



UNIVERSITY OF HAWAII SYSTEM

‘ŌNAEHANA KULANUI O HAWAII

Legislative Testimony

Hō'ike Mana'o I Mua O Ka 'Aha'ōlelo

Testimony Presented Before the
House Committee on Labor & Government Operations
March 21, 2023 at 9:30 a.m.

By
Jan Gouveia
Vice President for Administration
University of Hawai'i System

SB 1129 SD2 – RELATING TO PROCUREMENT

Chair Matayoshi, Vice Chair Garrett, and Members of the Committee:

The University of Hawai'i opposes the SD2 version of SB 1129.

As originally introduced, SB 1129 raises the small purchase limit from \$25,000 to \$50,000. The University supports this version because it makes government operations more efficient.

The SD2 version of SB 1129 inserts an additional requirement that requires small purchases to comply with HRS Section 103D-302(b). HRS Section 103D-302 relates to competitive sealed bidding. By referencing this section, this measure would require all small purchases to comply with competitive sealed bidding requirements. This effectively negates the concept of a “small purchase” transaction and, instead, requires all transactions (regardless of dollar value) to comply with the competitive sealed bidding requirements. This unnecessarily complicates and burdens a small purchase transaction and makes government less efficient.

Based on the above, the University opposes the SD2 version of SB 1129. It does, however, support the original language of SB 1129.

Thank you for the opportunity to testify on SB 1129 SD2.



STATE OF HAWAI'I | KA MOKU'ĀINA O HAWAI'I
STATE PROCUREMENT OFFICE

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TESTIMONY
OF
BONNIE KAHAKUI, ACTING ADMINISTRATOR
STATE PROCUREMENT OFFICE

TO THE HOUSE COMMITTEE
ON
LABOR & GOVERNMENT OPERATIONS
March 21, 2023, 9:30 AM

SENATE BILL 1129, SD2
RELATING TO PROCUREMENT

Chair Matayoshi, Vice Chair Garrett, and members of the committee, thank you for the opportunity to submit testimony on Senate Bill 1129 SD2. The State Procurement Office (SPO) opposes the bill due to the changes in Section 2, page 3, line 9 to 15, and provides the following comments:

“(c) Procurement of [~~\$25,000~~] \$50,000 to less than \$250,000 shall be made in accordance with small purchase procedures, provided that ~~such~~ these small purchase procurements through an electronic system ~~shall be required~~; provided further that any of these small purchase procurements for construction shall comply with section 103D-302(b).”

Comments: Public procurement's primary objective is to provide everyone equal opportunity to compete for government contracts, and to prevent favoritism, collusion, or fraud in awarding of contracts. Increasing the small purchase threshold to \$50,000 for electronic procurement would result in less transparency, reduced competition, and higher risk of parceling, which is the artificial division of purchase of same, like, or related items of goods, services, or construction into several small purchases or smaller quantities, in order evade the statutory competitive requirements.

Additionally, obtaining quotes without an electronic procurement (eProcurement) system may lead to the agency only going to the same vendors repeatedly, which would be in violation of HRS 103D-101(a)(6)(A) Encourage economic competition by:

“(A) Ensuring that all persons are afforded an equal opportunity to compete in a fair and open environment.”

As of February 21, 2023, there were approximately 1769 awards, between \$25,000 and \$50,000, posted on the Hawaii Awards & Notices Data System (HANDS); a total value of approximately \$68,000,000. If the bill passes, approximately 550 awards, valued at approximately \$21,000,000 each year, would lack transparency, and fail to give vendors equal opportunity to compete for government contracts.

Calendar Year	Number of Transactions between \$25,000 - \$50,000	Total Amount
2020	522	\$19,873,471.15
2021	547	\$20,991,214.25
2022	637	\$24,791,450.05
2023	63	\$2,449,564.45
Total	1,769	\$68,105,699.90

Based on the American Bar Association (ABA) Model Procurement Code, which the State of Hawaii’s procurement code is modeled after, small purchases method of procurement is intended for such purchases that do not justify the administrative time and expense necessary for the conduct of competitive sealed bidding. It is intended for purchases that are administratively simpler to complete and yet ensure competition.

The SD 2 version of the bill inserts language to include the requirements of HRS 103D-302(b), listing joint contractor and subcontractors, which unnecessarily complicates small purchase transactions and adds additional components in which to protest.

Recommendation: The State Procurement Office recommends leaving 103D-305(c) untouched to read:

(c) Procurements of \$25,000 to less than \$250,000 shall be made in accordance with small purchase procedures; provided that such small purchase procurements through an electronic system be required.

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



STATE OF HAWAII
HAWAII STATE PUBLIC LIBRARY SYSTEM
'OIHANA HALE WAIHONA PUKE AUPUNI O KA MOKU'ĀINA O HAWAII
OFFICE OF THE STATE LIBRARIAN
44 MERCHANT STREET
HONOLULU, HAWAII 96813

HOUSE COMMITTEE ON LABOR & GOVERNMENT OPERATIONS

Tuesday, March 21, 2023

9:30 am

Conference Room 309

**By Stacey A. Aldrich
State Librarian**

S.B. 1129 S.D.2 RELATING TO PROCUREMENT

To: Rep. Scot Z. Matayoshi, Chair
Rep. Andrew Takuya Garrett, Vice Chair
Members of the House Committee on Labor & Government Operations

The Hawaii State Public Library System (HSPLS) **supports** S.B.1129 S.D.2, which raises the procurement threshold for small purchases to \$50,000.

The cost of supplies, equipment, construction materials and services have risen rapidly, and the current procurement threshold creates a hindrance in managing the volume and diversity of the Hawaii State Public Library System's buying activities. The proposed \$50,000 procurement threshold is a sensible response today's purchasing environment, particularly with respect to necessary repairs and maintenance at our facilities.

Thank you for the opportunity to provide testimony on S.B. 1129 S.D.2.