

SCR 54 / SR 23

REQUESTING A STUDY REGARDING THE NEED TO INCREASE THE
DOLLAR THRESHOLD THAT DETERMINES WHETHER A SMALL
PURCHASE IS EXEMPT FROM SMALL PURCHASE PROCUREMENT
PROCEDURES.

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TESTIMONY
OF
SARAH ALLEN, ADMINISTRATOR
STATE PROCUREMENT OFFICE

TO THE SENATE COMMITTEE
ON
GOVERNMENT OPERATIONS
MARCH 31, 2015, 1:30 PM

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DETERMINES WHETHER A SMALL PURCHASE IS EXEMPT FROM SMALL PURCHASE
PROCUREMENT PROCEDURES

Chair Dela Cruz, Vice-Chair Nishihara, and members of the committee, thank you for the opportunity to submit testimony on SCR 54 and SR 23. The State Procurement Office's (SPO) comments are as follows:

Line 12 and 13 on page one indicate that procurements less than \$25,000 are exempt from small purchase procedures. That is not the case. All small purchases are subject to the procedures set forth by the Hawaii Revised Statutes (HRS) and the associated Hawaii Administrative Rules (HAR). The reference to the \$25,000 is in relationship to the fact that all purchases of \$25,000 and above shall be purchased using an eProcurement system. HRS 103D-305 states:

"... (a) Procurements of less than \$100,000 for goods or services, or \$250,000 for construction shall be made in accordance with procedures set forth in rules adopted by the policy board...

"... (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 shall be required..."

Procurements for less than \$25,000 are NOT exempt. The procedures for less than \$25,000 are stated in HAR §3-122-75:

"... Based on specifications and with adequate and reasonable competition:

- (1) No less than three quotes shall be solicited for expenditures of \$5,000 to less than \$15,000;
- (2) No less than three written quotes shall be obtained for expenditures of \$15,000 to less than \$25,000;..."

"... (f) Expenditures with an estimated total cost that are less than \$5,000 shall be by procedures established by each chief procurement officer...."

The HAR allows chief procurement officers to be more restrictive.

"... (g) Chief procurement officers may be more restrictive in their jurisdiction's small purchase procedures, e.g., requiring written quotes at lower dollar limits..."

For the executive branch under the jurisdiction of the SPO Administrator, agencies are required to place all procurements of \$15,000 and above on our eProcurement system. Procurements less than \$5,000 are to be procured using "adequate and reasonable competition" and any awards of \$2,500 and above shall be posted on the Procurement Awards, Notices, and Solicitations (PANS) website.

The SPO therefore surmises that the intent of this resolution is to raise the small purchase threshold but not create a blanket exemption for all state small purchases.

The National Association for State Procurement Officials (NASPO) conducted a survey in 2014 on the small purchase thresholds across the nation. Per the survey, the average small purchase threshold is \$50,000. Nineteen states set their requirement for formal procurement at \$36,000 or less. Hawaii State threshold of \$100,000 is 100% higher than the average and 1000% higher than nine states. Hawaii is in alignment with eight states that set their threshold at \$100,000 (to include: Alaska, Arizona, California, Delaware, District of Columbia, Idaho, Vermont and Virginia). Only Oregon and Massachusetts have a higher threshold of \$150,000.

HRS section 103D-202 states that the Procurement Policy Board "...shall consider and decide matters of policy within the scope of this chapter..."

They do not have the resources to conduct research.

Thank you.

SAH - Subcontractors Association of Hawaii

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March 31, 2015

Testimony To: Senate Committee on Government Operations
Senator Donovan M. Dela Cruz, Chair

Presented By: Tim Lyons, President

Subject: SCR 54/SR 23 - REQUESTING A STUDY REGARDING THE NEED TO INCREASE
THE DOLLAR THRESHOLD THAT DETERMINES WHETHER A SMALL PURCHASE
IS EXEMPT FROM SMALL PURCHASE PROCUREMENT PROCEDURES.

Chair Dela Cruz and Members of the Committee:

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

HAWAII FLOORING ASSOCIATION

ROOFING CONTRACTORS ASSOCIATION OF HAWAII

HAWAII WALL AND CEILING INDUSTRIES ASSOCIATION

TILE CONTRACTORS PROMOTIONAL PROGRAM

PLUMBING AND MECHANICAL CONTRACTORS ASSOCIATION OF HAWAII

SHEETMETAL CONTRACTORS ASSOCIATION OF HAWAII

PAINTING AND DECORATING CONTRACTORS ASSOCIATION

PACIFIC INSULATION CONTRACTORS ASSOCIATION

We have no particular problem with conducting a study but we would respectfully ask that the Committee be mindful that the subcontractor listing requirement as contained in the Procurement Law does not apply to small purchases. Therefore, any increase in that will also then increase the number of jobs that are procured without the necessity of a prime contractor naming its intended subcontractors. The Subcontractor Listing Law has been the subject of great debate and it probably is not the place of this Resolution to debate its merits however we do think that the Committee should stress in the either the Committee Report or the Resolution itself that in determining what the threshold should be for the small purchase procurement procedures that the Subcontractor Listing Law be maintained.

With that important footnote, we have no problem with the Resolutions.

Thank you.