

JAN 23 2025

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 it is necessary for
2 the State to investigate and employ new and innovative ways of
3 maintaining and improving state services and infrastructure,
4 while ensuring the prudent and cost-effective expenditure of
5 public moneys.

6 In 2022, the legislature authorized a procurement
7 automation system for the executive branch and state agencies.
8 This procurement automation system increases efficiency, saves
9 personnel time, maintains consistency, mitigates confusion for
10 both the buyer and contractor, and produces accurate purchasing
11 data to leverage economies of scale. The legislature also
12 authorized the state procurement office to implement a
13 transaction fee imposed upon vendors using the procurement
14 automation system beginning in fiscal year 2021-2022. This fee
15 is intended to pay for the management of the procurement
16 automation system, including but not limited to implementation,
17 legacy transition, maintenance, system training, and system
18 configuration. This fee is estimated to save the state

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1 approximately \$1.2 million in general funds each year and will
2 assist with funding the growth and enhancement of the
3 procurement automation system.

4 While the legislature authorized the implementation of the
5 procurement automation system and a transaction fee collected
6 from vendors using the system, it stopped short of authorizing a
7 state procurement automation system special fund to hold the
8 transaction fee. Until a special fund is authorized and
9 established, the fees are being held in trust by the vendor who
10 developed the procurement automation system; the state
11 procurement office does not have direct control of the fees.
12 The establishment of a special fund would direct that all fees
13 received by the state procurement office pursuant to section
14 103D-206(7), Hawaii Revised Statutes, shall be deposited into
15 the state procurement automation system special fund to be
16 administered by the state procurement office for the
17 implementation and configuration of the procurement automation
18 system's Marketplace and eProcurement system, as well as its
19 maintenance, enhancement, and expansion of additional modules to
20 remain relevant and current with industry standards for the
21 benefit of all stakeholders statewide.

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1 In 2020, the legislature established the school facilities
2 agency through section 302A-1702, Hawaii Revised Statutes, under
3 Act 72, Session Laws of Hawaii 2020, and mandated that the
4 executive director of the school facilities authority serve as
5 its chief procurement officer. The amendment to section 103D-
6 203, Hawaii Revised Statutes, is a housekeeping measure that
7 adds the school facilities authority executive director as a
8 chief procurement officer.

9 The purposes of this Act are to enhance procurement
10 accountability by:

- 11 (1) Establishing the state procurement automation system
12 special fund to receive the transaction fees from the
13 procurement automation system to pay for its
14 administration, management, operation, maintenance,
15 and upgrade of the procurement automation system; and
16 (2) Aligning section 103D-203(a), Hawaii Revised Statutes,
17 with section 302A-1702, Hawaii Revised Statutes, by
18 adding the school facilities authority executive
19 director as a chief procurement officer.

20 SECTION 2. Chapter 103D, Hawaii Revised Statutes, is
21 amended by adding to part II a new section to be appropriately
22 designated and to read as follows:

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1 "§103D- State procurement automation system special
2 fund; transaction fee. (a) There is established in the state
3 treasury the state procurement automation system special fund to
4 be administered by the state procurement office and into which
5 shall be deposited:

6 (1) Vendor-collected transaction fees, pursuant to section
7 103D-206(7), for administration, management,
8 operation, maintenance, and upgrade of the procurement
9 automation system; and

10 (2) Appropriations made by the legislature to the special
11 fund.

12 (b) The state procurement automation special fund shall be
13 expended by the state procurement administrator for the purposes
14 of the administration, management, operation, maintenance, and
15 upgrade of the procurement automation system."

16 SECTION 3. Section 103D-203, Hawaii Revised Statutes, is
17 amended by amending subsection (a) to read as follows:

18 "(a) The chief procurement officer for each of the
19 following state entities shall be:

20 (1) The judiciary--the administrative director of the
21 courts;

22 (2) The senate--the president of the senate;

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1 (3) The house of representatives--the speaker of the house
2 of representatives;

3 (4) The office of Hawaiian affairs--the chairperson of the
4 board;

5 (5) The University of Hawaii--the chief financial officer
6 of the University of Hawaii;

7 (6) The department of education, excluding the Hawaii
8 public library system--the superintendent of
9 education;

10 (7) The Hawaii health systems corporation--the chief
11 executive officer of the Hawaii health systems
12 corporation; [and]

13 (8) The school facilities authority--the executive
14 director of the school facilities authority; and

15 [~~8~~] (9) The remaining departments of the executive
16 branch of the State and all governmental bodies
17 administratively attached to them--the administrator
18 of the state procurement office of the department of
19 accounting and general services."

20 SECTION 4. Statutory material to be repealed is bracketed
21 and stricken. New statutory material is underscored.

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1 SECTION 5. This Act shall take effect upon its approval;
2 provided that the amendments made to section 103D-203(a), Hawaii
3 Revised Statutes, by this Act shall not be repealed when section
4 103D-203(a), Hawaii Revised Statutes, is reenacted on June 30,
5 2028, pursuant to Section 16 of Act 8, Special Session Laws of
6 Hawaii 2021, as amended by section 3 of Act 111, Session Laws of
7 Hawaii 2024.

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INTRODUCED BY:



10

BY REQUEST

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Report Title:

State Procurement Automation Special Fund; Chief Procurement Officers; School Facilities Authority

Description:

Establishes a procurement automation system special fund and aligns section 103D-203(b), HRS, with section 302A-1702, HRS, which added the Executive Director of the School Facilities Authority as a chief procurement officer.

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

JUSTIFICATION SHEET

DEPARTMENT: Accounting and General Services

TITLE: A BILL FOR AN ACT RELATING TO PROCUREMENT.

PURPOSE: To establish a State Procurement Automation System Special Fund and make a housekeeping amendment to section 103D-203, Hawaii Revised Statutes (HRS).

MEANS: Add a new section to part II of chapter 103D, HRS; and amend section 103D-203(a), HRS.

JUSTIFICATION: Fees and revenues collected from the procurement automation system will be placed under the control of the State of Hawaii rather than being held in trust by a vendor.

In 2022, the Legislature authorized the procurement automation system and authorized the State Procurement Office to implement a transaction fee on vendors beginning in fiscal year 2021-2022 to pay for the administration of a procurement automation system. However, the Legislature did not authorize a procurement automation special fund into which to deposit the transaction fees collected. Until a special fund is established, the vendor contracted to implement the procurement automation system collects the fees and holds the funds in trust for the State. The establishment of a special fund would ensure that these fees are deposited into a special fund that will be administered by the State Procurement Office.

Section 302A-1702, HRS, under Act 72, Session Laws of Hawaii 2020, created the School Facilities Authority and mandated that its Executive Director serve as its chief procurement officer. This housekeeping amendment adds the School Facilities Authority Executive Director to

the list of chief procurement officers in section 103D-203(a), HRS.

Impact on the public: The State Procurement Office will have oversight and control of the procurement automation system special fund and will be able to provide metrics and accounting. It is estimated that the fund translates into a cost-savings of more than \$1 million of taxpayer dollars.

The amendment to section 103D-203(a), HRS, is for housekeeping purposes and provides the public with clarity regarding chief procurement officers.

Impact on the department and other agencies: Proper management of the funds and the program to ensure its growth and accountability.

Provides clarity on the chief procurement officers in section 103D-203(a), HRS.

- GENERAL FUND: None.
- OTHER FUNDS: None.
- PPBS PROGRAM DESIGNATION:
- OTHER AFFECTED AGENCIES: All State agencies.
- EFFECTIVE DATE: Upon approval.