

JOSH B. GREEN, M.D.  
GOVERNOR  
KE KIA'ĀINA



BONNIE KAHAKUI  
ADMINISTRATOR  
  
DAYNA OMIYA  
ASSISTANT ADMINISTRATOR

**STATE OF HAWAII | KA MOKU'ĀINA O HAWAII**  
**STATE PROCUREMENT OFFICE**

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

**TO THE SENATE COMMITTEE  
ON  
GOVERNMENT OPERATIONS  
FEBRUARY 3, 2026, 3:00 PM**

**SENATE BILL 2075  
RELATING TO PUBLIC PROCUREMENT**

Chair McKelvey, Vice Chair Gabbard, and members of the committee, thank you for the opportunity to submit testimony on Senate Bill 2075. The State Procurement Office (SPO) appreciates the intent to support local businesses by strengthening our local economy, promoting employment of Hawaii residents, and retaining economic benefits within the state. The SPO respectfully offers the following comments and recommendations.

**COMMENTS**

Chapter 103D, Hawaii Revised Statutes (HRS), the Hawaii Public Procurement Code, is the single source of public procurement policy. Its purpose is to promote fair and open competition, ensure equal opportunity, and safeguard the integrity of the contracting process. Furthermore, the Code is applied equally and uniformly to maintain transparency and accountability while preventing favoritism, collusion, or fraud in awarding contracts. These principles are essential for good governance. Pursuant to Section 103D-101, HRS, economic competition is encouraged by "ensuring all persons are afforded an equal opportunity to compete in a fair and open environment."

Applying a local preference to procurements may reduce competition and increase costs to taxpayers. National procurement organizations, including the National Association of State Procurement Officials (NASPO) and the National Institute of Governmental Purchasing (NIGP), have noted that preferences in procurement processes can increase costs and limit market participation.

Historically, NASPO has opposed purchasing policies for in-state preferences. As procurement professionals, preferences in procurement processes are viewed as increased cost to the state. Whether through awarding a contract to a vendor with a preference or the procurement resources required for applying, analyzing and reviewing, preferences increase overall contract costs of the contract. NIGP has also opposed all types of preference laws and practices, and views them "as

impediments to the cost-effective procurement of goods, services and construction in a free enterprise system.”

Additionally, when a percentage preference is allowed, businesses and services may choose to withhold a bid or proposal if they do not meet the preference and will not gain from participating in the procurement process. This results in a smaller market and less competition, which leads to an increase in prices due to lack of competition.

## RECOMMENDATIONS

The SPO acknowledges the intent to strengthen Hawaii’s economy and support local businesses. However, to apply the preference to **ALL the solicitations, regardless of dollar level**, will be tedious and cumbersome for purchasing agencies, and will cause unnecessary delays in the procurement process. Therefore, we recommend that the local preference apply only to **Sections 103D-302, Competitive Sealed Bidding, and 103D-303, Competitive Sealed Proposals**, which provide structured competitive procedures with formal evaluation and award requirements that can accommodate a limited preference while preserving transparency and competition. The preference **should not** apply to **Section 103D-305, Small Purchases**, which is intended to provide a simplified and expedited method for obtaining goods, services, and construction.

Therefore, the SPO recommends the following language for SECTION 2, Page 2, lines 18-21:

"§103D- **Hawaii businesses.** (a) Notwithstanding any law to the contrary, a purchasing agency shall apply a local preference to a Hawaii business in evaluating bids in accordance with §103D-302 or proposals in accordance with §103D-303 under this part.

Additionally, the six-tier structure (10%, 8%, 6%, 4%, 2%, none) based on bid size may cause confusion for agencies and vendors. To simplify the administration of bids, the SPO recommends applying a flat percentage (e.g. 5%) for all qualifying bids and proposals under \$10M and applying no preference for bids and proposals over \$10M.

The SPO recommends the following language for SECTION 3 on Page 3, lines 18-21, and Page 4, lines 1-3.

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

- (1) For contracts with a bid or proposal price of less than \$10,000,000, the preference shall be five per cent;
- (2) For contracts with a bid or proposal price of greater than \$10,000,000, no preference shall be given.

The SPO recommends deleting the language for (d)(3) through (d)(6).

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



**TESTIMONY OF  
THE DEPARTMENT OF THE ATTORNEY GENERAL  
KA 'OIHANA O KA LOIO KUHINA  
THIRTY-THIRD LEGISLATURE, 2026**

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**ON THE FOLLOWING MEASURE:**

S.B. NO. 2075, RELATING TO PUBLIC PROCUREMENT.

**BEFORE THE:**

SENATE COMMITTEE ON GOVERNMENT OPERATIONS

**DATE:** Tuesday, February 3, 2026 **TIME:** 3:00 p.m.

**LOCATION:** State Capitol, Room 225

**TESTIFIER(S):** Anne E. Lopez, Attorney General, or  
Jung Min (Charles) Lee, Deputy Attorney General

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Chair McKelvey and Members of the Committee:

The Department of the Attorney General (Department) provides the following comments on this bill.

The purpose of this bill is to require purchasing agencies to apply a tiered local preference to Hawai'i businesses when evaluating bids or proposals, with the preference decreasing as contract value increases and ending for contracts valued at \$10,000,000 or more. Eligibility is based on self-certification that the business maintains its principal place of business in Hawai'i and that at least eighty percent of contract labor (by time and expenses) will be incurred by persons domiciled in Hawaii.

The Department recognizes the Legislature's goal of supporting the local economy, but notes potential federal constitutional and implementation issues that could invite challenges by out-of-state vendors. Out-of-state companies may argue the bill is discriminatory because it conditions a preference on in-state status and an eighty-percent labor threshold tied to persons "domiciled" in Hawaii. Under the dormant Commerce Clause, measures that discriminate against interstate commerce are subject to the "strictest scrutiny" and are generally invalid absent a sufficient justification and the absence of reasonable nondiscriminatory alternatives. *See Hughes v. Oklahoma*, 441 U.S. 322, 336–37 (1979). Because this bill operates in the procurement context, the State may contend it is acting as a market participant and therefore has greater latitude in setting contract terms; however, litigation risk may turn on whether a court views the

bill as a permissible condition on the State's own purchasing decisions or as protectionist regulation of the broader market. See *White v. Mass. Council of Constr. Emps., Inc.*, 460 U.S. 204, 206–08 (1983).

