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# 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 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 in Hawaii through the establishment of a  
5 small business preference program as part of the procurement  
6 process. Additionally, Act 213, Session Laws of Hawaii 2007,  
7 approved the funding for a full-time position in the state  
8 procurement office with the purpose of implementing part IX of  
9 the Hawaii public procurement code, relating to assistance to  
10 small businesses. Unfortunately, due to funding and staffing  
11 cuts in 2008, this position was never filled and was eliminated  
12 from the state procurement office. Although section 3-124-73,  
13 Hawaii Administrative Rules, and related interim small business  
14 preference rules went into effect in 2007, there was no  
15 dedicated position to carry out those rules. Unfortunately, in  
16 the absence of this dedicated position or a small business  
17 office, these interim rules failed to help the small business



1 community and expired in 2011. Act 42, Session Laws of Hawaii  
2 2017, created a small business initiative; however, the  
3 initiative did not receive funding and the enabling legislation  
4 sunset in 2020.

5 The legislature also finds that small businesses owned by  
6 veterans, Native Hawaiians, and women are the most vulnerable  
7 and disadvantaged businesses within the State. The legislature  
8 further finds that an initiative is needed to identify,  
9 quantify, and address the needs of these small businesses and  
10 measure and track their present participation in state small  
11 business contracts.

12 The legislature additionally finds that the State must  
13 create, develop, and implement strategies to ensure that small  
14 businesses, including businesses owned by veterans, Native  
15 Hawaiians, and women, are able to effectively participate in  
16 small business contracting opportunities within the State.

17 The legislature notes that previously developed  
18 administrative rules with respect to the development of small  
19 business contracts with the State were not effective because of  
20 a lack of available appropriate business metrics and data to



1 provide relevant information necessary for the creation of those  
2 rules.

3       The legislature further finds that any solution to address  
4 small business concerns in the State must be attempted  
5 incrementally. The legislature also notes that the state  
6 procurement office is now ready to address part IX of the Hawaii  
7 public procurement code and assist self-identified small  
8 businesses in obtaining state contracts. The legislature  
9 intends to facilitate this process by creating a small business  
10 assistance initiative to collect and develop relevant data and  
11 information necessary for small businesses to compete for and  
12 obtain small business contracts and identify and resolve issues  
13 that must be addressed to develop an effective small business  
14 state contracting program within the state procurement process.

15       The purpose of this Act is to establish a five-year small  
16 business assistance initiative and provide staffing for the  
17 implementation of part IX of the Hawaii public procurement code,  
18 relating to assistance to small businesses.

19       SECTION 2. Section 103D-902, Hawaii Revised Statutes, is  
20 amended to read as follows:



1           "**§103D-902 Small business assistance.** (a) The policy  
2 board shall adopt rules to assist small businesses in learning  
3 how to do business with the State.

4           (b) The state procurement office shall establish a small  
5 business initiative program consistent with this chapter to  
6 ensure that small businesses, including businesses owned by  
7 veterans, Native Hawaiians, and women, are able to effectively  
8 participate in small business contracting opportunities in the  
9 State."

10           SECTION 3. (a) There is established within the state  
11 procurement office a small business assistance initiative to  
12 facilitate the collection and development of relevant data and  
13 information to assist small businesses. The term of the  
14 initiative shall be five years from the enactment of this Act.

15           (b) The small business assistance initiative shall consist  
16 of a small business procurement coordinator and small business  
17 office.

