



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

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**TESTIMONY
OF
BONNIE KAHAKUI, ADMINISTRATOR
STATE PROCUREMENT OFFICE**

**TO THE SENATE COMMITTEE
ON
GOVERNMENT OPERATIONS
JANUARY 28, 2025, 3:00 p.m.**

**SENATE BILL 254
RELATING TO PROCUREMENT**

Chair McKelvey, Vice Chair Gabbard, and members of the committee, thank you for the opportunity to submit testimony on Senate Bill 254. The State Procurement Office (SPO) opposes Section 2, page 1, lines 13-14, which amends the small purchase threshold for goods and services, and construction. SPO also opposes the revised language in Section 2, page 2, lines 7-8, which increases the threshold by which procurements must be conducted through an electronic procurement system. The SPO furthermore opposes increasing the threshold to \$10,000, by which agencies are required to verify compliance that is proposed in Section 3, page 3, lines 1.

In 1993, when the Hawaii Procurement Code was first enacted, the small purchase threshold was \$10,000 for services and supplies, and \$25,000 for construction. The threshold for services and supplies remained at that level until 1997, at which time the threshold was increased to \$25,000 for goods and services. It was again increased in 2006 to \$50,000 for goods and services, and added the electronic procurement component. In 2009, another increase to \$100,000 was made for goods and services and \$250,000 for construction, where they remain today.

In a recent survey of the 50 states and the District of Columbia, the small purchase threshold for goods and services varies from \$1,000 to \$250,000. However, 31 states' small threshold is under \$100,000, 14 states are at \$100,000, and only 6 states exceed \$100,000. This information shows that **90%** of all states have a small purchase threshold of \$100,000 or less. None of the states exceed \$250,000 for construction.

The proposed changes to the small purchase threshold will impact the purpose of the Hawaii Procurement Code, which is "to foster effective broad-based competition within the free enterprise program and to provide safeguards for the maintenance of a procurement program of quality and integrity."

Increasing the thresholds to \$100,000 to use an electronic procurement system would result in less transparency and reduced competition, which may lead to increase costs, procurement irregularities, and higher risk of parceling, which is the artificial division of goods, services, and construction in order to evade the statutory competitive requirements.

As the table indicates, there are a substantial number of transactions which fall into this category. That is **\$45 MILLION to \$50 MILLION** in transactions that would have been impacted.

Fiscal Year	Number of Small Purchase Transactions Under \$100,000	Awarded Amounts
2023	1700	\$50,9089,788.85
2024	1600	\$44,388,640.93

By raising the threshold for procurements to be conducted on an eProcurement system, this would allow procurements of less than \$100,000 to be competed through a non-electronic system, Procurements less than \$100,000 may not be viewable and competed to all that could be considered, and requests for quotes or bids or even proposals may be solicited to the limited group that a procuring agency deemed to be on a “favorites” list.

All jurisdictions should utilize technological advances rather than resorting to labor-intensive, manual processes. Reverting to dated manual processes is contrary to enhancing operational efficiencies. Procurement automation is one way to supplement the process in the wake of labor shortages. By using an electronic procurement system, accurate procurement data should be immediately available to jurisdictions, negating the need for agencies to compile data manually.

Public procurement’s primary objective is to provide everyone with an equal opportunity to compete for government contracts, and to prevent favoritism, collusion, or fraud in awarding contracts. Additionally, obtaining quotes without an electronic procurement system may lead to the agency only going to the same “favorite” vendors repeatedly, which would be in violation of HRS 103D-101(a)(6)(A) - Encourage competition by:

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

Furthermore, by raising the requirements to comply with all laws governing entities doing business with the State upon award would mean contracting with potentially bad contractors that may be delinquent in paying their taxes, keeping up with insurance, or adhering with labor laws. Raising the threshold to \$10,000 could diminish the state’s goal of receiving goods, services, and construction from quality and compliant contractors.