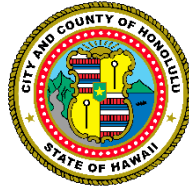
The bill also raises Equal Protection concerns because domicile-based eligibility criteria may be challenged as favoritism toward local economic interests for its own sake; the Supreme Court has held that "promotion of domestic business by discriminating against nonresidents" is not, standing alone, a legitimate state purpose. See *Metro. Life Ins. Co. v. Ward*, 470 U.S. 869, 878–83 (1985). To reduce litigation risk under both doctrines and improve uniform administration, the Committee may wish to (1) clarify that the preference applies only to the State's procurement decisions (reinforcing the market-participant posture), (2) replace or supplement "domicile" with objective, procurement-relevant criteria tied to in-state performance and measurable economic impact (rather than residency as an end in itself), and (3) tighten the "eighty per cent" standard by defining how "time and expenses" are measured, documented, and verified.

Lastly, the Department identifies a specific operational risk regarding the "self-certification" process established in subsection (b) of the new section of chapter 103D, at page 3, lines 1-9. While the bill requires businesses to attest to their eligibility, it lacks a mandatory pre-award verification protocol to ensure these claims are accurate before a contract is finalized. Without a standardized procedure for purchasing agencies to validate a bidder's self-certified status, the State and counties face an increased risk of bid protests from unsuccessful competitors who may challenge the legitimacy of a local preference claim. This administrative gap could lead to costly litigation and significant delays in the procurement process, as agencies may be forced to adjudicate complex residency and labor disputes during the evaluation phase. Additionally, the bill does not define how "labor" or "domiciled" should be measured, which may lead to further ambiguity and misinterpretation by both purchasing agencies and bidders. We respectfully ask the Committee to consider these legal and operational points as the bill proceeds.

Thank you for the opportunity to provide these comments.

**ECONOMIC REVITALIZATION COMMISSION**  
**KOMIKINA HO'OMOHALA WAIWAI**  
**CITY AND COUNTY OF HONOLULU**

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TESTIMONY  
OF  
THE ECONOMIC REVITALIZATION COMMISSION  
OF THE CITY AND COUNTY OF HONOLULU  
TO THE SENATE COMMITTEE  
ON  
GOVERNMENT OPERATIONS  
February 3, 2026, 3:00 p.m.  
SENATE BILL 2075  
RELATING TO PUBLIC PROCUREMENT

The Economic Revitalization Commission (the "OER Commission") of the City and County of Honolulu **strongly supports SB2075**. This testimony is submitted on behalf of the OER Commission by Commissioner Chair Eliza Talbot, and Commissioners Melialani James and Gregory Kim.

**SB2075 Would Boost Local Small Business**

SB2075 would amend the Hawaii public procurement code to provide for reasonable preferences to Hawaii vendors in bidding for contracts from the purchasing agencies of the

State and counties. It would provide for a local preference that will help level the playing field for Hawaii contractors who are capable to providing the goods or services as a competitive price, while maintaining a competitive bidding environment. When Hawaii contractors have the ability to bid on larger contracts, they should be competitive without a preference, which would be more costly to Hawaii taxpayers. While there may be a modest increase in the costs for bid contracts as a result of the local preference, those costs will be offset by increases in State and county revenues from the additional business activity, from the creation of additional work and employment for Hawaii people, and from the building of sustainable economies in the State.

SB2075 would strike a balance between the need for competitive bidding, and the need to support local businesses build capacity and achieve financial stability and growth. It would offer a sliding scale of discounts to local contractors, declining as the size of the contracts grows up to \$10 million. Contracts over that amount would not be offered a local preference. Contractors who are able to bid and perform contracts over \$10 million should have developed sufficient capacity to compete without a local preference, and do not need the training wheels of a local preference. This approach would place emphasis on smaller contracts and capacity building, with the goal of growing Hawaii businesses that can effectively compete on their own.

In addition, the definition of a local business in HB1607 is designed to support local contractors who employ local residents to perform the contracts. This will ensure that contracts are awarded to contractors who hire local employees, thereby increasing capacity and expertise in our State, and at the same time generating revenues and spending in the State of Hawaii, which otherwise would be flowing to contractors and employees outside of our State. It allows mainland companies to form Hawaii businesses and benefit from the local preference, so long as it meets the local employment requirements.

HB1607 would not impact the other criteria used in the bidding process. The proposed preferences would help local businesses obtain contract awards, but they must still be qualified to do the work. This will promote local self-reliance. If they are not qualified according the terms of the particular bid, they will not win the contract.

### The OER Commission's Procurement Initiative

Since its inception, the OER Commission discussed and understood the potential of the local the procurement processes to stimulate growth of the Hawaii economy and increase capacity our State. Honolulu's distinct environment presents challenges and opportunities not typically seen in continental cities. Its geographic isolation, multicultural population, and heavy reliance on tourism and local industries create unique obstacles. Honolulu's businesses often struggle with supply chain misalignment, unaffordable workforce housing, and a high cost of living and doing business. As the most remote major city in the world, Honolulu requires innovative, localized strategies to address these complexities. The city's strong cultural ties to Native Hawaiian traditions and a blend of Asian and Pacific Islander influences further shape its economy, governance, and community dynamics in ways that differ significantly from mainland

cities. Additionally, Honolulu's tropical climate and focus on environmental stewardship make sustainability initiatives—such as climate resilience and ocean conservation—both critical and challenging.

Given these unique conditions, the OER Commission has consistently emphasized the importance of increasing access to contract opportunities in the City's procurement process for locally based companies, and has made that a priority. Businesses operating within Hawai'i possess invaluable insights into local needs and preferences, often enabling them to deliver better outcomes for the City and the community. Expanding the participation of local firms in City contracts not only drives economic sustainability but also fosters long-term community development and resilience. This aligns with the goals of the O'ahu CEDS.

Since May 2024, the OER Commission convened a series of permitted action groups to research best practices and evaluate strategic adjustments to procurement policies to help more locally-based firms compete for and secure City contracts. HB1607 is the culmination of those efforts, and incorporates best practices with respect to local preferences, tailored to meet the needs of the Hawaii community.

