

ACT 206

H.B. NO. 987

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 it is necessary for the State to investigate and employ new and innovative ways of maintaining and improving state services and infrastructure, while ensuring the prudent and cost-effective expenditure of public moneys.

The legislature further finds that in 2022, the legislature authorized a procurement automation system for the executive branch and state agencies. This procurement automation system increases efficiency, saves personnel time, maintains consistency, mitigates confusion for both the buyer and contractor, and produces accurate purchasing data to leverage economies of scale. The legislature also authorized the state procurement office to implement a transaction fee imposed upon vendors using the procurement automation system beginning in fiscal year 2024-2025. This fee is intended to pay for the management of the procurement automation system, including but not limited to implementation, legacy transition, maintenance, system training, and system configuration. This fee is estimated to save the state approximately \$1,200,000 in general funds each year and will assist with funding the growth and enhancement of the procurement automation system.

While the legislature authorized the implementation of the procurement automation system and a transaction fee collected from vendors using the system, the legislature stopped short of authorizing a state procurement automation system special fund to hold the transaction fee. Until a special fund is authorized and established, the fees are being held in trust by the vendor who developed the procurement automation system; the state procurement office does not have direct control of the fees. The establishment of a special fund would direct that all fees received by the state procurement office pursuant to section 103D-206(7), Hawaii Revised Statutes, be deposited into the state procurement automation system special fund to be administered by the state procurement office for the implementation and configuration of the procurement automation system's Marketplace and eProcurement system, as well as its maintenance, enhancement, and expansion of additional modules to remain relevant and current with industry standards for the benefit of all stakeholders statewide.

The legislature also finds that the school facilities authority was established in 2020 by Act 72, Session Laws of Hawaii 2020, codified at section 302A-1702, Hawaii Revised Statutes, with a mandate that the executive director of the school

facilities authority serve as its chief procurement officer. Therefore, it is necessary to designate the executive director of the school facilities authority as its chief procurement officer in the Hawaii Public Procurement Code.

The purpose of this Act is to enhance procurement accountability by:

- (1) Establishing the state procurement automation system special fund to receive the transaction fees from the procurement automation system to pay for its administration, management, operation, maintenance, and upgrade of the procurement automation system; and
- (2) Aligning section 103D-203(a), Hawaii Revised Statutes, with section 302A-1702, Hawaii Revised Statutes, by adding the executive director of the school facilities authority as the chief procurement officer for the school facilities authority.

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

**“§103D- State procurement automation system special fund; transaction fee.** (a) There is established in the state treasury the state procurement automation system special fund to be administered by the state procurement office and into which shall be deposited:

- (1) Vendor-collected transaction fees, pursuant to section 103D-206(7), for administration, management, operation, maintenance, and upgrade of the procurement automation system; and
  - (2) Appropriations made by the legislature to the special fund.
- (b) The state procurement automation special fund shall be expended by the administrator of the state procurement office for the purposes of the administration, management, operation, maintenance, and upgrade of the procurement automation system.”

SECTION 3. Section 103D-203, Hawaii Revised Statutes, is amended by amending subsection (a) to read as follows:

“(a) The chief procurement officer for each of the following state entities shall be:

- (1) The judiciary—the administrative director of the courts;
  - (2) The senate—the president of the senate;
  - (3) The house of representatives—the speaker of the house of representatives;
  - (4) The office of Hawaiian affairs—the chairperson of the board;
  - (5) The ~~[University]~~ university of Hawaii—the chief financial officer of the ~~[University]~~ university of Hawaii;
  - (6) The department of education, excluding the Hawaii public library system—the superintendent of education;
  - (7) The Hawaii health systems corporation—the chief executive officer of the Hawaii health systems corporation; ~~[and]~~
  - (8) The school facilities authority—the executive director of the school facilities authority; and
- ~~[(8)]~~ (9) The remaining departments of the executive branch of the State and all governmental bodies administratively attached to them—the administrator of the state procurement office of the department of accounting and general services.”

SECTION 4. Section 103D-204, Hawaii Revised Statutes, is amended by amending subsection (a) to read as follows:

“(a) There shall be a state procurement office, placed for administrative purposes only, within the department of accounting and general services, which shall be headed by the administrator of the state procurement office. The administrator shall be the chief procurement officer for those governmental bodies of the executive branch as provided in section ~~[[103D-203(a)(8)]]~~ 103D-203(a)(9). The administrator shall be a full-time public official. The administrator shall serve a term of four years, and shall be paid a salary not to exceed eighty-seven per cent of the salary of the director of human resources development, without diminution during the administrator’s term of office unless by general law applying to all deputies or assistants to department heads.”

SECTION 5. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.<sup>1</sup>

SECTION 6. This Act shall take effect upon its approval; provided that the amendments made to section 103D-203(a), Hawaii Revised Statutes, by this Act shall not be repealed when section 103D-203(a), Hawaii Revised Statutes, is reenacted on June 30, 2028, pursuant to Section 16 of Act 8, Special Session Laws of Hawaii 2021, as amended by section 3 of Act 111, Session Laws of Hawaii 2024.

(Approved June 25, 2025.)

**Note**

1. Edited pursuant to HRS §23G-16.5.