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**TESTIMONY
OF
AARON S. FUJIOKA
ADMINISTRATOR
STATE PROCUREMENT OFFICE**

**TO THE
HOUSE COMMITTEE
FINANCE**

February 19, 2010

3:00 PM

HB 2676, HD1

RELATING TO THE KAHO'OLAWE ISLAND RESERVE COMMISSION.

Chair Oshiro, Vice Chair Lee, and committee members, thank you for the opportunity to testify on HB 2676, HD1.

The State Procurement Office (SPO) does not support the language to exempt the Kaho'olawe Island Reserve Commission (KIRC) from HRS chapter 103D, the Hawaii Public Procurement Code (Code) for certain commodities.

In the past years, the KIRC received several procurement exemptions from the SPO for the acquisition of food and fuel due to a lack of offerors meeting KIRC's specific needs. The Code already provides flexibility to address KIRC's situation. Specific purchases may be exempted when it is not advantageous or not practicable. Although there is currently a lack of competition, the situation in the future may change making competition feasible and open to all. A statutory blanket exemption from procurement would not be reviewed to determine the appropriateness of that exemption, which over a period of time may change. The current practice requires KIRC and SPO to document the reason justifying the exemption and is available for public scrutiny and posted on the SPO website.

The SPO is against statutorily exempting specific agencies from the Code, as it is not in the best interest of government, the business community, and the general public. The Code establishes a time-tested, fair, and reliable set of rules and processes for award of contracts. The competitive procurement processes of the Code are to insure that all potential providers are afforded the opportunity to compete for the required services.

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The Code should not be viewed as an obstacle to a purchasing agency's mission, but rather as the single source of public procurement policy to be applied equally and uniformly. It was the legislature's intent for the Code to be a single source of public procurement policy. Fairness, open competition, a level playing field, and government disclosure and transparency in the procurement and contracting process are vital to good government. For this to be accomplished, we must participate in the process with one set of statutes and rules.

Any governmental agency with the authority to expend funds should be in compliance with chapter 103D, which promotes the policy of fair and equitable treatment of all persons who deal with the procurement system; fosters effective broad-based competition; and increases public confidence in public procurement.

Thank you.



KŪKULU KE EA A KANALOA

KAHO'OLAWE ISLAND RESERVE COMMISSION

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**Testimony of
MICHAEL K. NAHO'OPI'I
Executive Director**

**Before the House Committee on
FINANCE**

**Friday, February 19, 2010
3:00 PM
State Capitol, Conference Room 308**

**In consideration of
HOUSE BILL 2676, HOUSE DRAFT 1
RELATING TO THE KAHO'OLAWE ISLAND RESERVE COMMISSION**

House Bill 2676, House Draft 1 would exempt the Kaho'olawe Island Reserve Commission (KIRC) from state procurement requirements for the purchase of food and fuel products needed to carry out KIRC's statutory responsibilities. KIRC supports this measure, as strict compliance with procurement requirements are often not practicable or advantageous to the state for the purchase of goods and services needed on Kaho'olawe, due to inherent challenges in planning, logistics and timeliness. KIRC also requests that the bill take effect on July 1, 2010.

Relating to food and fuel products specifically, KIRC has consistently received approval for procurement exemptions or alternatives over the past several years, demonstrating that a statutory exemption for these items is justified.

KIRC's projected Fiscal Year 2010 expenditure for food products is \$65,000. KIRC presently has an exemption from the State Procurement Office for the purchase of food products, but this exemption will expire at the end of the fiscal year and does not cover fresh meats or produce (pursuant to Act 175, Session Laws of Hawaii 2009). Vendor prices change weekly, if not more frequently, making the regular procurement process for KIRC's needs a "square peg in a round hole." A statutory exemption would allow KIRC to work with local vendors to take advantage of price specials, bulk sales, new items and product freshness.

KIRC's Fiscal Year 2010 budget for on-island fuel is \$85,500. Only one vendor can currently meet KIRC's specifications for fuel delivery and staging so that KIRC can transport diesel and gasoline to Kaho'olawe. KIRC presently has approval from the State Procurement Office to purchase from this vendor, off the State Price List, and a statutory exemption would allow KIRC to continue to work with this vendor, as well as any new vendors who may be able to meet KIRC's unique delivery needs.