Supporting local businesses strengthens Hawaii's economy, creates jobs, creates capacity, and enhances economic and environmental sustainability. Too much Hawaii governmental funds are being spent on non-Hawaii contractors, who do not pay taxes, create local jobs, or build the Hawaii economy. Local businesses often face barriers to competing for government contracts due to higher costs, and their limited size and capacity.

### About the OER Commission

The OER Commission works side-by-side with the Office of Economic Revitalization ("OER") to make O'ahu a good place to do business. The OER Commission supports OER's efforts to diversify the economy through job training and funds for targeted industry sectors like healthcare, technology, skilled trades, clean energy and creative industries. The OER Commission supports OER's efforts to leverage partnerships, federal dollars, and other opportunities to address economic challenges on O'ahu.

OER was in July 2020 organized to provide leadership, information, and resources for O'ahu's economic revitalization. The Honolulu City Council formally established the Office of Economic Revitalization in the City Charter shortly thereafter on October 7, 2020. As required in the OER Charter language, the City created the OER Commission with nine members, charged with advising OER through a strategic economic development plan and meeting at least quarterly.

TESTIMONY  
OF  
GREGORY R. KIM  
TO THE SENATE COMMITTEE  
ON  
GOVERNMENT OPERATIONS

February 3, 2026, 3:00 p.m.

SENATE BILL 2075  
RELATING TO PUBLIC PROCUREMENT

I am a Hawaii corporate lawyer, and member of the Economic Revitalization Commission (the “OER Commission”) of the City and County of Honolulu, and I **strongly support SB2075**.

Since May 2024, the OER Commission has been considering enhancements of local preference laws. I chaired the permitted action groups for the OER Commission that explored local preference laws, conducted research on local preference laws in other jurisdictions, spoke with experts within and outside Hawaii, and met with certain stakeholders.

State Procurement Office Suggestion

I note that the State Procurement Office has suggested a flat 5% local preference to simplify and enhance understanding. I appreciate their thoughts and concerns, but would still like to see a larger discount for smaller contracts. If simplification is necessary, I suggest adding just one more tier of discount. Under this proposal, contracts under \$5 million would be subject to a 10% discount, and contracts at \$5 million or over would be subject to a 5% discount.

Accordingly, if this approach is adopted, subsection (d) of the proposed law would be modified to read:

- (d) The local preference percentage shall be applied as follows:
- (1) For contracts with a bid price of less than \$5,000,000, the preference shall be ten percent of the bid price;
  - (2) For contracts with a bid price of \$5,000,000 to less than \$10,000,000, the preference shall be five percent of the bid price; and
  - (3) For contracts with a bid price of \$10,000,000 or greater, there shall be no preference.

Local preferences have Survived Legal Challenges

I note that there have been legal challenges to local preference policies, but would also emphasize that the weight of the authorities have upheld them, as evidenced by the numerous local discount programs



offered throughout the United States (see discussion below). The legality of local preferences is especially true when the local government is the purchaser of the goods or services.

In particular, to determine the constitutionality of a local purchasing preference law, three clauses of the U.S. Constitution must be considered: the Commerce Clause, the Privileges and Immunities Clause, and the Equal Protection Clause:

- (1) The authorities show that, when a local government acts as “market participant” expending its own funds to purchase goods and services, a local purchasing preference will be valid under the Commerce Clause.
- (2) When a local purchasing preference does (1) not burden a fundamental privilege protected by the Privileges and Immunities Clause; or (2) if it does burden a fundamental privilege, but there is a “substantial reason” for discrimination against citizens of another state, then the preference will not violate the Privileges and Immunities Clause.
- (3) Since non-local vendors are not a suspect classification, to survive an Equal Protection Clause challenge, a preference law need only demonstrate that the classification (e.g., local vs. non-local businesses) is rationally related to a legitimate governmental purpose, such as encouraging local industry. I believe that the proposed local preferences do serve a legitimate governmental purpose, e.g. economic development, capacity building, and job creation.

I would be happy to provide greater detail regarding our legal research and conclusions.

#### SB2075 Would Offer a Substantial Boost to Small Business

SB2075 would amend the Hawaii public procurement code to provide for reasonable preferences to Hawaii vendors in bidding for contracts from the purchasing agencies of the State and counties. It would provide for a local preference that will help level the playing field for Hawaii contractors who are capable to providing the goods or services at a competitive price, while maintaining a competitive bidding environment. When Hawaii contractors have the ability to bid on larger contracts, they should be competitive without a preference, which would be more costly to Hawaii taxpayers. While there may be a modest increase in the costs for bid contracts as a result of the local preference, those costs will be offset by increases in State and county revenues from the additional business activity, from the creation of additional work and employment for Hawaii people, and from the building of sustainable economies in the State.

In drafting the substance of SB2075, we aimed to strike a balance between the need for competitive bidding, and the need to support local businesses build capacity and achieve financial stability and growth. It would offer a sliding scale of discounts to local contractors, declining as the size of the contracts grows up to \$10 million. Contracts over that amount would not be offered a local preference. Contractors who are able to bid and perform contracts over \$10 million should have developed sufficient capacity to compete without a local preference, and do not need the training wheels of a local preference. This approach would place emphasis on smaller contracts and capacity building, with the goal of growing Hawaii businesses that can effectively compete on their own.

In addition, the definition of a local business in HB1607 is designed to support local contractors who employ local residents to perform the contracts. This will ensure that contracts are awarded to contractors who hire local employees, thereby increasing capacity and expertise in our State, and at the same time generating revenues and spending in the State of Hawaii, which otherwise would be flowing to contractors

and employees outside of our State. It allows mainland companies to form Hawaii businesses and benefit from the local preference, so long as it meets the local employment requirements.

The definition of local contractor, including the self-certification process, are modeled from the local preference afforded to Hawaii accounting firms, as set forth in Hawaii Revised Statutes, 103D-1013. This should allow for a smooth implementation of HB1607.

HB1607 would not impact the other criteria used in the bidding process. The proposed preferences would help local businesses obtain contract awards, but they must still be qualified to do the work. This will promote local self-reliance. If they are not qualified according the terms of the particular bid, they will not win the contract.

