



STATE OF HAWAII | KA MOKU'ĀINA O 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 SENATE COMMITTEE
ON
GOVERNMENT OPERATIONS
Tuesday, March 28, 2023, 3:00 p.m.

Senate Concurrent Resolution 169
Senate Resolution 195

URGING THE PROCUREMENT POLICY BOARD TO AMEND AND CLARIFY
THE ADMINISTRATIVE RULES RELATING TO SMALL PURCHASES TO ALLOW
THE EXPENDITURES FOR GOODS, SERVICES, AND CONSTRUCTION WITH
AN ESTIMATED TOTAL COST OF LESS THAN \$5,000 TO BE AWARDED IN ANY MANNER
THAT THE PURCHASING AGENCY DEEMS PRACTICAL OR CONVENIENT.

Chair McKelvey, Vice Chair Gabbard, and members of the committee, thank you for the opportunity to submit testimony on SCR 169/SR 195. The State Procurement Office (SPO) offers comments on this resolution.

COMMENTS: Guidance on small purchases to allow the expenditures for goods, services, and construction with an estimated total cost of less than \$5,000 to be awarded in any manner that the purchasing agency deems practical or convenient, is provided in the following:

- Hawaii Administrative Rules Section 3-122-75, "Goods, services, and construction.":
 - (f) Expenditures with an estimated total cost that are less than \$5,000 shall be by procedures established by each chief procurement officer.
 - (g) Chief procurement officers may be more restrictive in their jurisdiction's small purchase procedures, e.g., requiring written quotes at lower dollar limits.

Executive branch departments are required to follow the instruction, for the purchase of goods, services, and constructions under \$5000, outlined in [Procurement Circular 2012-04 Instructions](#):

<p>C. Goods, Services, or Construction: Under \$5,000</p> <ol style="list-style-type: none">1. Adequate and reasonable competition is recommended;2. Award shall be made to the lowest responsive, responsible offeror; or3. When award to the lowest responsive, responsible offer is not practicable, award shall be made to the offeror whose quote provides the best value to the State.4. Use of form SPO-010 and form SPO-010A are optional.5. Verification of HCE compliance shall be obtained for purchases \$2,500 and greater.6. Awards \$2,500 and greater shall be posted on the PANS.
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*Note that awards are now posted on the Hawaii Awards and Notices Data System (HANDS).

The instructions give agencies the latitude to purchase goods, services, and construction with few limitations.

It is unclear what kind of report the legislature is requesting. Currently awards of \$2,500 or more are required to be posted on HANDS. To require posting of anything less would be counterproductive to efficiency. Or is the legislature asking for each departments' policies? As executive departments are required to follow the instructions pursuant to Procurement Circular 2012-04, this has already been accomplished.

Based on the aforementioned guidance, the SPO believes that SCR 169 / SR 195 are not necessary. Agencies who have questions about any statute or rules are strongly encouraged to seek guidance and clarification from the SPO.

The Procurement Policy Board, with the cooperation of the SPO, will be meeting in 2023 to review, update, and promulgate rules to be in alignment with Chapters 103D and 103F of the Hawaii Revised Statutes.

Thank you for the opportunity to submit testimony on this measure.