



UNIVERSITY OF HAWAII SYSTEM

Legislative Testimony

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House Committee on Labor & Public Employment
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by
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HB 520 – RELATING TO UNIVERSITY OF HAWAII ATHLETICS

Chair Johanson, Vice Chair Holt and members of the committee:

Thank you for the opportunity to submit testimony on HB 520. This bill exempts from the Hawai'i Public Procurement Code the procurement of goods or services for the Office of Intercollegiate Athletics of the University of Hawai'i at Mānoa with moneys from the University of Hawai'i at Mānoa Intercollegiate Athletics Special Fund.

The University of Hawai'i at Mānoa Office of Intercollegiate Athletics (UHM Athletics) provides opportunities to over 500 student-athletes competing in 21 sports in events locally, on the mainland and internationally. Operating the athletic program in an efficient and cost effective manner is challenged by the myriad of travel requirements, recruiting schedule changes, and other things that are a normal part of a collegiate level athletic program. An exemption from Section 103D-102, Hawai'i Revised Statutes (HRS §103D-102) could help UHM Athletics to improve its timeliness and efficiency, as well as reduce operational costs, of obtaining goods or services.

Impact of HRS §103D-102 on UHM Athletics

HRS §103D-102 was enacted in 1993 and provides for procurement requirements by government entities. Among the procurement requirements are the use of a posting-and-bid process for expenditures above \$2,500 to identify potential vendors, and the requirement of a Certificate of Compliance from the State of Hawai'i attesting that the vendor is in tax and other compliance for doing business in Hawai'i.

These requirements have made it difficult at times to efficiently and cost effectively procure goods or services for UHM Athletics. As example of how the procurement rules can make it more expensive for UHM Athletics to procure goods or service is when teams compete on the mainland. UHM Athletics utilizes its contracted travel agency for making arrangements for its teams when competing on the mainland. Typically, at a minimum, the travel agency will handle air accommodations in exchange for a commission. In certain instances, such as hotel accommodations, ground transportation or team meals while traveling, UHM Athletics can work directly with the hotel the team is staying in for meals, or transportation companies for ground transportation. Frequently, however, the hotel or other companies are not interested in incurring the time and expense to obtain a Certificate of Compliance from the State of

Hawai'i, which is required by the procurement law. Generally, if the company is not interested in incurring the time and expense to obtain the certificate, it is because they are on the mainland and do not do business in Hawai'i and would have no other benefit from obtaining the certificate. If a hotel does not agree to incur the time and expense to obtain the Certificate of Compliance, UHM Athletics is required to go through our contracted travel agency, which does have a Certificate of Compliance as it operates regularly in Hawai'i, to obtain the hotel rooms and meals from the hotel. This results in a commission being paid on top of the cost of the rooms and meal. An example would be if a football single team meal cost \$10,000, an additional cost of \$1,000 (10%) might be incurred by UHM Athletics - - which could be avoided with the proposed legislation.

While UHM Athletics appreciates that our contracted travel agency has been accommodating and has been willing to be the "middleman" to allow the procurement to be made and on a timely basis, UHM Athletics estimates that it could save approximately \$100,000 annually if it could have made the purchases directly.

UHM Athletics Previously Exempt from HRS §103D-102

In 1997, recognizing the benefits that could accrue to UHM Athletics by exempting it from HRS §103D-102, HB1600 introduced by then Representative Mark Takai was passed, Act 186, SLH 1997. The bill provided an exemption from HRS §103D-102 for UHM Athletics for goods and services purchased with moneys from the intercollegiate athletics special fund.

Subsequently, in 1998, the entire UH System was given an exemption, similar to UHM Athletics' exemption, which negated the need for an individual exemption for UHM Athletics. As a result, the individual exemption for UHM Athletics was eliminated. When the UH System exemption was removed from HRS §103D-102 in the early 2000s, UHM Athletics was similarly impacted since it no longer had a specific exemption within HRS §103D-102.

The purpose of the proposed amendment is to reinstate the exemption within HRS §103D-102 that was provided for UHM Athletics in the past and allow it to realize cost savings that can then be used to meet other student-athlete needs.

Procurement Safeguards Would Continue

The proposed amendment to HRS §103D-102 will leave untouched various levels of existing signing authority and other measures that provide safeguards to ensure that funds are appropriately utilized for the procurement of goods or services by UHM Athletics. For example, at a minimum, two levels of approval are required on all funds spent (Associate AD and Fiscal Authority); in addition, all payments over \$10,000 require the approval of the Athletic Director and above \$25,000, the additional approval of the Chancellor.

Also, as with the prior exemption to HRS §103D-102 that was provided for UHM Athletics, the exemption proposed in HB 520 would apply only to moneys raised by UHM Athletics in the University of Hawai'i at Mānoa Intercollegiate Athletics Special Fund. It would not apply to procurement using funds from other sources such as general funds.

Summary

UHM Athletics supports HB 520 as it will reinstate an exemption from HRS §103D-102 that it had previously that will allow it to procure goods or services more efficiently and with cost savings. While UHM Athletics will be able to realize cost savings, safeguards will remain in place to ensure that funds are appropriately spent. Moreover, the proposed exemption from HRS §103D-102 will apply only to the procurement of goods or services from the University of Hawai'i at Mānoa Intercollegiate Athletics Special Fund and would not apply to other sources of funds such as general funds.

The University of Hawai'i respectfully requests passage of HB 520. Thank you for your time and consideration of this testimony.