#### The Cost of HB1607 is Far Outweighed by the Benefits

HB1607 offers an efficient approach to support and grow local business. The costs of contracts that are awarded as a result of a local preference, is far outweighed by the benefits. For example, if a \$100,000 contract is awarded to a local contractor, beating out a \$98,000 bid from a mainland contractor because of a local preference, the additional cost of the contract to the purchasing agency would be \$2,000. But that **\$2,000 cost generated \$100,000 of new business** in the State that would have otherwise gone to a mainland company, not only generating income and general excise taxes for the State, but creating jobs the trickle-down effect of taxes paid to local employees. And, the \$100,000 expenditure is not a hand out or grant, but was paid for products or services provided to the State of local government. Long-term benefits would include capacity building in Hawaii, with the goal of self-reliance.

#### The Current Procurement Code Does Not Clearly Permit Local Preferences

The current Procurement Code, set forth in Chapter 103D, Hawaii Revised Statutes, does not offer clear authority for purchasing agencies to offer local preferences. Section 103D-101 includes requirements that may be viewed as contrary to the implementation of local preferences. Section 103D-101(6) requires the purchasing agencies, in their procurement processes, to:

Encourage economic competition by: (A) Ensuring that all persons are afforded an equal opportunity to compete in a fair and open environment; and (B) Researching innovative goods and services to meet the public's needs . . . .”

A local preference may be considered contrary to a “fair and open environment” and thus not permitted under current law. There are other provisions of 103D-101 that might be implicated by a local preference. For example, subsection (3) requires the government act “only in the public interest.” Of course, this begs the question whether a local preference can be in the public interest, and whether a local preference could be “fair” under Chapter 103D.

#### There are Numerous Precedents for Local Preferences from Other Jurisdictions

Based on initial research, it appears that many cities across the nation have instituted various incentives and preferences to support awards to their local business of contracts in the bidding process. Local governments have large budgets, and their procurement and contracting policies can be important mechanisms for supporting the local economy, and advancing other public aims. It appears that many cities,

counties, and states give a preference to local businesses in their procurement decisions as a means of supporting and growing their local economies. As noted:

At least 45 states, plus the District of Columbia, have procurement policies designed to give a preference to businesses that meet certain characteristics, such as those that are owned by veterans, pay certain wages, use environmentally sustainable practices, or manufacture within the state. Of these, about half have adopted an explicit preference for businesses that are small and/or local. These policies vary considerably. Some apply only in narrow circumstances; others are broader. In addition, more than thirty states have policies aimed at steering purchasing to minority- and women-owned businesses. Looking beyond state governments, large numbers of counties, cities, and towns have procurement policies of their own.<sup>1</sup>

Cities and States offer a variety of programs and incentives. There are broad incentives, and more narrow incentives, for example focusing on construction or other sectors. There are percentage preferences that allow a local company to win a bid even if it is not the lowest bidder, so long as it meets certain qualifications. The percentages vary, for example a local bidder can win if it is within as low as 5 percent, or as high as 15 percent, of the lowest bid.

Some cities and States have established certification programs as a way to create a database of companies that qualify for a preference. A 2016 survey by the National Association of State Purchasing Officials<sup>2</sup> found that, of respondents, 19 have in-state bidding preference laws that are mandatory, 4 have in-state preference laws are discretionary, 16 jurisdictions perform small business certification, and some States have “reciprocal laws” that require public contracting agencies, in determining the lowest responsible bidder, to add a percent increase to each out-of-state bidder’s bid price equal to the percent of preference given to local bidders in the bidder’s home state.

Giving preference to local suppliers, even if it means spending a little more, can actually benefit a city’s finances. When local governments spend their money with locally owned firms, those firms in turn rely on and generate local supply chains, creating an “economic multiplier” effect. Each additional dollar that circulates locally boosts local economic activity, employment, and, ultimately, tax revenue.

Numerous economic impact studies have quantified this effect. One of them, a 2009 study from California State University at Sacramento, found that the State of California generated approximately \$4.2 billion in additional economic activity and 26,000 new jobs between 2006 and 2007 by contracting with disabled veteran-owned businesses and local small businesses instead of larger companies.

Another study, from Civic Economics, looked at Arizona, and found that at a locally owned office supply company, 33.4 percent of revenue remained in the local economy, compared with just 11.6 percent at national company with a presence in the state. The study also looked at the potential impact of the City of Phoenix contracting with the local firm. It found that given a one-year, \$5 million contract for office supplies,

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<sup>1</sup> “Procurement Can Be a Powerful Tool for Local Economies, but Takes More Than a Policy Change to Work,” Institute for Local Self Reliance, April 2015. <https://ilsr.org/articles/procurement-more-than-a-policy-change/>

<sup>2</sup> Survey of State Procurement Practices (2016), [https://cdn.naspo.org/R&I%20Content%20Library/Survey%20of%20State%20Procurement%20Practices/FINAL\\_2016\\_Survey\\_10-4-16.pdf](https://cdn.naspo.org/R&I%20Content%20Library/Survey%20of%20State%20Procurement%20Practices/FINAL_2016_Survey_10-4-16.pdf).

with the local company, an additional \$1 million would stay in the area economy. With the national company, just \$580,000 of that \$5 million would recirculate locally.

Similarly, A study commissioned by Local First Arizona reported that a purchasing contract with an independent local supplier recirculates three times as much money in the local economy as the same contract with a national firm.<sup>3</sup>

Cleveland offers an example of a government successfully supporting local business. In 2014, Cleveland drove 39 percent of its total \$147 million in contracting to businesses that are either local and small, or local and minority- or female-owned. That's up significantly from just four years earlier, when the city awarded 29 percent of its contract dollars to certified firms.<sup>4</sup> New York is also cited as having successfully implemented local preferences.<sup>5</sup>

Los Angeles is another example, at the county level. Los Angeles adopted its local preference rules in 2011, when political leaders noticed that many large cities had local vendors who were charging 5 percent more than their competition based in neighboring states. Given the cost of rent, utilities and insurance in L.A., that was no surprise. But the city determined that it needed to create a level playing field for its hometown vendors. The number of contracts signed in the city through the local preference ordinances has varied from year to year, but between 2012 and 2016, about \$272 million worth of bids for city government work utilized local preference provisions.<sup>6</sup>

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<sup>3</sup> "Favoring Local Businesses in Government Purchasing has Economic Benefits, Study Finds," February 5, 2008, Institute for Local Self Reliance. <https://ilsr.org/articles/favoring-local-businesses-government-purchasing-has-economic-benefits-study-finds/>

<sup>4</sup> "Procurement Can Be a Powerful Tool for Local Economies, but Takes More Than a Policy Change to Work," Institute for Local Self Reliance, April 2015. <https://ilsr.org/articles/procurement-more-than-a-policy-change/>

<sup>5</sup> As noted by ILSR:  
When Bill de Blasio took office as New York City's mayor in 2014, his administration began to tackle a less-than-flashy issue: How to change who was winning city contracts.