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

COUNTY COUNCIL

Mel Rapozo, Chair
KipuKai Kualī'i, Vice Chair
Addison Bulosan
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Felicia Cowden
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OFFICE OF THE COUNTY CLERK

Jade K. Fountain-Tanigawa, County Clerk
Lyndon M. Yoshioka, Deputy County Clerk

Telephone: (808) 241-4188
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Email: cokcouncil@kauai.gov

Council Services Division
4396 Rice Street, Suite 209
Līhu'e, Kaua'i, Hawai'i 96766

January 24, 2025

**TESTIMONY OF ADDISON BULOSAN
COUNCILMEMBER, KAUAI COUNTY COUNCIL
ON
SB 254, RELATING TO PROCUREMENT AND
SB 270, RELATING TO THE SUNSHINE LAW
Senate Committee on Government Operations
Tuesday, January 28, 2025
3:00 p.m.
Conference Room 225
Via Videoconference**

Dear Chair McKelvey and Members of the Committee:

Thank you for this opportunity to provide testimony in SUPPORT of SB 254, Relating to Procurement and SB 270, Relating to the Sunshine Law. My testimony is submitted in my individual capacity as a member of the Kaua'i County Council.

I wholeheartedly support the intent of SB 254 and SB 270, which would greatly affect the Kaua'i community.

Thank you again for this opportunity to provide testimony in support of SB 254 and SB 270. Should you have any questions, please feel free to contact me or Council Services Staff at (808) 241-4188 or via email to cokcouncil@kauai.gov.

Sincerely,

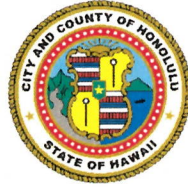
ADDISON BULOSAN
Councilmember, Kaua'i County Council

AAO:mn

**OFFICE OF THE MAYOR
KE KE'ENA O KA MEIA
CITY AND COUNTY OF HONOLULU**

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RICK BLANGIARDI
MAYOR
MEIA



MICHAEL D. FORMBY
MANAGING DIRECTOR
PO'O HO'OKELE

KRISHNA F. JAYARAM
DEPUTY MANAGING DIRECTOR
HOPE PO'O HO'OKELE

January 24, 2024

The Honorable Angus L.K. McKelvey, Chair
The Honorable Mike Gabbard, Vice Chair
and Members of the Senate Committee on Government Operations
State Senate
415 South Beretania Street, Room 221
Honolulu, Hawai'i 96813

Dear Chair McKelvey, Vice Chair Gabbard, and Committee Members:

Subject: Testimony in Support of Senate Bill 254

On behalf of the City and County of Honolulu, I strongly support SB254 and would like to thank Chair McKelvey for also introducing SB383. I would like to note that we do prefer the additional language in SB254 as it includes additional changes which would increase similar thresholds involving electronic purchases and Hawai'i Compliance Express (HCE) compliant purchases.

As noted in the bill's preamble, these dollar amount thresholds have not been adjusted since 1997. Inflation, especially in the last few years, has greatly increased the cost of goods and services across the country thereby reducing procurement actions that qualify as a small purchase. The adverse impact is an increase to the administrative burden and time required to procure goods and services for government operations and services.

I strongly believe that this change will help the City and County of Honolulu, as well as all other Hawai'i State and County agencies, better and more effectively serve its residents.

Thank you for the opportunity to testify in support of this measure.

Sincerely,

A handwritten signature in black ink, appearing to read "M. Formby", with a long horizontal stroke extending to the right.

Michael D. Formby
Managing Director Designate

SAH - Subcontractors Association of Hawaii

1188 Bishop St., Ste. 1003**Honolulu, Hawaii 96813-2938

Phone: (808) 537-5619 ✦ Fax: (808) 533-2739

January 28, 2025

Testimony To: Senate Committee on Government Operations
Senator Angus L.K. McKelvey, Chair

Presented By: Tim Lyons, President

Subject: S.B. 254 – RELATING TO PROCUREMENT
S.B. 383 – RELATING TO SMALL PURCHASES

Chair McKelvey and Members of the Committee:

I am Tim Lyons, President of the Subcontractors Association of Hawaii. The SAH represents the following ten separate and distinct contracting trade organizations.

HAWAII FLOORING ASSOCIATION

ROOFING CONTRACTORS ASSOCIATION OF HAWAII

HAWAII WALL AND CEILING INDUSTRIES ASSOCIATION

ELECTRICAL CONTRACTORS ASSOCIATION OF HAWAII

TILE CONTRACTORS ASSOCIATION OF HAWAII

PLUMBING AND MECHANICAL CONTRACTORS ASSOCIATION OF HAWAII

SHEETMETAL AND AIR CONDITIONING NATIONAL CONTRACTORS ASSOCIATION OF HAWAII

PAINTING AND DECORATING CONTRACTORS ASSOCIATION

PACIFIC INSULATION CONTRACTORS ASSOCIATION

HAWAII ARCHITECTURAL GLASS AND METAL ASSOCIATION

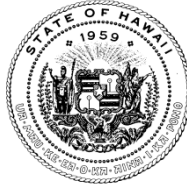
We understand that with the rising costs of just about everything it has also affected purchasing systems. Therefore, we can understand the need to increase the limit to some extent. Our concern, however, is that there are many small contractors who specialize in those "small purchases". In most cases they are just getting started and don't have a sufficient employee count to handle larger jobs, or they don't have the financial wherewithal to bond jobs larger than this and finally, they prefer short term jobs as opposed to larger jobs where prompt payment and retention become issues.

