THE SENATE
THIRTY-THIRD LEGISLATURE, 2026
STATE OF HAWAII

S.B. NO. 2928 S.D. 1

A BILL FOR AN ACT

RELATING TO PROCUREMENT.

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

SECTION 1. The legislature finds that small businesses are the lifeblood of the State's economy. Act 50, Session Laws of Hawaii 2005, was enacted to promote the growth and development of small businesses in the State through the establishment of a small business preference program as part of the procurement process. Additionally, Act 213, Session Laws of Hawaii 2007, approved funding for a full-time position in the state procurement office with the purpose of implementing part IX of the Hawaii public procurement code, relating to assistance to small businesses. Unfortunately, due to funding and staffing cuts in 2008, the position was never filled and later eliminated. Therefore, although subchapter 9 of 3-124, Hawaii Administrative Rules, the interim rules establishing the procedures to implement the Hawaii small business preference program, went into effect in 2007, there was no dedicated position to carry out the rules. In the absence of this dedicated position or a small business office, the interim rules

failed to aid the small business community and expired in 2011. Act 42, Session Laws of Hawaii 2017, attempted to address this critical need by creating a small business assistance initiative. However, the three-year initiative did not receive funding in its second and third years and the enabling legislation sunset in 2020.

The legislature further finds that Act 168, Session Laws of Hawaii 2022, established a five-year small business assistance initiative within the state procurement office to identify, quantify, and address the needs of small businesses and measure and track their participation in state small business contracts. The initiative consisted of a small business procurement coordinator and small business office, funded through an appropriation. The intent of the initiative was to create, develop, and implement strategies to ensure that small businesses, including businesses owned by veterans, Native Hawaiians, and women, were able to effectively participate in small business contracting opportunities within the State.

A contract with the small business office was executed in 2023, and the position of small business procurement coordinator was filled in 2025. Since then, a statewide small business

database has been established and is currently being expanded; a Hawaii small business office website was created to provide crucial information and tools for small businesses; and two statewide surveys were conducted to collect data from small business and procurement staff. The initiative has also conducted training workshops and outreach activities to foster direct engagement and educate small business owners on navigating state procurement processes. The initiative is currently developing draft administrative rules for small business assistance.

The legislature notes that previously drafted administrative rules relating to the development of small business contracts with the State were not effective due to insufficient business metrics and data to inform the creation of the rules.

The legislature further finds that as part of the State's incremental initiatives to assist small businesses in the state procurement process, the state procurement office is now addressing part IX of the Hawaii public procurement code and assisting self-identified small businesses to obtain state contracts. The legislature recognizes the importance of

continuing this progress by expanding the small business assistance initiative into a permanent procurement program to collect and develop relevant data and information necessary for small businesses to compete for and obtain small business contracts, and to identify and resolve issues that must be addressed to develop an effective small business state contracting program within the state procurement process.

Accordingly, the purpose of this Act is to permanently establish and appropriate funds for the small business procurement program and small business procurement coordinator position within the state procurement office.

SECTION 2. Chapter 103D, Hawaii Revised Statutes, is amended by adding two new sections to part IX to be appropriately designated and to read as follows:

"§103D- **Small business procurement program; establishment.** (a) There is established within the state procurement office a small business procurement program to ensure that small businesses, including businesses owned by veterans, Native Hawaiians, and women, are able to effectively participate in small business contracting opportunities in the State.

(b) The small business procurement program shall be administered by the small business procurement coordinator.

§103D- Small business procurement coordinator; appointment; duties. (a) The administrator of the state procurement office shall appoint a small business procurement coordinator for the proper administration, enforcement, and facilitation of this part. The appointment shall be made without regard to chapter 76; provided that the coordinator shall be eligible for participation in state employee benefit plans. Notwithstanding section 76-16(b)(17), this exemption from chapter 76 shall not expire.

(b) The small business procurement coordinator shall implement and administer programs and procedures necessary to assist small businesses to effectively participate in the State's public procurement processes. The coordinator shall:

(1) Administer the daily operations of the small business procurement program;

(2) Establish and maintain a statewide small business database;

(3) Establish processes for the registration, certification, and identification of small business in the State;

(4) Develop and implement outreach, engagement, and education initiatives, including:

(A) Serving as a liaison and advocate for small business interests within the state procurement system;

(B) Participating in outreach and engagement activities, including networking events, trade association meetings, local business expositions, and collaborating with organizations that support entrepreneurs, with a special focus on supporting underserved communities;

(C) Developing and disseminating outreach campaigns to promote small business initiatives and opportunities, including newsletters and electronic mail communications; and

(D) Creating, developing, advertising, and encouraging vendor participation in workshops, seminars, and trainings designed to promote and

enhance small business participation in state contracts;

(5) Aggregate resources and advance accessibility, including by:

(A) Aggregating all small business resources and materials from around the State and presenting them in an easily accessible and understandable online format for potential vendor participants; and

(B) Coordinating with small business advocates in the public and private sectors to create a small business network that can be easily accessed by all small businesses;

(6) Develop policy, oversight, and training, including:

(A) Drafting policies and rules to support the implementation of this part;

(B) Producing, publishing, and disseminating training materials designed to inform procurement staff and small business vendors of policies and rules;

(C) Collaborating with state agencies to identify and promote contracting opportunities suitable for

small businesses, including identifying potential contracts for set-asides or preferences; and

(D) Establishing mechanisms and implementing procedures for handling disputes and investigating allegations of fraud and other misappropriations of the small business procurement program and its benefits to small businesses; and

(7) Perform data collection and reporting, including by:

(A) Establishing a system for collecting and analyzing data on small business participation in state contracts, including data on contract awards aggregated by industry, agency, and business demographic;

(B) Collecting data on existing and future small business vendor disputes, problems, difficulties, successes, recommendations, and any other metrics deemed important to the program by the state procurement office or legislature; and

(C) Producing an annual report of small business participation data and metrics to be submitted to

the administrator of the state procurement office."

SECTION 3. Section 103D-902, Hawaii Revised Statutes, is amended to read as follows:

"**§103D-902 Small business assistance.** [~~(a)~~] The policy board shall adopt rules to assist small businesses in learning how to do business with the State.

[~~(b) The state procurement office shall establish a small business initiative program consistent with this chapter to ensure that small businesses, including businesses owned by veterans, Native Hawaiians, and women, are able to effectively participate in small business contracting opportunities in the State.~~]"

SECTION 4. Act 168, Session Laws of Hawaii 2022, is amended by amending section 6 to read as follows:

"SECTION 6. This Act shall take effect upon its approval; provided that section 4 shall take effect on July 1, 2022[~~.~~]; provided further that section 3 shall be repealed on January 1, 2525."

SECTION 5. There is appropriated out of the general revenues of the State of Hawaii the sum of $ or so

much thereof as may be necessary for fiscal year 2026-2027 to establish permanent full-time equivalent (FTE) small business procurement coordinator position within the state procurement office.

The sum appropriated shall be expended by the state procurement office for the purposes of this Act.

SECTION 6. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 7. This Act shall take effect on July 1, 2525; provided that sections 2, 3, and 5 shall take effect on July 1, 2026.

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Report Title:
SPO; Small Business Procurement Program; Small Business Procurement Coordinator; Small Business Assistance Initiative; Repeal; Appropriation

Description:
Establishes the Small Business Procurement Program and Small Business Procurement Coordinator position permanently in the State Procurement Office. Repeals the Small Business Assistance Initiative established in Act 168, Session Laws of Hawaii 2022, effective 1/1/2525. Appropriates funds. Effective 7/1/2525. (SD1)

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