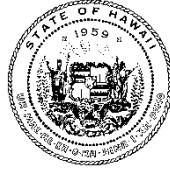


JOSH B. GREEN, M.D.
GOVERNOR
KE KIA'ĀINA



BONNIE KAHAKUI
ADMINISTRATOR
DAYNA OMIYA
ASSISTANT ADMINISTRATOR

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

P.O. Box 119
Honolulu, Hawaii 96810-0119
Tel: (808) 586-0554
email: state.procurement.office@hawaii.gov
<http://spo.hawaii.gov>

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

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

**SENATE BILL 2308
RELATING TO PROCUREMENT**

Chair McKelvey, Vice Chair Gabbard, and members of the committee, thank you for the opportunity to submit testimony on Senate Bill 2308. The State Procurement Office (SPO) provides comments on this bill.

Senate Bill 2308 proposes to increase the vendor compliance threshold from \$2,500 to \$6,000. The bill states that the \$2,500 threshold, established under Act 190, Session Laws of Hawaii (SLH) 2011, no longer reflects the administrative realities of inflation or modern procurement. Consequently, very small procurements are subject to the same compliance requirements as significantly larger dollar contracts, creating disproportionate administrative burdens for both state agencies and vendors.

Comments

The requirement for a "Certificate of Vendor Compliance" at the \$2,500 threshold was implemented 15 years ago through Act 190, SLH 2011 (Senate Bill 758), following a small business discussion group that addressed the key challenges facing Hawaii's small-business sectors.

Agencies conduct compliance checks to ensure adherence to tax, labor, and employment laws but they require significant administrative time and coordination. Increasing the vendor compliance threshold would enable agencies to expedite small purchases and focus resources on larger, complex contracts.

Furthermore, increasing the threshold may lower barriers to vendor participation, particularly for small local businesses, while maintaining safeguards for higher-value contracts. For small-dollar awards, the time and administrative cost of obtaining compliance clearances can deter participation, reducing competition and limiting State procurement options. The SPO notes impacts of raising the certificate of vendor compliance threshold to \$6,000:

- Reduced Oversight: Fewer contracts undergo compliance checks, potentially increasing the risk of non-compliant vendors. Increasing the threshold to \$6,000 would exempt 30-32% of solicitations from compliance verification, striking balance between streamlining the process and maintaining oversight.
- Perception of Lower Accountability: Taxpayers may question the jump from \$2,500 to \$6,000 and perceive it as reduction in safeguards for public funds.

Using an average annual inflation rate of approximately 2.5% (based on the Consumer Price Index), \$2,500 in 2011 is equivalent to \$3,620 in 2026. The SPO recommends raising the threshold for a certificate of vendor compliance to **\$5,000**, which takes into account inflation as well as Hawaii's higher costs for goods and services, and is comparable to the threshold of the states of California and New York.

The SPO offers the following amendments:

- SECTION 1, Page 2, lines 6-8:

"Therefore, the purpose of this Act is to raise the contract award value that triggers required proof of vendor compliance from \$2,500 to **\$5,000**."

- SECTION 2, Page 2, lines 18-21, Page 3, lines 1-5:

"The procuring officer shall verify compliance with this subsection for all contracts awarded pursuant to sections 103D-302, 103D-303, 103D-304, and 103D-306, and for contracts and procurements of **\$5,000** or more awarded pursuant to section 103D-305; provided that the attorney general may waive the requirements of this subsection for contracts for legal services if the attorney general certifies in writing that comparable legal services are not available in the State."

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

DEPARTMENT OF FINANCE

MICHELLE L. LIZAMA, DIRECTOR
CHELSEE SAKAI, DEPUTY DIRECTOR



DEREK S.K. KAWAKAMI, MAYOR
MICHAEL A. DAHILIG, MANAGING DIRECTOR

Testimony of Ernest W. Barreira

Assistant Chief Procurement Officer, Division of Purchasing
Department of Finance, County of Kaua'i

Before the
Senate Committee on Government Operations

Tuesday, February 3, 2026 @ 3:00 PM.
Conference Room 225 & Via Videoconference

In consideration of
Senate Bill 2308
Relating to Procurement

Honorable Chair McKelvey, Vice Chair Gabbard, and Members of the Committee:

The County of Kaua'i is in **strong support** of SB2308, which increases the threshold for proof of vendor compliance from \$2,500 to \$6,000.

This legislation encourages competition as defined in the statute by making it easier to do business with government. By no means are we inferring that it is not important for businesses to comply with tax laws and requirements. Notably, there is currently a conflicting statute on the same issue. HRS Chapter 103-53 provides for a higher compliance threshold at \$25,000 as opposed to HRS Chapter 103D-310 (c) which is currently set at \$2,500.

We are often unable to award the lowest bidders because of the non-compliance issues having to do with the \$2,500 threshold. Many times, the larger businesses who can provide these goods and services feel that the process involved to achieve compliance is not worth the overall revenue that would be realized for these small purchases. This problem is further highlighted when the good or service that is required constitutes a sole source under the statute.

It is in the interest of the people that we serve for government entities to be able to acquire goods and services in a timely manner. As such, the proposed increase to \$6000 as the compliance threshold appears to be in the best interests of all involved.