Lastly, we note that 103D-305(b) still requires performance and payment bonds for jobs larger than \$50,000. If the government is to be protected it is only fair that contractors also be protected so we believe that section 103D-302(b) should still apply. We respectfully request that a reference be made in this bill that that section will apply.

With that necessary amendment, we can support the bills.

Thank you.

JOSH GREEN, M.D.
GOVERNOR
KE KIA'ĀINA



LATE

EDWIN H. SNIFFEN
DIRECTOR
KA LUNA HO'OKELE

Deputy Directors
Nā Hope Luna Ho'okele
DREANALEE K. KALILI
TAMMY L. LEE
CURT T. OTAGURO
ROBIN K. SHISHIDO

STATE OF HAWAI'I | KA MOKU'ĀINA 'O HAWAI'I
DEPARTMENT OF TRANSPORTATION | KA 'OIHANA ALAKAU
869 PUNCHBOWL STREET
HONOLULU, HAWAII 96813-5097

January 28, 2025
3:00 p.m.
State Capitol
Conference Room 225 & Videoconference

S.B. 254
RELATING TO PROCUREMENT

The Senate Committee on Government Operations

The Department of Transportation (DOT) **supports** the bill with its provisions to increase the procurement thresholds for small purchases.

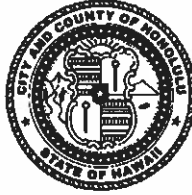
The amendments to increase the procurement thresholds for small purchases, Section 103D-305, Hawaii Revised Statutes, to procurements of less than \$150,000 for goods and services, or \$360,000 for construction, allows for flexibility and competition and intends to increase the expediency and efficiency of purchasing to meet operational requirements.

Thank you for the opportunity to provide testimony.

HONOLULU POLICE DEPARTMENT
KA 'OIHANA MĀKA'I O HONOLULU
CITY AND COUNTY OF HONOLULU
801 SOUTH BERETANIA STREET • HONOLULU, HAWAII 96813
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LATE

RICK BLANGIARDI
MAYOR
MEIA



ARTHUR J. LOGAN
CHIEF
KAHU MĀKA'I

KEITH K. HORIKAWA
RADE K. VANIC
DEPUTY CHIEFS
HOPE LUNA NUI MĀKA'I

OUR REFERENCE **EA-PH**

January 28, 2025

The Honorable Angus L.K. McKelvey, Chair
and Members
Committee on Government Operations
State Senate
415 South Beretania Street, Room 225
Honolulu, Hawai'i 96813

Dear Chair McKelvey and Members:

SUBJECT: Senate Bill No. 254, Relating to Procurement

I am Elgin Arquero, Major of the Finance Division of the Honolulu Police Department (HPD), City and County of Honolulu.

The HPD supports Senate Bill No. 254, Relating to Procurement.

Increasing the threshold from \$25,000 to \$100,000 will allow departments within the jurisdictions to procure goods and services outside of an electronic system, without going through a central purchasing area. This bill will benefit the goals and operations of the HPD and allow us to better service the community.

Adjusting the dollar values of what qualifies as a small purchase will afford agencies the same purchasing power as in 1997 but in today's dollar value. With the updated thresholds, the HPD will be able to conduct small purchases and alleviate the workload of the central purchasing area that currently processes the HPD's procurements of greater than \$25,000.

The Honorable Angus L.K. McKelvey, Chair
and Members
January 28, 2025
Page 2

The HPD urges you to support Seante Bill No. 254, Relating to Procurement.

Thank you for the opportunity to testify.

Sincerely,

A handwritten signature in black ink, appearing to be 'Elgin Arquero', written over a horizontal line.

Elgin Arquero, Major
Finance Division

APPROVED:

A handwritten signature in black ink, appearing to be 'Arthur J. Logan', written over a horizontal line.

Arthur J. Logan
Chief of Police