THE SENATE
THIRTY-THIRD LEGISLATURE, 2026
STATE OF HAWAII

S.B. NO. 2075

JAN 21 2026

A BILL FOR AN ACT

RELATING TO PUBLIC PROCUREMENT.

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

SECTION 1. The legislature finds that 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. The legislature further finds that allocation of State funds to non-local or out-of-state contractors or entities do not foster the same benefits and may impede upon the success of local businesses and the State's economy. Local businesses often face barriers when competing for State contracts due to the higher costs associated with doing business in an island state, limited physical workforce capacity, and limited price competitiveness to produce goods and services.

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

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

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

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

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

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

"**§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 or proposals under this part.

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

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

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

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

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

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

(2) For contracts with a bid price of $250,000 to $1,999,999.99, the preference shall be eight per cent;

(3) For contracts with a bid price of $2,000,000 to 4,999,999.99, the preference shall be six per cent;

(4) For contracts with a bid price of $5,000,000 to 7,999,999.99 the preference shall be four per cent;

(5) For contracts with a bid price of $8,000,000 to 9,999,999.99, the preference shall be two per cent; and

(6) For contracts with a bid price of $10,000,000 or greater, there shall be no preference pursuant to this section.

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

(1) Perform the contract at the contract price reduced by the amount of the local preference applied during bid or proposal evaluation; and

(2) Refund any overpayment to the purchasing agency that awarded the contract.

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

SECTION 4. New statutory material is underscored.

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

INTRODUCED BY: _____

S.B. NO. 2075

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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