De Blasio had swept the election with a campaign promise of reducing income inequality, and re-directing NYC's vast purchasing power was one of the wonky cornerstones of his plan to do it. So his administration started looking for ways to strengthen the city's Minority and Women-Owned Business Enterprise program, designed to help businesses owned by people of color and women bid on, and win, city contracts. It appointed committed staff, integrated the program into housing policies and Hurricane Sandy recovery projects, and launched new online tools for business owners.

The program became "a core part of the mayor's strategy on inequality," one of de Blasio's top aides said, and the administration identified it as a "top priority."

It worked. That year, New York City awarded \$690 million in contracts to businesses majority-owned by minorities or women, a 57 percent increase from the year before — though still only about 4 percent of the city's overall \$17.7 billion in spending. Since then, de Blasio's administration hasn't let up. It's commissioned an in-depth study of the program, sought changes to state laws that would strengthen it, and set a goal of increasing city awards to minority- and women-owned firms by \$16 billion over 10 years.

"Procurement Can Be a Powerful Tool for Local Economies, but Takes More Than a Policy Change to Work," Institute for Local Self Reliance, April 2015. <https://ilsr.org/articles/procurement-more-than-a-policy-change/>

<sup>6</sup> "In Government Procurement, Buying Local Is Popular. But Is It Beneficial?," Governing, February 27, 2018. <https://www.governing.com/archive/gov-procurement-hometown-vendors-local-preference.html>



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February 3, 2026

HEARING BEFORE THE  
SENATE COMMITTEE ON GOVERNMENT OPERATIONS

**TESTIMONY ON SB 2075**  
RELATING TO PUBLIC PROCUREMENT

Conference Room 225 & Videoconference  
3:00 PM

Aloha Chair McKelvey, Vice-Chair Gabbard, and Members of the Committee:

I am Brian Miyamoto, Executive Director of the Hawai'i Farm Bureau (HFB). Organized since 1948, the HFB is comprised of 1,800 farm family members statewide and serves as Hawai'i's voice of agriculture to protect, advocate, and advance the social, economic, and educational interests of our diverse agricultural community.

**The Hawai'i Farm Bureau supports SB 2075**, which strengthens the State's local preference framework by clarifying eligibility for Hawai'i businesses and establishing a tiered approach to applying local preference in state procurement. The bill also includes accountability provisions to ensure that businesses receiving a local preference continue to meet the required criteria.

HFB recognizes that agriculture already benefits from existing local preference provisions in the State Procurement Code, and we appreciate efforts to strengthen and modernize local procurement policies that support Hawai'i businesses and local economic activity.

From an agricultural perspective, SB 2075 may provide additional opportunities for value-added agricultural products and ag-based businesses that do not always fit neatly within existing procurement categories. These include locally processed foods made from Hawai'i-grown crops, value-added livestock products, floriculture and nursery products, and other goods derived from local agricultural production. Strengthening local preference policies can help keep more procurement dollars circulating within Hawai'i's agricultural value chain.

HFB also notes that many agricultural businesses operate as small enterprises, cooperatives, or processing operations that aggregate products from multiple farmers. Clear and workable local preference policies can improve access to state procurement opportunities for these businesses while supporting farmers and ranchers upstream.

As SB 2075 moves forward, HFB encourages the Legislature to ensure that existing agricultural preferences are preserved and that any changes to procurement policy remain practical, flexible, and administratively workable for both agencies and local producers.

Thank you for the opportunity to provide testimony.



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#### OUR MISSION

To support and advance public policies that make Hawai'i affordable for all working families.

#### OUR VISION

Collaborative, sustainable, and evidence-based public policies that create a diverse and sustainable Hawai'i economy, an abundance of quality job opportunities, and a future where all working families living in Hawai'i can thrive.

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#### BOARD MEMBERS

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Sunshine Topping

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HolomuaCollaborative.org

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**Committee:** Senate Committee on Government Operations  
**Bill Number:** SB 2075, Relating to Public Procurement  
**Hearing Date and Time:** February 3, 2026 at 3:00pm (Room 225)  
**Re:** Testimony of Holomua Collaborative- Support

Aloha Chair McKelvey, Vice Chair Gabbard, and Committee Members:

We write in support of Senate Bill 2075, Relating to Public Procurement. The purpose of SB 2075 is to help local businesses thrive by allowing them to be competitive when applying for bids or proposals from government purchasing agencies.

Holomua supports initiatives that help keep all local working families in Hawai'i by addressing issues of affordability. For Hawai'i to be affordable for local working families, we need to ensure that our local business community is provided with the opportunities necessary to expand and succeed in an uncertain economy. *Only 19% of respondents in a recent survey of 3200 local residents agree that "Hawai'i is a good place to do business."* This statement also shows a high percentage of disagreement, with 44 percent *disagreeing* that Hawai'i is a good place to do business. And 9 out of 10 respondents agree that Hawai'i needs to recruit and retain critical workforce members.<sup>1</sup>

One way to improve the business climate in Hawai'i is to increase opportunities for our local businesses to compete for and receive government bids and proposals through procurement.

The higher costs of doing business in a small, physically separated state with limited local workforce and fewer options to provide competitive prices for goods and services put our local businesses at a disadvantage when competing for State and County contracts. Providing preferences in the procurement process for Hawai'i businesses that result in the awarding of contracts to local companies will help stimulate our economy and lift our workforce.

We ask that you support SB 2075.

Sincerely,

Matthew Prellberg  
Policy and Communications Director

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<sup>1</sup> 2025 Affordability Survey, Holomua Collective. [www.holomuacollective.org/survey-25](http://www.holomuacollective.org/survey-25).

**SB-2075**

Submitted on: 1/30/2026 8:36:16 PM

Testimony for GVO on 2/3/2026 3:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Glen Kagamida	Individual	Support	Written Testimony Only

Comments:

Good way to support local businesses.



