



GOV. MSG. NO. 1275

EXECUTIVE CHAMBERS
HONOLULU

DAVID Y. IGE
GOVERNOR

June 27, 2022

The Honorable Ronald D. Kouchi,
President
and Members of the Senate
Thirty-First State Legislature
State Capitol, Room 409
Honolulu, Hawai'i 96813

The Honorable Scott K. Saiki,
Speaker and Members of the
House of Representatives
Thirty-First State Legislature
State Capitol, Room 431
Honolulu, Hawai'i 96813

Dear President Kouchi, Speaker Saiki, and Members of the Legislature:

This is to inform you that on June 27, 2022, the following bill was signed into law:

SB2384 SD2 HD2 CD1

RELATING TO HAWAII PRODUCTS
PREFERENCE.
ACT 174

Sincerely,

DAVID Y. IGE
Governor, State of Hawai'i

A BILL FOR AN ACT

RELATING TO HAWAII PRODUCTS PREFERENCE.

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

1 SECTION 1. The legislature finds that the preference for
2 Hawaii products was established to encourage the use of Hawaii
3 products by bidders to support local industries. However,
4 contractors and subcontractors have indicated that it is common
5 practice to source products locally due to availability and
6 pricing, which levels the playing field for all vendors. The
7 legislature further finds that the continued practice of
8 decreasing offers by a ten or fifteen per cent classification
9 preference could inflate industry rates, adding to the cost of
10 construction to the State and taxpayers. Since contractors and
11 subcontractors already use Hawaii products, this incentive is no
12 longer required, does not benefit the public, and would be
13 contrary to the goal of increasing the economy, efficiency,
14 effectiveness, and impartiality in the public works construction
15 procurement process.

16 However, the legislature finds that the preference for
17 Hawaii products is still necessary and advantageous with respect



1 to the procurement of agricultural goods, value-added products,
2 and commodities.

3 Accordingly, the purpose of this Act is to amend the
4 procurement preference for Hawaii products to only apply to the
5 procurement of agricultural goods, value-added products, and
6 commodities, subject to availability and policy considerations.

7 SECTION 2. Section 103D-1001, Hawaii Revised Statutes, is
8 amended by amending the definition of "Hawaii input" to read as
9 follows:

10 "Hawaii input" means the part of the cost of a product
11 that is attributable to production, manufacturing, or other
12 expenses arising within the State. "Hawaii input" includes but
13 is not limited to:

14 (1) The cost to mine, excavate, produce, manufacture,
15 raise, [~~or~~] grow, assemble, or fabricate the materials
16 in Hawaii;

17 (2) The added value of that portion of the cost of
18 imported materials that is incurred after landing in
19 Hawaii, including but not limited to other articles,
20 materials, and supplies, added to the imported
21 materials;



1 (3) The cost of labor, variable overhead, utilities, and
2 services, incurred in the production and manufacturing
3 of materials or products in Hawaii; and

4 (4) Fixed overhead cost and amortization or depreciation
5 cost, if any, for buildings, tools, and equipment,
6 situated and located in Hawaii and used in the
7 production or manufacturing of a product."

8 SECTION 3. Section 103D-1002, Hawaii Revised Statutes, is
9 amended to read as follows:

10 "§103D-1002 Hawaii products. (a) This section shall only
11 apply to bids and proposals for agricultural goods, value-added
12 products, and commodities. A purchasing agency shall review all
13 specifications in a bid or proposal for purchase of Hawaii
14 products where these products are available[-] and where
15 procurement of these products will promote the State's goal of
16 increasing agricultural production and sustainability.

17 (b) All invitations for bids and requests for proposals to
18 which this section applies shall:

19 (1) Include a description of the products that are listed
20 in the Hawaii products list established pursuant to
21 this section, which may be used to complete the scope



1 of work specified in the invitation for bids or
2 request for proposals; or
3 (2) Allow as part of the offer, self-certification that
4 the Hawaii products qualify for preference;
5 provided that the offer may be evaluated along with any other
6 published criteria in the solicitation, including but not
7 limited to considerations such as specific nutritional content
8 or its equivalent, timing of delivery, quality or freshness, and
9 past performance, if applicable.

10 All Hawaii products in any bid or request for proposal
11 shall be made available for inspection, or additional
12 information may be requested to verify that the Hawaii product
13 meets the minimum specifications.

14 (c) All persons submitting bids or proposals to claim a
15 Hawaii products preference shall designate in their bids which
16 individual product and its price is to be supplied as a Hawaii
17 product.

18 (d) Where a bid or proposal contains both Hawaii and non-
19 Hawaii products, then for the purpose of selecting the lowest
20 bid or purchase price only, the price or bid offered for a
21 Hawaii product item shall be decreased by subtracting ten per



1 cent for class I Hawaii product items bid or offered, or fifteen
2 per cent for class II Hawaii product items bid or offered. The
3 lowest total bid or proposal, taking the preference into
4 consideration, shall be awarded the contract unless the bid or
5 offer provides for additional award criteria. The contract
6 amount of any contract awarded, however, shall be the amount of
7 the bid or price offered, exclusive of the preferences.

8 (e) Upon receipt and approval of application for Hawaii
9 products preference, the administrator shall include within the
10 Hawaii products list, the names of producers and manufacturers
11 in the State who are authorized to supply locally manufactured
12 soil enhancement products to state agencies under subsection
13 ~~[(k)-]~~ (l). The administrator of the state procurement office
14 shall maintain and distribute copies of the list to the
15 purchasing agencies of the various governmental agencies.