18           (c) There is established the position of small business  
19 procurement coordinator within the state procurement office,  
20 which shall be exempt from chapter 76. The small business  
21 procurement coordinator, with the assistance of the small



1 business office, shall be responsible for the collection and  
2 maintenance of data from the state small business database, the  
3 provision of this data and metrics to the administrator of the  
4 state procurement office, and the daily operations of the small  
5 business assistance initiative established in subsection (a).  
6 The small business procurement coordinator shall also be  
7 responsible for implementing programs and procedures to carry  
8 out the intent of this section to assist small businesses,  
9 including:

- 10 (1) Establishing and maintaining a statewide small  
11 business database;
- 12 (2) Establishing and managing a small business  
13 registration, certification, and identification  
14 process;
- 15 (3) Drafting policies and rules to assist in the  
16 implementation of this section;
- 17 (4) Producing, publishing, and disseminating training  
18 materials designed to inform procurement staff and  
19 self-identified small business vendors of all small  
20 business programs and opportunities;



1 (5) Conducting surveys of, and collecting feedback from,  
2 procurement staff and self-identified small business  
3 vendors to be presented to the administrator of the  
4 state procurement office; and

5 (6) Producing an annual report of small business  
6 participation data and metrics to be submitted to the  
7 administrator of the state procurement office.

8 (d) There is established, as part of the initiative under  
9 subsection (a) and within the state procurement office, a small  
10 business office. A contract to hire a firm to perform the  
11 operations and maintenance of the small business office for the  
12 initiative shall be executed. The contract shall be awarded to  
13 an existing Hawaii-based small business advocacy group with  
14 experience in helping small businesses obtain federal and state  
15 contracts. The awardee shall be a small business owned by a  
16 veteran, Native Hawaiian, or female, and shall have an  
17 understanding of the small business community to be able to meet  
18 the requirements of the small business initiative. The small  
19 business office shall be responsible for:

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



- 1           (2)   Establishing communications with self-identified  
2                    vendors that may include developing and implementing a  
3                    newsletter and electronic mail campaign to keep  
4                    vendors informed of current small business events;
- 5           (3)   Producing and publicizing outreach campaigns related  
6                    to the small business initiative and other small  
7                    business programs and opportunities as may be  
8                    developed or discovered;
- 9           (4)   Creating, developing, advertising, and encouraging  
10                    vendor participation in workshops, seminars, and  
11                    training 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 small business initiative and  
17                    its benefits to small businesses;
- 18          (6)   Aggregating all small business resources and materials  
19                    from around the State and presenting them in an easily  
20                    accessible and understandable online format for  
21                    potential vendor participants;



1 (7) Coordinating with small business advocates in the  
2 public and private sectors to create a small business  
3 network that can be easily accessed by all small  
4 businesses;

5 (8) Answering small business vendors' electronic mail and  
6 questions about the State's existing small business  
7 programs; and

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

13 SECTION 4. There is appropriated out of the general  
14 revenues of the State of Hawaii the sum of \$366,000 or so much  
15 thereof as may be necessary for fiscal year 2022-2023 for the  
16 small business assistance initiative established pursuant to  
17 this Act; provided that the sum appropriated shall be allocated  
18 as follows:

19 (1) \$115,000 to complete the state small business database  
20 as provided by Act 42, Session Laws of Hawaii 2017,  
21 prior to its repeal;



- 1           (2) \$126,000 for the establishment of one permanent full-  
2           time equivalent (1.00 FTE) small business procurement  
3           coordinator position exempt from chapter 76, Hawaii  
4           Revised Statutes, in the state procurement office; and  
5           (3) \$125,000 for the hiring of a local small business to  
6           operate and maintain the small business office  
7           established by this Act and for marketing of and  
8           outreach for the full five-year term of the small  
9           business assistance initiative.

10           The sum appropriated shall be expended by the state  
11           procurement office for the purposes of this Act.

12           SECTION 5. New statutory material is underscored.

13           SECTION 6. This Act shall take effect upon its approval;  
14           provided that section 4 shall take effect on July 1, 2022.



H.B. NO. 1974  
H.D. 1  
S.D. 2  
C.D. 1

**Report Title:**

Procurement; Hawaii Public Procurement Code; Small Business Assistance Initiative; Small Business Procurement Coordinator; Small Business Office; Marketing; Outreach; Appropriation

**Description:**

Establishes the small business assistance initiative within the state procurement office, to consist of a small business procurement coordinator and small business office. Appropriates funds. (CD1)

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