**SB-2075**

Submitted on: 2/2/2026 12:44:40 PM

Testimony for GVO on 2/3/2026 3:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Eliza Talbot	Individual	Support	Written Testimony Only

Comments:

**TO:** The Honorable Chair McKelvey, Vice Chair Gabbard and Members of the Senate Committee on Government Operations**FROM:** Eliza Talbot**DATE:** February 3, 2026**SUBJECT:** Testimony in Support of S.B. 2075, Relating to Public Procurement

Aloha Chair McKelvey, Vice Chair Gabbard and Members of the Senate Committee,

My name is Eliza Talbot, and I currently serve as the Chair of the Economic Revitalization Commission for the City and County of Honolulu, as a member of the Commission I offer my strong support for Senate Bill 2075, Relating to Public Procurement. This bill is a top priority for the Commission members as we seek to find creative ways to boost Honolulu's economic resilience.

This measure, which requires purchasing agencies to apply a local preference to Hawai'i businesses in evaluating bids or proposals, is a critical step toward ensuring that our public procurement dollars are reinvested in our community. By establishing a preference for local businesses, we can foster economic growth, create more jobs, and support the resiliency of our islands.

I believe S.B. 2075 will help level the playing field for small and medium-sized Hawai'i businesses that often struggle to compete with large, out-of-state companies. The tiered local preference percentages established in this bill will encourage state and county agencies to intentionally seek out and select local vendors, thereby boosting our state's economic ecosystem.

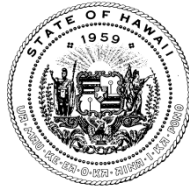
I urge you to pass this important measure.

Mahalo for your time and consideration.

Eliza Talbot

**LATE**

JOSH GREEN, M.D.  
GOVERNOR  
KE KIA'ĀINA



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

EDWIN H. SNIFFEN  
DIRECTOR  
KA LUNA HO'OKELE

Deputy Directors  
Nā Hope Luna Ho'okele  
DREANALEE K. KALILI  
TAMMY L. LEE  
CURT T. OTAGURO  
ROBIN K. SHISHIDO

Tuesday, February 3, 2026  
3:00 p.m.  
State Capitol, 225

**SB2064**  
**RELATING TO PUBLIC PROCUREMENT**

Senate Committee on Government Operations

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The Department of Transportation (DOT) supports Senate Bill 2075.

This bill establishes a local preference for Hawaii businesses in public procurement, aligning with the legislature's intent to strengthen the State's economy by creating more local jobs, increasing local workforce and business capacity, and enhancing economic and environmental sustainability. The DOT supports measures that level the playing field for local contractors, who often face barriers such as higher costs associated with doing business in an island state, limited physical workforce capacity, and reduced price competitiveness.

Section 103D-1001 of the Hawaii Revised Statutes, as amended by this bill, defines "Hawaii business" and mandates that purchasing agencies apply a local preference when evaluating bids or proposals. The bill provides clear criteria for qualification, including maintaining the principal place of business in the State and ensuring that at least eighty percent of labor is performed by persons domiciled in the State. These requirements ensure accountability and reinforce the bill's objective of supporting genuine local enterprises.

The tiered local preference percentages—ranging from ten percent for contracts under \$250,000 to zero percent for contracts of \$10 million or greater—are designed to balance support for small and medium-sized local businesses while avoiding excessive cost burdens on larger projects. This approach reflects a thoughtful recognition of varying contract sizes and their impact on overall project budgets.

Furthermore, the provisions for enforcement, including penalties for non-compliance such as refunding overpayments and performing contracts at reduced prices, provide necessary safeguards to uphold the integrity of the local preference program. The ability

for policy boards or counties to adopt implementing rules ensures flexibility in execution across different agencies and jurisdictions.

As a key purchaser of goods services and construction related to transportation infrastructure, the DOT recognizes the value of encouraging local participation in public procurement processes. Supporting local businesses contributes to regional economic resilience and helps ensure that public investments benefit the community directly.

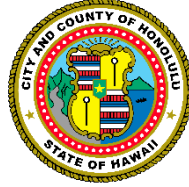
Thank you for the opportunity to testify in support of this bill.

**OFFICE OF ECONOMIC REVITALIZATION  
KE KE'ENA HO'OMOHALA WAIWAI  
CITY AND COUNTY OF HONOLULU**

711 KAPIOLANI BLVD., 12TH FLOOR • HONOLULU, HAWAII 96813  
PHONE: (808) 768-2330 • FAX: (808) 768-4242 • WEBSITE: [revitalizeoahu.org](http://revitalizeoahu.org)

**LATE**

RICK BLANGIARDI  
MAYOR  
MEIA



AMY ASSELBAYE  
EXECUTIVE DIRECTOR  
PO'O HO'OKO

DEBORAH ZYSMAN  
DEPUTY DIRECTOR  
HOPE PO'O

February 3, 2026

The Honorable Angus L.K. McKelvey, Chair,  
The Honorable Mike Gabbard, Vice-Chair  
and Members of the Committee on Government Operations  
Hawaii'i State Senate  
415 South Beretania Street, Room 225  
Honolulu, Hawaii'i 96813

SUBJECT: Honolulu Office of Economic Revitalization Support for Senate Bill 2075  
Relating to Public Procurement

Aloha Chair McKelvey, Vice-Chair Gabbard, and Committee Members:

The Office of Economic Revitalization (OER) offers testimony in **support of SB2075**, which would require state and county purchasing agencies to apply a local preference when evaluating bids or proposals from Hawaii'i-based businesses. This policy leverages government procurement as a strategic tool to strengthen our local economy, increase employment, and reinvest taxpayer funds back into Hawaii'i communities. We believe strongly that **buying local is smart economic policy**.

Research and practice indicate that procurement policies prioritizing local businesses are widely used and supported as effective economic development strategies. To further outline our support, we would like to highlight the following public benefits that would be garnered from this legislation:

- 1. Keep Money Circulating Locally.** Studies demonstrate that dollars spent with local businesses generate a disproportionate economic benefit for the community compared with spending outside the local economy.

