



**STATE OF HAWAII
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**TESTIMONY
OF
SARAH ALLEN, ADMINISTRATOR
STATE PROCUREMENT OFFICE**

**TO THE HOUSE COMMITTEE
ON
ECONOMIC DEVELOPMENT & BUSINESS
February 3, 2015, 9:00AM**

**HB1028
RELATING TO PROCUREMENT**

Chair Kawakami, Vice-Chair Kong, and members of the committee, thank you for the opportunity to submit testimony regarding HB1028. The State Procurement Office (SPO) is in **STRONG SUPPORT** of this measure.

HB 1028 creates a new section within Hawaii Revised Statutes chapter 103D to address what are called special innovative procurements. Among public procurement's guiding principles are value and transparency. Value ensures prudent use of taxpayer dollars. Transparency ensures accountability and system integrity, which in turn, fosters public confidence. These guiding principles are built into HRS chapter 103D, our State Procurement Code.

Special innovative procurements allow the State to procure when unusual or unique circumstances exist that require other than full competition, when standard procurement procedures would be contrary to the public interest. Unlike an exemption, special innovative procurements are an alternative process **within** the procurement code. This means that the State can effectively respond to unique needs or situations and maintain the accountability and transparency of the procurement and resulting management of the contract.

Public contracting exists in a marketplace that has modernized at a rate far faster than government institutions. As a result, flexibility is a necessity of modern procurement. The challenge we face is to balance the reality of the marketplace with the guiding principles of government contracting and our responsibility to the public. The American Bar Association 2000 Model Procurement Code addresses the necessity of special procurements, and multiple states include special innovative procurements within their code. HB 1028 is our opportunity to proactively address the inevitability of unusual circumstances within the integrity provided by our State Procurement Code.

Thank you.



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**STATE OF HAWAII
DEPARTMENT OF TRANSPORTATION**
869 PUNCHBOWL STREET
HONOLULU, HAWAII 96813-5097

February 3, 2015
9:00 a.m.
State Capitol, Room 312

**H.B. 1028
RELATING TO PROCUREMENT**

House Committee on Economic Development & Business

The Department of Transportation (DOT) **supports** the intent of this bill which proposes to provide for the establishment of a special innovative procurement process for the procurement of supplies, services, professional services, or construction.

Although the DOT utilizes all methods of procurement, there are situations when a procurement method does not fit the DOT purchasing needs. The purpose of a special innovative procurement process may provide the DOT with flexibility in procuring new, unique, and specialized goods, services, or construction within the parameters of the procurement code.

This bill as proposed includes a procurement checks and balances provision (Chief Procurement Officer (CPO) to provide written determination) intending to ensure the use of a particular innovative procurement is advantageous to the State, or to achieve best value.

The DOT proposes the following revision to the proposed statutory language, "(d) Nothing in this section shall preclude the adoption of rules providing for the use of ~~bonuses~~ incentives instead of preferences in a procurement of construction."

Thank you for the opportunity to provide testimony.



Email: communications@uluponoinitiative.com

HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT & BUSINESS
Tuesday, February 3, 2015 — 9:00 a.m. — Room 312

Ulupono Initiative Strongly Supports HB 1028, Relating to Procurement

Dear Chair Kawakami, Vice Chair Kong, and Members of the Committee:

My name is Brandon Lee and I am the policy and public-private partnership associate of the Ulupono Initiative, a Hawai'i-based impact investment company that strives to improve the quality of life for the people of Hawai'i by working toward solutions that create more locally grown food, increase clean, renewable energy, and waste reduction. We believe that self-sufficiency is essential to our future prosperity, and will help shape a future where economic progress and environmental stewardship work hand in hand.

Ulupono strongly supports HB 1028, which creates a new class within the procurement code that allows for an innovative competitive procurement process to achieve the best results. Two examples of where Ulupono sees great value in this proposed procurement process:

First, Ulupono has identified procuring more locally grown foods by governmental institutions such as prisons, hospitals, and schools can lead to more locally grown foods in Hawai'i. This bill would allow for flexibility within the procurement code to create a customizable procurement process for locally grown foods. Through a more customized procurement process, the goal is to provide more transparency and written contracts to allow for more opportunities for our local farmers to supply the bulk purchases that governmental institutions can provide.

Second, in these tight budgetary times, the State is looking at new and innovative ways to build and maintain infrastructure and services for the taxpayer. One method to obtain funding for these projects is a public-private partnership. However, these projects require flexibility for the private sector with accountability for the public sector. Under this proposed process, public-private partnership projects can be customized so that the parties needs can be better satisfied.

While procurement rules can be daunting, they exist to provide accountability through processes. Often, there are various efforts to exempt categories from the procurement code, some successful and some not. Regardless of an exemption's effectiveness, it creates a system where applicants and regulators need to navigate various procurement processes

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and jurisdictions to participate effectively. This increases costs for both businesses and the government. The special / innovative procurement class can create flexibility for key categories that require it while still keeping the overall management under the expert eyes of the procurement office. Furthermore, keeping procurement processes within the procurement office, helps to provide liability protection and contract management controls for the State.

Currently, at least 9 states currently have a program for special/innovative procurements, 39 states include options for other than full competition within the procurement code, and all states allow for exemptions of some kind outside of their procurement code.

As the issues we face in Hawai'i become more complex and challenging, there needs to be updated policies to address and overcome them. We appreciate this committee's efforts to look at new solutions.

We believe that working together we can help produce more local food, support an economically strong homegrown agriculture industry, which strengthens our community with fresh, healthy food. Thank you for this opportunity to testify.

Respectfully,

Brandon Lee
Policy and Public-Private Partnership Associate