
A BILL FOR AN ACT

RELATING TO PUBLIC PROCUREMENT.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The legislature finds that supporting local
2 businesses strengthens the State's economy by creating more
3 local jobs, increasing local workforce and business capacity,
4 and enhancing economic and environmental sustainability. The
5 legislature further finds that allocation of State funds to
6 non-local or out-of-state contractors or entities do not foster
7 the same benefits and may impede upon the success of local
8 businesses and the State's economy. Local businesses often face
9 barriers when competing for State contracts due to the higher
10 costs associated with doing business in an island state, limited
11 physical workforce capacity, and limited price competitiveness
12 to produce goods and services.

13 The legislature believes that a preference for local
14 businesses in bidding for contracts from purchasing agencies of
15 the State and counties will help level the business playing
16 field for local contractors. The legislature recognizes that
17 while a local preference may slightly raise the average cost for



1 bid contracts, this cost will be offset by the increases in
2 State and county revenues from additional local business
3 activity, increased local employment, and the long-term effects
4 of keeping money within local businesses and the local
5 workforce.

6 Accordingly, the purpose of this Act is to require
7 purchasing agencies to apply a local preference to Hawaii
8 businesses in evaluating bids or proposals.

9 SECTION 2. Section 103D-1001, Hawaii Revised Statutes, is
10 amended by adding a new definition to be appropriately inserted
11 and to read as follows:

12 ""Hawaii business" means any person, agency, corporation,
13 or other business entity with its principal place of business
14 located in the State."

15 SECTION 3. Chapter 103D, Hawaii Revised Statutes, is
16 amended by adding a new section to part X to be appropriately
17 designated and to read as follows:

18 **S103D- Hawaii businesses.** (a) Notwithstanding any law
19 to the contrary, a purchasing agency shall apply a local
20 preference to a Hawaii business in evaluating bids or proposals
21 under this part.



1 (b) To qualify for a local preference, a Hawaii business
2 shall self-certify that:

3 (1) It will maintain its principal place of business in
4 the State throughout the performance of the contract;

5 and

6 (2) Not less than eighty per cent of the labor in the
7 performance of the contract, with respect to time and
8 expenses, will be incurred from persons domiciled in
9 the State.

10 (c) Where a bid or proposal contains both Hawaii and
11 non-Hawaii businesses, for the sole purpose of selecting the
12 lowest bid or purchase price, the price or bid offered by the
13 Hawaii business shall be decreased by subtracting the applicable
14 local preference percentage pursuant to subsection (d); provided
15 that the contract amount of any contract awarded shall be the
16 amount of the bid or price offered, exclusive of the
17 preferences.

18 (d) The local preference percentage shall be applied as
19 follows:

20 (1) For contracts with a bid price of less than \$250,000,
21 the preference shall be ten per cent;



1 (2) For contracts with a bid price of \$250,000 to
2 \$1,999,999.99, the preference shall be eight per cent;
3 (3) For contracts with a bid price of \$2,000,000 to
4 4,999,999.99, the preference shall be six per cent;
5 (4) For contracts with a bid price of \$5,000,000 to
6 7,999,999.99 the preference shall be four per cent;
7 (5) For contracts with a bid price of \$8,000,000 to
8 9,999,999.99, the preference shall be two per cent;
9 and
10 (6) For contracts with a bid price of \$10,000,000 or
11 greater, there shall be no preference pursuant to this
12 section.

13 (e) If a Hawaii business is awarded a contract with the
14 application of a local preference and is subsequently found to
15 have failed to meet or maintain the requirements of
16 subsection (b), the Hawaii business shall:

17 (1) Perform the contract at the contract price reduced by
18 the amount of the local preference applied during bid
19 or proposal evaluation; and
20 (2) Refund any overpayment to the purchasing agency that
21 awarded the contract.



1 (f) The policy board or any county may adopt rules
2 pursuant to chapter 91 or ordinances, respectively, necessary or
3 appropriate to implement this section."

4 SECTION 4. New statutory material is underscored.

5 SECTION 5. This Act shall take effect on July 1, 2026.

6

INTRODUCED BY:



JAN 16 2026



H.B. NO. 1607

Report Title:

Public Procurement; Local Preference; Hawaii Businesses

Description:

Requires purchasing agencies to apply a local preference to Hawaii businesses in evaluating bids or proposals. Establishes criteria for a Hawaii business to qualify for a local preference. Establishes tiered local preference percentages to be applied based on bid price. Establishes procedures for contract awardees who fail to meet or maintain the preference criteria.

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