The Honorable Angus L.K. McKelvey, Chair,  
The Honorable Mike Gabbard, Vice-Chair  
and Members of the Committee on Government Operations  
February 3, 2026  
Page 2

2. **Public Procurement as Economic Development.** Academic and policy research<sup>1</sup> underscores government procurement's role as an economic development instrument. Local procurement increases revenues for local firms, stimulates job growth, and strengthens local supply chains — benefits that extend beyond the initial contract through wages and re-spending in the local economy.
3. **Long-Term Economic Gains.** While a local preference may result in slightly higher unit prices, these costs are offset by increases in local employment, tax revenue, and economic circulation. Dollars retained locally improve household incomes, increase spending power, and ultimately broaden the state's tax base.
4. **Stronger Local Supply Chains and Resilience.** Local sourcing can reduce vulnerability to global supply shocks and transportation delays, and enhance responsiveness for state and county contracting needs.
5. **National Practice.** Local preference policies are not novel or out of step with national practice. Numerous state and local governments in the United States employ resident preference or similar local content provisions in public procurement as a recognized tool to support local business and employment. The National Association of State Procurement Officials maintains a detailed repository of the various state policies ([www.naspo.org](http://www.naspo.org)).

To the extent the proposed procurement policy would be prohibited by the receipt and use of federal funds, the policy should allow for exceptions.

For these reasons, OER urges **the Committee to support SB2075**. Should there be any questions, please contact OER's Deputy Director Deborah Zysman at (808) 768-3893 or via email at [deborah.zysman@honolulu.gov](mailto:deborah.zysman@honolulu.gov).

Sincerely,

Amy Asselbaye  
Executive Director

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1. Abutabenjeh, S., Gordon, S., & Mengistu, B. (2018). *The impacts of in-state procurement preference policies on the economy of South Carolina*. *Journal of Public Procurement*, 18(3), 240–256



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**Executive Officers**

**Kit Okimoto**, Okimoto Corp., *Chair*  
**Jayson Watts**, Mahi Pono, *Vice Chair*  
**Jill Tamura**, Tamura Super Market, *Secretary/Treas.*  
**Lauren Zirbel**, HFIA, *President and Executive Director*  
**Paul Kosasa**, ABC Stores, *Advisor*  
**Toby Taniguchi**, KTA Superstores, *Advisor*  
**Joe Carter**, Coca-Cola Bottling of Hawaii, Odom, *Advisor*  
**Eddie Asato**, Pint Size Hawaii, *Advisor*  
**Gary Okimoto**, Safeway, *Advisor*  
**Maile Miyashiro**, C&S Wholesale, *Immediate Past Chair*

**LATE**

TO: Committee on Government Operations  
FROM: HAWAII FOOD INDUSTRY ASSOCIATION  
Lauren Zirbel, Executive Director

DATE: February 3, 2026

TIME: 3pm

RE: SB2075 Relating to Public Procurement

Position: Support

The Hawaii Food Industry Association is comprised of two hundred member companies representing retailers, suppliers, producers, manufacturers and distributors of food and beverage related products in the State of Hawaii.

The Hawaii Food Industry Association is comprised of two hundred member companies representing retailers, suppliers, producers, manufacturers and distributors of food and beverage related products in the State of Hawaii.

HFIA has proudly produced the Made in Hawaii Festival for over 30 years! We know the value of locally made products.

Supporting local manufacturing is a vital step to diversifying our economy and making our state stronger, more resilient, and more self-sufficient. Supporting local businesses strengthens the State's economy by creating more local jobs, increasing local workforce and business capacity, and enhancing economic and environmental sustainability.

State level purchasing is a powerful tool to help support local businesses and create opportunities for in state manufacturing of goods and products that we use and need here in Hawaii.

We encourage the Committee to pass this measure and we thank you for the opportunity to testify.



**MAUI**  
CHAMBER OF COMMERCE  
VOICE OF BUSINESS

**LATE**

**HEARING BEFORE THE SENATE COMMITTEE ON GOVERNMENT OPERATIONS  
HAWAII STATE CAPITOL, SENATE CONFERENCE ROOM 225  
Tuesday, February 3, 2026 AT 3:00 P.M.**

To The Honorable Senator Angus L.K. McKelvey, Chair  
The Honorable Senator Mike Gabbard, Vice Chair  
Members of the Committee on Government Operations

**SUPPORT SB2075 RELATING TO PUBLIC PROCUREMENT**

The Maui Chamber of Commerce **Strongly Supports SB2075** that requires purchasing agencies to apply a local preference to Hawaii businesses in evaluating bids or proposals.

We recognize the importance of state procurement policies that support local economic growth and foster opportunities for businesses operating in Hawaii. This bill directly impacts our members by improving their ability to compete for and secure government contracts.

The approach to establishing clear criteria for qualifying as a Hawaii business and implementing tiered local preference percentages aligns with our goal of ensuring that local businesses, particularly small- and mid-sized organizations, are not disadvantaged in the procurement process. We would also like to see an equally distributed percentage of overall procurement go to neighbor island businesses, who often have additional challenges. By prioritizing local vendors, the measure helps keep state spending within the local economy, supporting job retention, workforce development, and the overall resilience of Hawaii's business sector. This is especially important given the ongoing economic challenges faced by many businesses, including rising labor costs, a softened visitor market, and recovery.



**MAUI**  
CHAMBER OF COMMERCE  
VOICE OF BUSINESS

House Committee on Economic Development & Technology  
January 30, 2026  
Page 2.

We note that the bill also introduced procedures for addressing situations where contract awardees fail to meet or maintain the preference criteria. This accountability mechanism is important for maintaining the integrity of the procurement process and ensuring that the intended benefits of local preference are realized. However, it is critical that these procedures are implemented in a manner that is transparent, fair, and not unduly burdensome for small businesses, which may have limited administrative resources.

To maximize the effectiveness of SB2075, we respectfully recommend that the implementing agencies provide clear guidance and outreach to help businesses understand and comply with the new requirements. Additionally, we encourage consideration of streamlined verification processes and reasonable timelines for corrective action, so that well-intentioned local businesses are not penalized for minor or inadvertent errors.

We appreciate the opportunity to provide testimony on this bill to create sustainable procurement policies for our local businesses. We look forward to working collaboratively to strengthen Hawaii's business community.

Sincerely,

Pamela Tumpap  
President

To advance and promote a healthy economic environment for business, advocating for a responsive government and quality education, while preserving Maui's unique community characteristics.



