperatives with General Services Administration (GSA). The objective of these cooperative programs is to obtain volume price discounts based on the collective volume of government entities and make available to all government entities in Hawaii who have signed an agreement with SPO, which includes all jurisdictions. The SPO has participating agreements with hundreds of vendors covering approximately 100 portfolios for a wide variety of goods and services such as computers, paper products, janitorial products, and office supplies

While HRS Chapter 103D, Part VIII, does not specifically address agreements or partnerships with private sector entities, they must comply with the HRS Chapter 103D, Part III - Methods of Procurement.

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



Cade Watanabe, Financial Secretary-Treasurer

Gemma G. Weinstein, President

Eric W. Gill, Senior Vice-President

February 17, 2025

Senate Committee on Ways and Means

Senator Donovan Dela Cruz, Chair

Senator Sharon Moriwaki, Vice Chair

Testimony in opposition to SB1234

Chair Dela Cruz, Vice Chair Moriwaki and members of the committee,

UNITE HERE Local 5 represents over 10,000 working people in the hotel, food service and healthcare industries across Hawaii.

We are in opposition to SB1234. The bill's language is dangerously vague. It grants broad authority for any state agency to partner with any private for-profit corporation in any "agreement." The bill offers no definition or limits to the term "agreement." The bill provides no guardrails to protect taxpayer interests nor public participation in the new "agreement" making process, except to rely on *pre-existing law*.

SB1234 wrongly assumes that letting state government make more agreements with for-profit corporations will automatically result in some vaguely desirable outcome that is "efficient." The bill offers no accountability oversight or auditing of these agreements; only requiring after-the-fact reporting with no powers attached.

The bill is unnecessary. State agencies are already allowed to enter into agreements with other entities. The bill itself references HRS103D, a long-standing framework on procurement-type agreements. SB1234 requires the attorney general to approve legality of agreements, and the agreement must comply with the submitting agency's statutory mandate. This leads to questions about the vagueness of SB1234 - what new power is the bill granting to departments if the bill is saying it must follow existing statutory mandates and attorney general review? What is the intent and purpose of the bill and how does it conflict with established public policy?

The short title of the bill refers to "governmental efficiency," but the bill immediately exceeds that scope by including private for-profit companies and non-profits into its authority. This bill will likely result in less efficiency and more chaos as poorly audited agreements between state agencies and private entities compound in number over time.

We recommend the bill be rewritten to narrowly focus on intra-governmental efficiency and avoid the Pandora's box of broadly authorizing taxpayer-funded agencies to enter into "agreements" with for-profit corporations. Alternatively, the bill's intent would be better served as a resolution to encourage government efficiency and partnership, as opposed to granting statutory authority for any state department or agency head to enter into vague "efficiency" agreements.

Thank you for this opportunity to testify.



HAWAII GOVERNMENT EMPLOYEES ASSOCIATION
AFSCME Local 152, AFL-CIO

RANDY PERREIRA, Executive Director • Tel: 808.543.0011 • Fax: 808.528.0922

The Thirty-Third Legislature, State of Hawaii
The Senate
Committee on Ways and Means

Testimony by
Hawaii Government Employees Association

February 18, 2025

S.B. 1234, S.D. 1 — RELATING TO GOVERNMENTAL EFFICIENCY

The Hawaii Government Employees Association, AFSCME Local 152, AFL-CIO strongly opposes the purpose and intent of S.B. 1234, S.D. 1, which authorizes Executive and Administrative Departments and Agencies to enter into intergovernmental and partnership agreements with private sector entities, nonprofit organizations, and other governmental bodies.

The HGEA raises serious concerns over this measure as it proposes to blanketly grant the state executive departments the authority to enter into partnership agreements with the private sector and nonprofit organization. **We view this as an open door, with little oversight, to privatize and outsource hundreds of government services that are currently provided by government employees, our union members.**

We recognize that the state's workforce is facing a 24% vacancy rate. The state needs to invest in its current and future workforce – increasing the position pay and offering modern and attractive recruitment and retention incentives, along with reforming the administrative rules to streamline hiring time is paramount. Our public workforce must become more flexible, competitive, and adaptive to the current job market and public demands. The answer to ensure that government staffing and services remain adequate is not to privatize government services, but to make an investment into our existing and future workforce. Therefore, we respectfully request that this measure be filed.

Thank you for the opportunity to provide testimony in opposition of S.B. 1234, S.D. 1.

Respectfully submitted,

Randy Perreira
Executive Director



**HAWAII COMMUNITY
DEVELOPMENT AUTHORITY**

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JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR

STERLING HIGA
CHAIRPERSON

CRAIG K. NAKAMOTO
EXECUTIVE DIRECTOR

Statement of
CRAIG K. NAKAMOTO
Executive Director
Hawai'i Community Development Authority
before the
SENATE COMMITTEE ON WAYS AND MEANS

Tuesday, February 18, 2025
10:01 AM
State Capitol, Conference Room 211 & Videoconference

In consideration of
SB1234, SD1
RELATING TO GOVERNMENTAL EFFICIENCY.

