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# A BILL FOR AN ACT

RELATING TO SMALL BUSINESS.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1           SECTION 1. The legislature finds that small businesses are  
2 the lifeblood of the State's economy. Act 50, Session Laws of  
3 Hawaii 2005, was enacted to promote the growth and development  
4 of small businesses. During the regular session of 2007, the  
5 legislature approved funding for one full-time equivalent  
6 position in the state procurement office in order to implement  
7 part IX of the state procurement code, assistance to small  
8 businesses. Unfortunately, due to funding and staffing cuts in  
9 2008, the position was never filled and eventually lapsed.  
10 Section 3-124-73, Hawaii Administrative Rules, went into effect  
11 in 2007 without a dedicated position or small business office,  
12 and these rules eventually expired in 2011.

13           The legislature finds that businesses owned by veterans,  
14 Native Hawaiians, and women are the most vulnerable and  
15 disadvantaged businesses in the State. The legislature further  
16 finds that an initiative is needed to identify, quantify, and  
17 address the needs of these small businesses and to measure and



1 track their present participation in state small business  
2 contracts. The legislature recognizes that the State must  
3 create, develop, and implement strategies to ensure that small  
4 businesses are able to effectively participate in small business  
5 contracting opportunities within the State.

6 The legislature additionally finds that previously-adopted  
7 administrative rules with respect to the development of small  
8 business contracts were not effective because of a lack of  
9 appropriate business metrics and available data. The  
10 legislature recognizes that addressing small business concerns  
11 in the State must be done incrementally. The legislature also  
12 finds that the state procurement office is now ready to address  
13 the small business part of the state procurement code and assist  
14 self-identified small businesses in obtaining state contracts.

15 The purpose of this Act is to assist small businesses in  
16 obtaining state contracts through the state procurement office  
17 by:

- 18 (1) Creating a small business assistance initiative to  
19 convene small business stakeholders, collect and  
20 develop relevant data and information necessary for  
21 small businesses to compete for small business



1 contracts, and develop an effective small business  
2 contracting program within the State; and  
3 (2) Appropriating funds for staffing of the small business  
4 assistance initiative.

5 SECTION 2. Chapter 103D, Hawaii Revised Statutes, is  
6 amended by adding a new section to part IX to be appropriately  
7 designated and to read as follows:

8 "§103D- Small business assistance initiative;  
9 established. (a) A small business assistance initiative shall  
10 be established within the state procurement office. The  
11 initiative shall enable the collection and development of small  
12 business data and information, and convene stakeholders to  
13 develop an effective small business program with actionable  
14 rules.

15 The small business assistance initiative shall consist of a  
16 small business assistance coordinator, small business office,  
17 and small business advisory group. The small business  
18 assistance coordinator and small business office shall collect  
19 and provide data and metrics to the small business advisory  
20 group which, in turn, shall make recommendations that may be  
21 used to adopt permanent rules to carry the initiative forward.



1        (b) There is established within the state procurement  
2 office full-time equivalent positions for a small business  
3 assistance coordinator. This position shall be exempt from  
4 chapter 76. This position shall be part of the small business  
5 assistance initiative and shall be directly responsible for the  
6 maintenance and collection of data from the state small business  
7 database and the daily operations of the small business  
8 assistance initiative. The small business assistance  
9 coordinator shall be responsible for the following:

- 10        (1) Establishing and maintaining a statewide small  
11        business database;
- 12        (2) Establishing and managing small business registration,  
13        certification, and identification processes;
- 14        (3) Drafting policies and rules to assist in the  
15        implementation of this part;
- 16        (4) Producing, publishing, and disseminating trainings  
17        designed to inform procurement staff and self-  
18        identified small business vendors of small business  
19        programs and opportunities;
- 20        (5) Conducting surveys and collecting feedback from  
21        procurement staff and self-identified small business



1 vendors and presenting the information to the small  
2 business advisory group and the state procurement  
3 office; and

4 (6) Producing an annual report consisting of small  
5 business participation metrics and data, and  
6 submitting the report to the small business advisory  
7 group.

8 (c) There shall be established a small business office as  
9 part of the small business assistance initiative. The state  
10 procurement office shall enter into a contract with a private  
11 entity to perform the work of the small business office. The  
12 contract shall be awarded to an existing, Hawaii-based small  
13 business advocacy group with experience helping small businesses  
14 obtain state and federal contracts. The contract awardee shall  
15 be a Native Hawaiian-, veteran-, or women-owned small business  
16 and shall have the capacity and understanding of the small  
17 business community to be able to meet the requirements of the  
18 small business assistance initiative.