**LATE**

February 3, 2026

Senate Committee on Government Operations  
Senator Angus L.K. McKelvey, Chair  
Senator Mike Gabbard, Vice Chair

Tuesday, February 3, 2026, 3:00 p.m.  
Conference Room #225 and via video conference



**RE: SB 2075 Relating to Public Procurement**

Dear Chair McKelvey, Vice Chair Gabbard and members of the Committee,

My name is Kiran Polk, and I am the Executive Director & CEO of the Kapolei Chamber of Commerce. The Kapolei Chamber of Commerce is an advocate for businesses in the Kapolei region including Waipahu, Kapolei, 'Ewa Beach, Nānakūli, Wai'anae and Mākaha. We work on behalf of our members and the broader business community to improve the regional and State economic climate and to help West O'ahu businesses thrive.

The Kapolei Chamber of Commerce **strongly supports SB 2075**, which would require purchasing agencies to apply a local preference to Hawai'i businesses when evaluating bids or proposals. This measure establishes clear criteria for Hawai'i businesses to qualify for a preference and applies a tiered approach based on contract value, helping to ensure fairness, accountability, and transparency in public procurement.

Supporting locally owned businesses, particularly small businesses in West O'ahu, is one of the Kapolei Chamber's key priorities. Local businesses often face higher operating costs and capacity constraints when competing for state and county contracts. By creating a structured local preference, HB 1607 helps level the playing field and provides Hawai'i-based businesses with a more meaningful opportunity to compete.

Importantly, this measure balances economic opportunity with fiscal responsibility. While local preferences may result in modest cost differences in some cases, those costs are offset by ***increased local employment, stronger business retention, and the long-term economic benefits of keeping public dollars circulating within Hawai'i's economy and workforce.***

For these reasons, the Kapolei Chamber of Commerce **strongly supports SB 2075** and respectfully urges the Committee to pass this measure.

Thank you for this opportunity to provide testimony.

Best,

Kiran Polk  
Executive Director & CEO



TITLE GUARANTY  
HAWAII

**LATE**

February 3, 2026

**Testimony in support of SB 2075, Relating to Public Procurement**

Aloha Chair McKelvey, Vice Chair Gabbard, and Committee Members,

Title Guaranty of Hawai'i respectfully submits testimony in strong support of Senate Bill 2075, Relating to Public Procurement. SB 2075 supports local economic development by ensuring that Hawai'i-based businesses receive fair consideration when State agencies evaluate bids and proposals.

Title Guaranty of Hawai'i is the oldest and largest title company in the State, but at our core we remain a locally rooted, family-owned business. Since 1896, we have been owned and operated by a kama'āina family, growing steadily alongside Hawai'i's communities. Today, we employ more than 250 local residents across the islands, many of whom have built long-term careers with our company.

When State contracts are awarded to local companies, the benefits ripple outward to many other small businesses that provide professional services, technology, maintenance, and support. Local procurement keeps dollars circulating within the community and helps sustain the small business networks that form the backbone of Hawai'i's economy.

SB 2075 recognizes that procurement policy can either strengthen or weaken local business ecosystems. Applying a local preference helps ensure that Hawai'i businesses, particularly those deeply invested in their communities, can compete on a more level playing field. This approach supports job stability, workforce retention, and the long-term viability of locally owned companies.

For these reasons, Title Guaranty of Hawai'i strongly urges the Committee to pass SB 2075 and support policies that allow local businesses and the communities they serve to thrive together.

Mahalo for the opportunity to testify.  
Sincerely,

Mike B. Pietsch  
President and Chief Operating Officer  
Title Guaranty of Hawai'i



Title and Escrow is our business. Hawaii is our home.



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**February 3, 2026**

**Committee:** Senate Committee on Government Operations  
**Bill Number:** SB2075, Relating to Public Procurement  
**Hearing Date and Time:** February 3, 2026, 3:00pm  
**Re:** Testimony of HPM Building Supply in Support

Dear Chair McKelvey, Vice Chair Gabbard, and Committee Members:

HPM Building Supply submits this testimony in strong support of Senate Bill 2075, Relating to Public Procurement. SB 2075 represents a practical and effective approach to economic development by prioritizing local businesses in State purchasing decisions.

HPM Building Supply is a 100% employee-owned company serving Hawai'i's home improvement market and building industry for over 100 years since 1921. With 18 locations across Hawai'i and Washington State, HPM offers various services and products, including retail stores, building supply and lumber yards, home design centers, drafting and design services, and manufacturing facilities. HPM is dedicated to enhancing homes, improving lives, and transforming communities.

Hawai'i's economy is at a crossroads. As the cost of living continues to rise and businesses face mounting challenges, we must take action to keep our local economy diverse and sustainable. When procurement policies favor local companies, the benefits extend well beyond individual contracts. Local procurement supports skilled trades, manufacturing, transportation, and professional services, while ensuring that capital circulates within the local economy rather than leaving the state.

As an employee-owned company, HPM directly connects business success to employee well-being. Procurement policies that support local businesses translate into stable jobs, career advancement, and community reinvestment. These outcomes are central to sustainable economic development.

HPM Building Supply respectfully urges the Committee to pass SB 2075 and advance policies that strengthen Hawai'i's economy from the ground up.

Sincerely,

Jason Fujimoto  
Chairman & CEO





## Testimony in Support of SB 2075, Relating to Public Procurement

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Aloha Chair McKelvey, Vice Chair Gabbard, and members of the Committee,

aio respectfully submits testimony in strong support of Senate Bill 2075, Relating to Public Procurement. SB 2075 advances economic development by leveraging State purchasing power to support Hawai'i-based businesses and local employment.

aio is a locally owned company with holdings across a broad range of industries. Our companies are purpose-driven and firmly rooted in local values. At aio, Hawai'i is at our core, and through our products and services, we work hard to make Hawai'i a better place for future generations.

By prioritizing local businesses in State procurement, SB 2075 helps ensure that public dollars remain in Hawai'i through local jobs, supplier relationships, and reinvestment in the community. This approach strengthens in-state capacity, supports workforce stability, and promotes long-term economic resilience. We urge the Committee to pass SB 2075 and align procurement policy with Hawai'i's economic and community priorities.

Mahalo for the opportunity to submit testimony.

A handwritten signature in black ink that reads "Brandon H. Kurisu".

Brandon Kurisu  
aio Family of Companies

