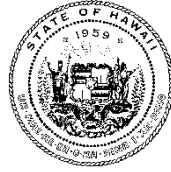


JOSH B. GREEN, M.D.
GOVERNOR
KE KIA'ĀINA



BONNIE KAHAKUI
ADMINISTRATOR
DAYNA OMIYA
ASSISTANT ADMINISTRATOR

STATE OF HAWAII | KA MOKU'ĀINA O HAWAII
STATE PROCUREMENT OFFICE
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 HOUSE COMMITTEE
ON
FINANCE
April 2, 2026, 2:00 p.m.

SENATE BILL 2601, SD2, HD1
RELATING TO PROCUREMENT

Chair Todd, Vice Chair Takenouchi, and members of the committee, thank you for the opportunity to submit testimony on Senate Bill 2601, SD2, HD1. The State Procurement Office (SPO) appreciates that the House Draft 1 of this bill incorporates the recommendation that a person shall be subject to prosecution for a misdemeanor in cases of egregious violations of the Hawaii Public Procurement Code and that Chief Procurement Officer (CPO) approval is required for any contract that exceeds fifteen percent of the amount of the available appropriation or balance of an appropriation before the contract becomes binding. The SPO respectfully offers the following comments.

Comments

Section 103D-309, Hawaii Revised Statutes (HRS), promotes fiscal responsibility and effectively prevents the over-obligation of appropriated funds by requiring certification that sufficient appropriated funds – over and above all outstanding contracts – are available to cover the payments under the contract for the current fiscal year or the remaining portion of the fiscal year for each term of the multi-year contract before contracts are awarded through competitive sealed bidding, competitive sealed proposals, and sole source procurement.

Senate Bill 2601, SD2, HD1, amends this statute by adding that the awarded contract amount should not exceed 15% of the amount of the available appropriation or balance of appropriation without prior approval by the CPO. This requirement would create a significant bottleneck in the procurement process. Requiring all contracts that exceed the 15% threshold to be routed to a single CPO will impede timely procurement and delay projects that support essential public services, critical infrastructure needs, and other time-sensitive operations.

To ensure effective and consistent application, the bill needs to clearly define how the 15% threshold is calculated – whether applied to the initial appropriation or to adjusted costs. The bill also needs to clarify how the threshold applies to multi-term contracts, including whether it is assessed per term or across the total contract value.

Furthermore, procurement authority is currently decentralized across 22 jurisdictions, each with its own Chief Procurement Officer. To implement the measure statewide, the SPO would need to develop administrative rules, templates, and guidance to support uniform application across all jurisdictions. Without a clearly defined starting point for calculation and uniformed guidance, the measure will result in inconsistent interpretation, which could lead to delays, disputes, and increase risk of protests.

The HD1 version proposes adding permanent full-time equivalent (FTE) positions within the SPO to address the anticipated increase in administrative burdens and delays. However, it is unclear how this aligns with the Legislature's intent, given that procurement authority is delegated to multiple CPOs jurisdictions rather than centralized within SPO. In addition to the CPO of the Executive Branch, the other 21 CPOs will also need additional resources proportionate to the additional compliance and review work introduced by the threshold requirement to carry out the intent of the bill. If SPO receives positions but other CPO jurisdictions do not, the bill's requirements impose obligations on jurisdictions that are already short-staffed.

The required scope for the FTE positions, particularly the specialized fiscal auditing of procurements, does not directly align with any existing state position classification. Additional research and careful analysis will be required to define and formalize the scope, duties, and structure of these positions.

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