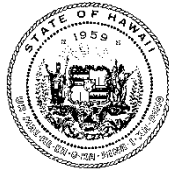


DAVID Y. IGE
GOVERNOR



BONNIE KAHAKUI
ACTING ADMINISTRATOR

**STATE OF HAWAII
STATE PROCUREMENT OFFICE**

P.O. Box 119
Honolulu, Hawaii 96810-0119
Tel: (808) 586-0554
email: state.procurement.office@hawaii.gov
<http://spo.hawaii.gov>

**TESTIMONY
OF
BONNIE KAHAKUI, ACTING ADMINISTRATOR
STATE PROCUREMENT OFFICE**

**TO
THE HOUSE COMMITTEE
ON
GOVERNMENT REFORM**

FEBRUARY 4, 2022, 09:30 A.M.

**HOUSE BILL 2071
RELATING TO PROCUREMENT**

Chair McKelvey, Chair Kobayashi, Vice Chair Wildberger, Vice Chair Mizuno and members of the committees, thank you for the opportunity to submit testimony on HB2071. The State Procurement Office (SPO) **strongly supports** this bill, which promotes fair and reasonable cost and prices for health and human services purchases, increases the small purchases threshold for health and human services, increases efficiency of short-term treatment purchase of service, and abolishes the community council on purchase of health and human services by repealing section 103F-202 Hawaii Revised Statutes (HRS).

Thank you



**Testimony to the House Committee on Government Reform
Representative Angus McKelvey, Chair
Representative Tina Wildberger, Vice-Chair
Friday, February 4, 2022, 9:30 a.m.
Via Videoconference
HB 2071, Relating to Purchases of Health and Human Services**

Dear Chair McKelvey, Vice-Chair Wildberger, and members of the GVR Committee:

On behalf of the Hawai'i Alliance of Nonprofit Organizations, I would like to offer our comments on HB 2071, Relating to Purchases of Health and Human Services.

Hawai'i Alliance of Nonprofit Organizations (HANO) is a statewide, sector-wide professional association of nonprofits. Our mission is to unite and strengthen the nonprofit sector as a collective force to improve the quality of life in Hawai'i. Our member organizations provide essential services to every community in the state.

HB 2071 would make various amendments to Chapter 103F, HRS. HANO provides the following comments on Sections 2 and 5 only.

Section 2 of this bill inserts language with the intent to ensure "fair and reasonable costs and pricing." This language appears to be nearly identical to that of Section 103D-312, HRS. HANO opposes Section 2 of this bill as it will unnecessarily create additional burden on nonprofits responding to procurement requests.

For the purchase of health and human services, departments already require proposers to provide a full detailed budget which includes line item expenses, staff positions, and salary amounts. It is our understanding that such a detailed price breakdown is not normally required from or provided by vendors via the Chapter 103D, HRS, procurement processes. Therefore, the State agencies are already receiving detailed cost data for evaluative purposes when proposals are submitted for health and human service purchases.

HANO further notes that while nonprofits provide these itemized budgets in contract proposals or renewals, the budgets the agencies are working with underestimate the actual cost of delivering quality services, including the increases in labor costs over time. Our providers are currently providing this cost data but are not seeing contract amounts that reflect fair and reasonable costs. HANO is concerned that Section 2 of this bill will be used to justify further diminishment of health and human service contract amounts.

Section 5 of this bill would increase the small purchase threshold for health and human services from \$25,000 to \$100,000. HANO supports this increase as it will make the procurement of these small purchase more efficient for nonprofit organizations.

Mahalo for the opportunity to provide written testimony.

Lisa Maruyama

President and CEO