
A BILL FOR AN ACT

RELATING TO PROCUREMENT.

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

1 SECTION 1. The legislature finds that during challenging
2 economic times, it is necessary for the State to investigate and
3 employ new and innovative ways of maintaining and improving
4 state services and infrastructure, while ensuring the prudent
5 and cost-effective expenditure of public moneys.

6 The state procurement office is responsible for the
7 solicitation, award, and administration of hundreds of
8 individual multi-agency contracts and agreements. In fiscal
9 year 2018-2019, these contracts saved the State of Hawaii and
10 its political subdivisions approximately \$19,000,000 in goods
11 and services, plus savings in personnel, purchasing, and subject
12 matter expert hours, compared to what these agencies would have
13 likely paid without these contracts in place.

14 The state procurement office also processes alternate
15 procurement requests submitted by customer agencies, advises
16 customer agencies on procurement-related matters, and provides



1 statewide procurement training to the State's decentralized
2 procurement staff.

3 The legislature further finds that a significant and
4 growing number of statewide purchasing offices in other states,
5 such as Utah, Virginia, Missouri, Washington, New Mexico, Texas,
6 and Minnesota, operate using a self-funded model derived from a
7 small percentage administrative fee included as part of
8 statewide contracts. Research shows that administrative fees
9 range from 0.75 per cent to two per cent. The statewide, multi-
10 agency contracts administered by the state procurement office
11 staff take advantage of the State's aggregated purchasing power
12 to leverage better pricing and value for not only the State's
13 executive branch agencies, but also legislative and judicial
14 branch agencies, the University of Hawaii, the department of
15 education, and the counties.

16 Based on the state procurement office's past contract usage
17 and the funding needed to implement and operate a statewide
18 automation project, the state procurement office proposes the
19 implementation of less than a one per cent administrative fee
20 beginning in fiscal year 2021-2022. This fee will be
21 implemented in large statewide cooperative agreements and will



1 be used to pay for management of the automation system to
2 include implementation, legacy transition, maintenance, system
3 training, and system configuration.

4 The purpose of this Act is to:

5 (1) Authorize the administrator of the state procurement
6 office to assess and collect an administrative fee to
7 cover procurement automation system costs;

8 (2) Establish a procurement automation system special
9 fund; and

10 (3) Authorize the administrator of the state procurement
11 office to establish procedures for issuing the final
12 decision on any procurement practice, procurement
13 policy and procedures, and compliance investigation
14 conducted by the state procurement office, pursuant to
15 section 103D-206, Hawaii Revised Statutes.

16 SECTION 2. Chapter 103D, Hawaii Revised Statutes, is
17 amended by adding a new section to part II to be appropriately
18 designated and to read as follows:

19 **"§103D- State procurement automation system special**

20 **fund.** (a) There shall be established in the state treasury the



1 state procurement automation system special fund for the project
2 management of the procurement automation system.

3 (b) All revenues collected by the state procurement office
4 shall be deposited in the state procurement automation system
5 special fund and shall be expended by the state procurement
6 administrator to fund the project management of the procurement
7 automation system to achieve the state procurement mission for
8 digital transformation and streamlining."

9 SECTION 3. Section 103D-206, Hawaii Revised Statutes, is
10 amended to read as follows:

11 "**§103D-206 Additional duties of the administrator of the**
12 **procurement office.** In addition to the duties referred to in
13 section 103D-205, the administrator shall:

14 (1) Perform periodic review of the procurement practices
15 and procedures of all governmental bodies, in
16 collaboration with the state procurement policy board,
17 for compliance with the procurement code[+] and
18 establish procedures for final review decisions on
19 procurement practices, policy, and compliance
20 investigations, except that the procedures shall not
21 apply to the protest process as set forth in sections



1 103D-701 and 103D-709; provided that the administrator
2 shall submit an annual report of these reviews along
3 with final resolution of reviews and other statistical
4 data to the procurement policy board on a quarterly
5 basis;

6 (2) Assist, advise, and guide governmental bodies in
7 matters relating to procurement;

8 (3) Determine corrective actions; provided that if a
9 procurement officer under the jurisdiction of the
10 administrator of the state procurement office or a
11 chief procurement officer of any of the other state
12 entities under section 103D-203, fails to comply with
13 any determination rendered by the administrator within
14 thirty days from the date of the issuance of the
15 determination, or longer if permitted by the
16 administrator upon request by the procurement officer
17 or a chief procurement officer, the procurement
18 officer or chief procurement officer shall be subject
19 to an administrative fine under section 103D-106, for
20 every day of noncompliance;



- 1 (4) Develop and administer a statewide procurement
- 2 orientation and training program;
- 3 (5) Develop, distribute, and maintain a procurement manual
- 4 for all state procurement officials; ~~and~~
- 5 (6) Develop, distribute, and maintain a procurement guide
- 6 for vendors wishing to do business with the State and
- 7 its counties[-]; and
- 8 (7) Assess and collect an administrative fee to cover
- 9 procurement automation system costs."

10 SECTION 4. There is appropriated out of the state

11 procurement automation system special fund the sum of

12 \$ or so much thereof as may be necessary for fiscal year

13 2021-2022 and the same sum or so much thereof as may be

14 necessary for fiscal year 2022-2023 to fund the project

15 management of the procurement automation system.

16 The sums appropriated shall be expended by the state

17 procurement office for the purposes of this Act.

18 SECTION 5. Statutory material to be repealed is bracketed

19 and stricken. New statutory material is underscored.

20 SECTION 6. This Act shall take effect on July 1, 2021.



Report Title:

State Procurement Automation; Procurement Reviews; Appropriation

Description:

Establishes and appropriates moneys from the procurement automation system special fund. Allows the State Procurement Administrator to set procedures for final decisions on investigations of procurement policy and compliance. Authorizes the State Procurement Administrator to assess and collect an administrative fee to cover the costs of the procurement automation system. (SD2)

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