Chair Dela Cruz, Vice Chair Morikwaki, and members of the Committee.

The Hawai'i Community Development Authority (HCDA) supports SB1234, SD1 which authorizes executive and administrative departments and agencies to enter into intergovernmental and partnership agreements with private sector entities, nonprofit organizations, and other governmental bodies.

Cooperation, as described in this measure, is envisioned to make government more efficient by allowing state entities to collaborate with other government agencies and the private sector.

The HCDA was established by the Legislature to design community development plans in community development districts; determine community development programs; and cooperate with private enterprise and the various components of federal, state, and county governments to bring community development plans to fruition.

For example, we have partnered with private utility companies when undergrounding utilities and making public road improvements in the past.

Thus, we understand the importance of various government entities working together with the private sector to accomplish projects for the betterment of the state.

Thank you for the opportunity to provide testimony.

SB-1234-SD-1

Submitted on: 2/14/2025 5:16:43 PM

Testimony for WAM on 2/18/2025 10:01:00 AM

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

Comments:

I urge this Committee to **VOTE NO** on Senate Bill 1234, which seeks to amend Chapter 26 of the Hawaii Revised Statutes regarding intergovernmental and partnership agreements. This bill, while cloaked in the guise of efficiency and cooperation, is fundamentally flawed and poses significant risks to our state's governance, transparency, and public interest.

1. Vague and Overly Permissive Legislation:

This bill grants departments and agencies sweeping authority to enter into agreements with virtually no clear guardrails beyond "statutorily mandated goals" and "state policy goals." These terms are so broad as to be meaningless, providing a carte blanche for agencies to form partnerships that could easily sidestep legislative scrutiny. We need specificity, not ambiguity, to ensure these agreements serve the public good, not narrow interests.

2. Risk of Corruption and Favoritism:

By allowing partnerships with private-sector entities or nonprofits without stringent, transparent selection criteria, this bill opens the door to favoritism or worse, corruption. The approval by the Attorney General is insufficient if the criteria for these partnerships remain nebulous. The potential for misuse of public resources for private gain is alarmingly high under this bill's framework.

3. Insufficient Transparency and Accountability:

While the bill speaks of transparency and accountability, it lacks the mechanisms to ensure these are more than just words. Reporting to the legislature 20 days before the session starts is too late for meaningful oversight or public input. We need real-time transparency, public consultations, and independent audits to protect taxpayer money and ensure these partnerships truly benefit the public.

5. Potential Erosion of Public Services:

There's a real risk that this bill could pave the way for privatization of public services under the guise of "partnerships." This could lead to profit-driven decisions in sectors where public welfare should be paramount. We've seen this narrative play out in other states, leading to degraded services and higher costs for taxpayers.

Conclusion:

This bill, in its current form, is an invitation to mismanagement, corruption, and a dilution of public accountability. It does not provide the necessary checks and balances to ensure that these partnerships genuinely advance the public good. I implore you to **VOTE NO** on Senate Bill 1234. We need legislation with clear objectives and robust oversight if we are truly committed to improving intergovernmental and private partnerships in our state.

Let's not gamble with Hawaii's future by passing laws that are more likely to serve special interests than the people of this beautiful state.

LATE

SB-1234-SD-1

Submitted on: 2/18/2025 1:51:48 PM

Testimony for WAM on 2/18/2025 10:01:00 AM

Submitted By	Organization	Testifier Position	Testify
Ellen Awai	Individual	Support	Written Testimony Only

Comments:

I stand in full support of SB1234 SD1. Sadly our state system had proven to be such a disappointment, where people are just sitting in positions to collect a paycheck instead of being a servant to the people of Hawaii. As a former state employee, I saw how staff laughed and judged me being labeled, yet couldn't believe how someone with a mental health issue could actually work because of previous "disabled" staff who came from elsewhere just to seek income to live in our beautiful islands! They only seek a status quo to retain the number that they serve instead of pushing people to be on their own and bringing in new clients to assist. I had to explain this work ethic to supervisors who didn't understand that the Hawaii Certified Peer Specialists I trained were basically role models for people and weren't to be changed into the medical professionals already in the field. Just seeing them in the field gave others hope that they too could recover. But then you had other examples that did not lead by example and just took payments since they now had a job!

Other organizations seem to care about the locals, but should be monitored that they are not taking most of the money for their own goals and not serving the community. The mutual cooperation of different organizations such as in housing, homelessness, transportation, and law enforcement can definitely improve our state system! True neighborhood watch with City, State and Federal leaders have been patrolling together! Councilman August Tulba, working with Representative Garcia, Senator Fevella, as well as, U.S. Representative Case working with the Mayor Blangiardi and other local leaders improve our Ewa Community on West Oahu! Mahalo for supporting SB1234 SD1!