UNIVERSITY OF HAWAI‘I SYSTEM

TESTIMONY

H.B. 15

RELATING TO THE UNIVERSITY OF HAWAII

Testimony Presented Before the
House Committee on Legislative Management

February 9, 2005

by

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Vice President for Administration
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Chair Magaoay, Vice Chair Yamashita and Members of the Committee:

The University of Hawaii supports HB15 which restores the University's ability to establish its own procurement policies in support of the widely accepted public policy of greater administrative flexibility for the University. The University was granted this flexibility by the Legislature in 1998 and has used it responsibly and to great benefit until its revocation as of January 1, 2005.

The first point we would like to make is that providing the University of Hawaii with administrative flexibility has been accepted public policy embraced by all branches of government and the public.

In 1997 the State of Hawaii Legislative and Executive branches created an unprecedented blue ribbon Economic Revitalization Task Force composed of Hawaii's business, community and government leaders to develop recommendations on how to strengthen Hawaii's economy. Recognizing the importance of the University of Hawaii as a major economic engine for the State, one of the clear conclusions of the task force, accepted by all, was that autonomy for the university would materially enhance the university's performance of its constitutional responsibilities and allow it to contribute more meaningfully to the economic revitalization of the State of Hawaii. Based on that recommendation, in 1998 the legislature passed and governor signed Act 115 granting the University of Hawaii greater flexibility in managing its own affairs. Exempting the University of Hawaii from the procurement law was a major tenet of that legislation, which was supported by the public, the legislature and the administration.

Taking this flexibility even further, in the 2000 legislative session a constitutional amendment was approved by the legislative and executive branches to provide the University of Hawaii with even greater autonomy. This constitutional amendment was overwhelmingly ratified by the voters in the 2000 election.

The second point we would like to make is that the University has used this flexibility responsibly and effectively.

Since 1998, when the University of Hawaii first received its procurement flexibility, the university has implemented the most advanced electronic public sector purchasing environment in the State. An online procurement system called "SuperQUOTE" has been established, at no cost to the University, through which requests for quotations are

solicited online. By making use of the Internet, quotes are received faster, the process is more open and there is an automatic audit trail. The University of Hawaii's SuperQUOTE system reduces paperwork for both the University and the vendor community, and increases competition in a completely open environment, which also provides the University with lower prices. This is exactly the kind of system Governor Lingle called for in her State of the State address. Openness, competition and efficiency are all reduced by the forced return to the State's bid limits, which increase the cost of operations for the University and our vendor community.

Another major innovation in University procurement has been the University's purchasing card (PCard) system, the first such system in the State. As with a personal credit card, purchases can be made faster. Responsible use is assured through automatic controls on the type and amount of spending permitted. The PCard allows for faster vendor payments, lower-cost purchasing over the Internet, and reduced administrative costs for both the University and the vendor community. Both SuperQUOTE and the PCard system have direct electronic interfaces to the University's financial system to eliminate duplicate data entry, which further reduces administrative costs and decreases the potential for errors.

Our third point is that the University remains fully committed to openness and appropriate public oversight.

In refining its procurement system the University of Hawaii has completely honored the requirement to comply with the intent of the State procurement code while dramatically improving competition and operational efficiency. The University has also embraced applicable federal procurement guidelines in its new processes and systems. University procedures were all reviewed, discussed and approved by the Board of Regents at duly noticed open public meetings conducted under the State "Sunshine" laws.

The public interest is best served by immediately restoring the University's flexibility to establish its own procurement policies.

The widely accepted movement to increased University flexibility that this bill re-enables has been widely supported by the Legislature for the last decade, by the last two Governors, by the business community and by the voting public. One of the most visible outcomes of this movement was the 1998 granting of an exemption from the state procurement processes. This flexibility allowed the Board of Regents to adopt University procurement procedures consistent with State procurement law, but not dependent on the State governmental processes, procedures and resources. Since receiving this flexibility the University of Hawaii has implemented the most advanced and accessible electronic public sector procurement system in the State of Hawaii. The University procurement system and processes have streamlined purchasing to reduce administrative costs, increased competition, reduced the costs of good and services procured, increased openness and auditability, and reduced the costs for vendors to do business with the University. In addition, the University's flexibility has reduced the costs to State Government by relieving DAGS and other agencies of any responsibility whatsoever for University procurement.

We ask your support for the timely passage of this bill, which has both operational and symbolic importance in helping the University of Hawaii achieve the flexibility it needs to serve as a major engine for economic revitalization for Hawaii.

Thank you for this opportunity to testify in support of HB 15.