

A Bill for an Act Relating to Procurement.

*Be It Enacted by the Legislature of the State of Hawaii:*

SECTION 1. The purpose of this Act is to promote the growth and development of small businesses, including but not limited to businesses qualified under the state department of transportation’s disadvantaged business enterprise program and the federal 8(a) business development and small disadvantaged business certification programs.

This Act requires the procurement policy board to adopt rules to promote small business growth and development that include:

- (1) Set-asides for small businesses in appropriate classifications of requirements suitable to performance by small businesses; and
- (2) Criteria designed to encourage the use of small businesses as subcontractors on large contracts.

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

**“§103D- Preference for small businesses; set-asides; use as subcontractors.** The policy board shall adopt rules to promote the growth and development of small businesses that shall include:

- (1) Set-asides for small businesses in appropriate classifications of requirements suitable to performance by small businesses; and
- (2) Criteria designed to encourage the use of small businesses as subcontractors on large contracts.”

SECTION 3. Section 103D-901, Hawaii Revised Statutes, is amended by amending the definition of “small business” to read as follows:

““Small business” means a [United States] business [which] that is independently owned [and which is not dominant in its field of operation or an affiliate or subsidiary of a business dominant in its field of operation. The] and defined by detailed criteria pursuant to rules adopted by the policy board.<sup>1</sup> The policy board shall adopt rules [establishing more detailed criteria for defining small business, including] defining “small business” through detailed criteria that may include the number of employees[-] and similar factors used by the U.S. Small Business Administration.”

SECTION 4. Section 103D-903, Hawaii Revised Statutes, is amended by amending subsection (c) to read as follows:

- “(c) In carrying out this part, the chief procurement officer may:
  - (1) Give special publicity to procurement procedures and issue special publications designed to assist small businesses in learning how to do business with the State;
  - (2) Compile, maintain, and make available source lists of small businesses for the purpose of encouraging procurement from small business;
  - (3) Include small businesses on solicitation mailing lists;
  - (4) Develop and conduct training programs to assist small businesses;
  - (5) Reduce the level or change the types of bonding normally required or accept alternative forms of security;
  - (6) Make special provisions for progress payments; [and]

- (7) Establish the goal that twenty per cent of the State's annual purchasing expenditure be awarded to small business[.]; and
- (8) Impose mandatory evaluation criteria designed to encourage the use of small business as subcontractors on large contracts not susceptible to performance by small business.'

SECTION 5. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.<sup>2</sup>

SECTION 6. This Act shall take effect on July 1, 2005.

(Approved May 12, 2005.)

**Notes**

- 1. Period should be underscored.
- 2. Edited pursuant to HRS §23G-16.5.