16 (f) Any person not on the Hawaii products list desiring a
17 preference pursuant to this section shall certify the Hawaii
18 product when submitting a response to a solicitation; provided
19 that the person certifies under penalty of sanctions that the
20 offered Hawaii products meet the requirements for the
21 preference.



1 The procurement officer may request additional information
2 deemed necessary to qualify a product and shall have sole
3 discretion in determining qualification for the preference.

4 Any offeror whose product is deemed not qualified for the
5 preference may appeal by filing a written request for
6 reexamination of facts to the procurement officer. Upon
7 determining that the offeror is qualified for the preference,
8 the procurement officer shall notify the administrator and the
9 administrator shall place the offeror on the Hawaii products
10 list.

11 (g) Solicitations shall contain a provision notifying
12 offerors who request application of the preference that in the
13 event of any change that materially alters the offeror's ability
14 to supply Hawaii products, the offeror shall immediately notify
15 the chief procurement officer in writing and the parties shall
16 enter into discussions for the purposes of revising the contract
17 or terminating the contract for convenience.

18 (h) Nothing in this section shall limit, restrict, or
19 preclude a Hawaii product from any preferences, set-asides, or
20 criteria that may be applied under section 103D-906, and this



1 section shall operate instead to mutually enhance the purpose of
2 this section and section 103D-906.

3 (i) This section shall not apply [~~whenever its~~] when at
4 least one of the following conditions is met:

5 (1) Its application will disqualify any governmental
6 agency from receiving federal funds or aid[-]; or

7 (2) The solicitation is for public works construction.

8 (j) Any purchase made or any contract awarded or executed
9 in violation of this section shall be void and no payment shall
10 be made by any purchasing agency on account of the purchase or
11 contract.

12 (k) The department of accounting and general services
13 shall provide written notice to all vendors of construction
14 products who are registered on the Hawaii products list with the
15 state procurement office regarding any amendments to this
16 section, including effective dates and dates of repeal.

17 [~~(*)~~] (l) For the purposes of this section, "soil
18 enhancement product" means any nonchemical soil preparation,
19 conditioner, or compost mixture designed to supplement aeration
20 or add organic, green waste, or decaying matter to the soil[+
21 ~~provided that the term~~]. "Soil enhancement product" does not



1 include any plant fertilizer intended to stimulate or induce
2 plant growth through chemical means. All state agencies shall
3 include in their solicitations, when required, the soil
4 enhancement products identified on the Hawaii products list
5 pursuant to subsection (e)."

6 SECTION 4. Section 103D-1010, Hawaii Revised Statutes, is
7 amended to read as follows:

8 " ~~§~~103D-1010 ~~§~~ Purchases from qualified community
9 rehabilitation programs. (a) Any governmental body, without
10 advertising or calling for bids, may purchase goods or services
11 provided by qualified community rehabilitation programs serving
12 persons with disabilities that have indicated an interest in
13 supplying the goods or services and on an equitable basis may
14 apportion the business among the interested programs; provided
15 that the goods and services meet the specifications and needs of
16 the purchasing agency and are purchased at a fair market price
17 as determined by the appropriate public agency; and provided
18 further that the programs comply with the following:

- 19 (1) Meet all of the requirements of a qualified community
20 rehabilitation program under section 103D-1001; and



- 1 (2) Maintain a disabled to non-disabled employee ratio
- 2 equal to or in excess of three-to-one for work hours
- 3 of direct labor at all times on the work contracted.
- 4 (b) The purchasing agency shall:
- 5 (1) Receive and review proposals submitted by qualified
- 6 community rehabilitation programs to provide goods or
- 7 services and determine if they are suitable for
- 8 purchase by the agency; and
- 9 (2) Negotiate the conditions and terms for the purchase,
- 10 including the price of the offer, between the agency
- 11 and the qualified community rehabilitation program;
- 12 provided that the price of the offer shall not exceed
- 13 the fair market price and there is assurance that the
- 14 qualified community rehabilitation program proposal is
- 15 in compliance with all administrative rules related to
- 16 purchasing [~~7~~ and
- 17 ~~(3) Ensure that any goods or service purchased from a~~
- 18 ~~qualified community rehabilitation program shall not~~
- 19 ~~do qfiseb on hfo Hswsi i grebuea list unfer accion~~
- 20 ~~103D-1002] ."~~



1 SECTION 5. Statutory material to be repealed is bracketed
2 and stricken. New statutory material is underscored.

3 SECTION 6. This Act shall take effect upon its approval.



S.B. NO.

2384
S.D. 2
H.D. 2
C.D. 1

APPROVED this 27th day of June, 2022

A handwritten signature in black ink, appearing to read "David I. Ige". The signature is fluid and cursive, with a large, sweeping flourish at the end.

GOVERNOR OF THE STATE OF HAWAII

THE SENATE OF THE STATE OF HAWAI‘I

Date: May 3, 2022
Honolulu, Hawaii 96813

We hereby certify that the foregoing Bill this day passed Final Reading in the Senate of the Thirty-First Legislature of the State of Hawai‘i, Regular Session of 2022.


President of the Senate


Clerk of the Senate

SB No. 2384, SD 2, HD 2, CD 1

THE HOUSE OF REPRESENTATIVES OF THE STATE OF HAWAII

Date: May 3, 2022
Honolulu, Hawaii

We hereby certify that the above-referenced Bill on this day passed Final Reading in the House of Representatives of the Thirty-First Legislature of the State of Hawaii, Regular Session of 2022.



Scott K. Saiki
Speaker
House of Representatives



Brian L. Takeshita
Chief Clerk
House of Representatives