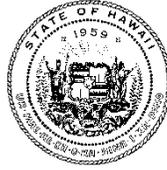


JOSH B. GREEN, M.D.
GOVERNOR
KE KIA'ĀINA



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 SENATE COMMITTEES
ON
WAYS AND MEANS
AND
JUDICIARY
MARCH 4, 2026, 10:35 AM

SENATE BILL 2601, SD1
RELATING TO PROCUREMENT

Chair Dela Cruz, Chair Rhoads, Vice Chair Moriwaki, Vice Chair Gabbard, and members of the committees, thank you for incorporating the recommendation to reinsert the misdemeanor provision into Senate Bill 2601, SD1. The State Procurement Office (SPO) respectfully provides 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, SD1, amends this statute by adding that the awarded contract amount does not exceed ten per cent of the amount of the available appropriation or balance of an appropriation.

Hawaii Administrative Rules (HAR) already impose limitations on contract increases. For example, HAR Section 3-122-82, Sole source approvals and amendments, subsection (d), states that an amendment to a contract that would change the original scope of the contract, or increase the original contract price by ten per cent or more, may only be made with the approval of the Chief

Procurement Officer. HAR Chapter 125, Modifications and Terminations of Contracts, also addresses price adjustments for various contracts.

The SPO recommends increasing the threshold to **fifteen per cent**, which provides purchasing agencies greater flexibility to address project requirements while minimizing administrative burdens. Therefore, the SPO recommends the following revision to SECTION 3, Page 4, lines 4-9:

"(1) The awarded contract amount does not exceed [~~ten~~ **fifteen**] per cent of the amount of the available appropriation or balance of an appropriation; provided further that a contract that exceeds this [~~ten~~ **fifteen**] per cent threshold shall require approval from the chief procurement officer to become binding for the purposes of this section; and"

The SD1 version further proposes that any contract exceeding the ten per cent threshold require approval from the Chief Procurement Officer (CPO). To address the resulting administrative burdens and delays, the SD1 version proposes adding permanent full-time equivalent (FTE) positions within the State Procurement Office.

However, because procurement authority is decentralized across 22 jurisdictions, each with its own Chief Procurement Officer, this measure does not fully address the operational impacts statewide. Because the bill requires approval from the CPO, it is unclear what the legislative intent is in providing the State Procurement Office with additional funding and permanent positions, given that procurement authority is delegated to the CPOs across multiple jurisdictions. In addition to the CPO of the Executive Branch, the other 21 CPOs will also need additional resources to carry out the intent of the bill.

Additionally, 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 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.