

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

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

**TO THE COMMITTEE
ON
FINANCE**

MARCH 27, 2025; 2:00 PM

**SENATE BILL 383, SD2
RELATING TO SMALL PURCHASES**

Chair Yamashita, Vice Chair Takenouchi, and members of the committee, thank you for the opportunity to submit testimony on Senate Bill 383, SD2. The State Procurement Office (SPO) opposes this bill, which increases the threshold in which an electronic procurement system is required to be used. These changes negatively impact the purpose of the Hawaii Procurement Code, which is "to foster effective broad-based competition within the free enterprise" and resorts back to manual processes to request quotes.

The SPO acknowledges that escalating costs of goods and services, as well as natural disasters, have posed significant challenges in procurement. During such events, exemptions from the Chapter 103D Hawaii Revised Statutes, the Hawaii Procurement Code, have been allowed through the Governor's emergency proclamations. However, increasing the minimum threshold for all purchases of goods, services, and construction to \$50,000 conducted on an electronic system, also referred to as procurement automation, would diminish transparency, reduce competition – potentially increased costs -- introduce procurement irregularities and heighten the risk of parceling, the deliberate and artificial division of purchases of goods, services, and construction in to circumvent statutory competitive requirement.

Additionally, procurements less than \$50,000 will not be viewable or available to all vendors that could be considered, and requests for quotes or bids may be solicited to the limited group that a procuring agency deemed to be on "favorites" list.

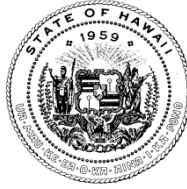
As the table of data below indicates, hundreds of transactions fall into this category. In fiscal years 2023 and 2024, transactions under \$50,000 were valued at \$15 MILLION to \$18 MILLION.

Fiscal Year	Small Purchase Transactions Under \$50,000	Awarded Amounts
2023	728	\$18,140,833.27
2024	662	\$15,947,218.44

The SPO emphasizes that all jurisdictions should be utilizing technological advances rather than resorting to labor-intensive manual processes. Reverting to outdated manual processes hinders operational efficiencies. Electronic procurement/procurement automation serves as a valuable solution, especially in addressing labor shortages. By using an electronic procurement system, accurate procurement data is immediately available to agencies, negating the need for them to compile data manually.

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

JOSH GREEN, M.D.
GOVERNOR
KE KIA'ĀINA



EDWIN H. SNIFFEN
DIRECTOR
KA LUNA HO'OKELE

Deputy Directors
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STATE OF HAWAII | KA MOKU'ĀINA 'O HAWAII
DEPARTMENT OF TRANSPORTATION | KA 'OIHANA ALAKAU
869 PUNCHBOWL STREET
HONOLULU, HAWAII 96813-5097

March 27, 2025
2:00 p.m.
State Capitol
Conference Room 308 & Videoconference

**S.B. 383 S.D. 2
RELATING TO SMALL PURCHASES**

The House Committee on Finance

The Department of Transportation **supports** the bill that proposes to increase the minimum amount for small purchase procurements conducted on an eProcurement system from \$25,000 to \$50,000, and the procurement report to the legislature. The amendment to Section 103D-305, Hawaii Revised Statutes, to increase the minimum amount for small purchase procurements to \$50,000 to less than \$250,000 because of the increase in costs to goods and services aligns with the procurement code as the competition requirements remain.

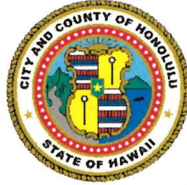
At times, there is need to procure a limited number of quantities or a limited amount of services which do not rise to the quantities for formal Invitation for Bids and this proposed bill allows for the operations to continue for this limited use.

Thank you for the opportunity to provide testimony.

OFFICE OF THE MAYOR
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PO'O HO'OKELE

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DEPUTY MANAGING DIRECTOR
HOPE PO'O HO'OKELE

March 25, 2025

The Honorable Kyle T. Yamashita, Chair
The Honorable Jenna Takenouchi, Vice Chair
and Members of the House Committee on Finance
State House
415 South Beretania Street
Honolulu, Hawaii 96813

Dear Chair Yamashita, Vice Chair Takenouchi, and Members of the Committee:

SUBJECT: SB 383 SD2 – Relating to Small Purchases

The City and County of Honolulu **supports** SB 383 which would increase the small purchase threshold for certain procurement procedures. However, we would note that there are additional areas within the procurement code which need to be changed to achieve the intended purpose of this measure.

In 2024, as part of the HI Council of Mayors Bill Package, HB 1862 and SB 2202 were introduced to address this same issue covered by SB 383. However, we realized that this single change does not address the multiple areas of small purchases that have become bottlenecks with inflation. As a result, this year we introduced HB 381 and SB 254 which would address two additional areas within the small purchase process, those involving electronic purchases and HCE compliant purchases.

As noted in HB381 and SB254, these dollar amount thresholds have not been adjusted since 1997. Inflation, especially in the last few years, has greatly increased the cost of goods and services across the country, thereby reducing procurement actions that qualify as a small purchase. The adverse impact is an increase to the administrative burden and time required to procure goods and services for government operations and services.

I strongly believe that these changes will help the City and County of Honolulu, as well as all other Hawai'i State and County agencies, better and more effectively serve its residents and humbly suggest that the additional language in HB 381 and SB 254 be inserted to address the small purchase thresholds involving electronic purchases and HCE compliant purchases.

Thank you for the opportunity to testify on this measure,

Sincerely,


 Michael D. Formby
Managing Director