I thank you for the opportunity to offer testimony in **strong support** of SB2308.

LATE

JOSH B. GREEN, M.D.
GOVERNOR

SYLVIA LUKE
LIEUTENANT GOVERNOR



STACEY A. ALDRICH
STATE LIBRARIAN
Ke Po'o Hale Waihona Puke Moku'aina

STATE OF HAWAI'I
HAWAII STATE PUBLIC LIBRARY SYSTEM
'OIHANA HALE WAIHONA PUKE AUPUNI O KA MOKU'ĀINA O HAWAI'I
OFFICE OF THE STATE LIBRARIAN
44 MERCHANT STREET
HONOLULU, HAWAI'I 96813
(808) 586-3704

Senate Committee on Government Operations
February 3, 2026, 3:00 p.m.
State Capitol, Room 225

SB 2308 – Relating to Procurement

To: Sen. Angus L.K. McKelvey, Chair
Sen. Mike Gabbard, Vice Chair
Members of the Senate Committee on Government Operations

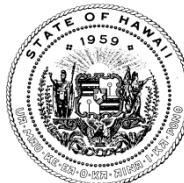
The Hawai'i State Public Library System (HSPLS) supports the intent of SB2308 which proposes to increase the contract aware value that triggers required proof of vendor compliance from \$2,500 to \$6,000.

The HSPLS operates 52 buildings statewide on six islands. Increasing the procurement threshold is a sensible response to today's purchasing environment with the increased cost of supplies and materials, and fluctuations in pricing due to tariffs. The current low threshold has caused unnecessary delays and work for our staff in acquiring repair services for our buildings and has made it difficult to purchase unique supplies that cannot be acquired locally through a compliant vendor.

Thank you for the opportunity to testify on SB2308 and for your continued support of the Hawai'i State Public Library System.

LATE

JOSH GREEN, M.D.
GOVERNOR
KE KIA'ĀINA



STATE OF HAWAII | KA MOKUĀINA 'O HAWAII
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

**SB2308
RELATING TO PROCUREMENT**

Senate Committee on Government Operations

The Department of Transportation (DOT) supports Senate Bill 2308, which proposes to increase the contract award value that triggers required proof of vendor compliance from \$2,500 to \$6,000.

This bill aims to streamline the procurement process for small purchases by raising the threshold at which vendors must provide proof of compliance. The DOT recognizes that this change can significantly reduce administrative burden for both government agencies and small businesses, particularly for routine, low-value transactions.

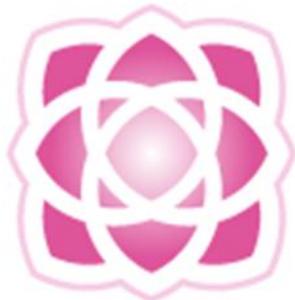
By increasing the threshold to \$6,000, the bill would allow for more efficient procurement of goods and services, potentially speeding up the acquisition process for items that fall within this expanded range. This adjustment could be particularly beneficial for day-to-day operational needs and minor purchases that are essential for the DOT's ongoing activities.

Furthermore, this change may encourage greater participation from small and out-of-state businesses in government contracting. The current \$2,500 threshold can sometimes deter smaller vendors from engaging in government contracts due to the compliance documentation requirements. Raising this limit to \$6,000 could open up more opportunities for these businesses, potentially increasing competition and providing better value for the state.

The DOT also acknowledges that this increase aligns with the effects of inflation since the last adjustment of this threshold, ensuring that our procurement practices remain current with economic realities.

While supporting this measure, the DOT emphasizes the importance of maintaining proper oversight and accountability in the procurement process. We believe that this bill strikes a reasonable balance between reducing administrative burden and maintaining necessary safeguards for larger purchases.

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



LATE

**HEARING BEFORE THE SENATE COMMITTEE ON GOVERNMENT OPERATIONS
HAWAII STATE CAPITOL, SENATE CONFERENCE ROOM 225
Tuesday, February 3, 2026 AT 1:00 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 SB2308 RELATING TO PROCUREMENT

The Maui Chamber of Commerce recognizes the importance of efficient and accessible public procurement processes for local businesses. SB2308, which raises the contract award threshold for required proof of vendor compliance from \$2,500 to \$6,000, is directly relevant to our mission of supporting economic recovery and diversification.

Requiring compliance documentation at lower contract values can be a significant administrative burden for small businesses, many of which are still recovering from recent economic shocks. By increasing the threshold, this bill reduces barriers to entry for smaller vendors, making it easier for local businesses to participate in government contracting opportunities. This aligns with best practices that recommend streamlining procurement requirements to encourage broader participation, particularly among small and emerging businesses.

Facilitating access to public contracts not only supports economic growth but also advances diversification by enabling a wider range of industries—such as construction, creative sectors, and technology—to compete for government work. Lowering administrative hurdles can help Maui businesses stabilize, invest in their operations, and retain employees, all of which are critical as the local economy continues to recover.

We respectfully encourage the Legislature to ensure that this change is accompanied by clear communication to vendors and procurement officers, so that the intended benefits are realized without confusion or unintended compliance gaps. We also recommend ongoing review of procurement thresholds to ensure they remain responsive to the needs of Hawai'i's evolving business landscape.

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.