19 The small business office shall be responsible for:

20 (1) Providing timely trainings and reports relating to key  
21 developments in the small business community;



- 1        (2) Establishing communications with self-identified  
2        vendors, which may include the development and  
3        implementation of a newsletter and email campaign to  
4        keep vendors informed of current small business  
5        events;
- 6        (3) Producing and publicizing outreach campaigns related  
7        to the initiative and other small business programs  
8        and opportunities;
- 9        (4) Creating, developing, advertising, and encouraging  
10       vendor participation in workshops, seminars, and  
11       trainings designed to promote and enhance small  
12       business participation in state contracts;
- 13       (5) Establishing mechanisms and implementing procedures  
14       for conducting audits, handling disputes, and  
15       investigating allegations of fraud and other  
16       misappropriations of the initiative;
- 17       (6) Aggregating all small business resources and materials  
18       from around the State and presenting them in an  
19       accessible and understandable online format;
- 20       (7) Coordinating with small business advocates in the  
21       public and private sectors to create a small business



1           network that can be easily accessed by all small  
2           businesses;

3           (8) Answering correspondence from small business vendors  
4           about the State's existing small business programs;  
5           and

6           (9) Collecting data on existing and future small business  
7           vendor disputes, problems, difficulties, successes,  
8           recommendations, and any other metrics deemed  
9           important to the initiative by the state procurement  
10           office or legislature.

11           (d) There shall be established a small business advisory  
12           group as part of the small business assistance initiative. The  
13           members of the small business advisory group shall be selected  
14           by the administrator and shall consist of small business  
15           advocates from state agencies, non-profit entities, and local  
16           businesses. The small business advisory group shall be staffed  
17           by the administrator.

18           The small business advisory group shall:

19           (1) Hold meetings, pursuant to chapter 92, to review the  
20           progress of the small business assistance initiative



- 1           and investigate issues brought to the attention of the  
2           group;
- 3           (2) Recommend amendments and substantive improvements  
4           necessary to achieve the intention of the initiative;
- 5           (3) Recommend the scope, powers, administrative  
6           definition, staffing, and funding requirements  
7           necessary for the creation of a state small business  
8           office designed to help small businesses better  
9           utilize a future small business program;
- 10          (4) Report to the legislature no later than November 30,  
11          2020, regarding the recommended goals for an annual  
12          amount of state expenditures to be awarded to  
13          identified veteran-, Native Hawaiian-, or women-owned  
14          small businesses based on the metrics established by  
15          the initiative;
- 16          (5) Recommend plans for the small business assistance  
17          coordinator position, including job responsibilities  
18          and placement of the position outside of the  
19          initiative;
- 20          (6) Complete a study prior to the expiration of this  
21          initiative to determine the viability of transferring



1 the functions of the small business office to an  
2 office within an existing state department and submit  
3 the study and any recommendations to the policy board  
4 and the legislature prior to the expiration of the  
5 initiative;

6 (7) Determine the appropriateness of retaining the small  
7 business assistance coordinator as an exempt employee  
8 or converting the position to a civil service  
9 position, and submit a recommendation to the policy  
10 board and the legislature prior to the expiration of  
11 the initiative regarding the future status of the  
12 position;

13 (8) Draft, publish, and disseminate prior to the  
14 expiration of the initiative, a final report of  
15 recommendations, observations, and metrics related to  
16 the small business assistance initiative and its  
17 success in encouraging and growing the participation  
18 of small businesses in applying for and being awarded  
19 state contracts; and

20 (9) Provide recommendations in the final report regarding  
21 next steps toward development of a state small



1           business program consistent with section 103D-906, and  
2           propose rules for the small business program to be  
3           adopted and implemented by the policy board.

4           (e) The small business assistance initiative shall end on  
5           June 30, 2020."

6           SECTION 3. There is appropriated out of the general  
7 revenues of the State of Hawaii the sum of \$           or so  
8 much thereof as may be necessary for fiscal year 2017-2018 and  
9 the same sum or so much thereof as may be necessary for fiscal  
10 year 2018-2019 for the completion of the state small business  
11 database.

12           The sums appropriated shall be expended by the state  
13 procurement office for the purposes of this Act.

14           SECTION 4. There is appropriated out of the general  
15 revenues of the State of Hawaii the sum of \$           or so much  
16 thereof as may be necessary for fiscal year 2017-2018 and the  
17 same sum or so much thereof as may be necessary for fiscal year  
18 2018-2019 to establish           full-time equivalent (           FTE)  
19 exempt positions for a small business assistance coordinator  
20 within the state procurement office.



1           The sums appropriated shall be expended by the state  
2 procurement office for the purposes of this Act.

3           SECTION 5. There is appropriated out of the general  
4 revenues of the State of Hawaii the sum of \$           or so much  
5 thereof as may be necessary for fiscal year 2017-2018 and the  
6 same sum or so much thereof as may be necessary for fiscal year  
7 2018-2019 for the state procurement office to contract with a  
8 local small business, which shall serve as the small business  
9 office during the small business assistance initiative and for  
10 the marketing and outreach of the small business assistance  
11 initiative.

12           The sums appropriated shall be expended by the state  
13 procurement office for the purposes of this Act.

14           SECTION 6. New statutory material is underscored.

15           SECTION 7. This Act shall take effect on July 1, 2050;  
16 provided that on June 30, 2020, section 2 of this Act shall be  
17 repealed.



**Report Title:**

Small Business Assistance Initiative; Procurement Initiative;  
Appropriation

**Description:**

Establishes and defines a three-year small business assistance initiative and its parts within the state procurement office to develop an effective small business state contracting program. Establishes a small business assistance coordinator position, small business office, and small business advisory group as part of the initiative. Appropriates funds for the administration and operation of the initiative. Repeals the initiative on June 30, 2020. Effective 7/1/2050. (SD1)

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

