



UNIVERSITY OF HAWAII SYSTEM

Legislative Testimony

Testimony Presented Before the
Senate Committee on Education and
Senate Committee on Tourism and Government Operations

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by
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SB 92 Relating to the University of Hawaii

Chairs Sakamoto and Nishihara, Vice Chairs Tokuda and Mercado Kim and Members of the Committees:

The University of Hawaii supports SB 92 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 general public.

In 1997 the Governor, Senate President and Speaker of the House created an unprecedented blue ribbon Economic Revitalization Task Force composed of Hawaii's business, community and government leaders. Their objective was 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. In 1998 the Legislature passed and the Governor signed Act 115 granting the University of Hawaii greater flexibility in managing its own affairs and, most notably, exempting the University of Hawaii from the State Procurement Code. 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. Taking this flexibility even further, in the 2000 legislative session a constitutional amendment was approved to provide the University of Hawaii with even greater autonomy. This constitutional amendment was overwhelmingly ratified by Hawaii's voters in the 2000 election.

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

As required by Act 115, the University developed and implemented its own internal procedures and policies for procurement. The University used its flexibility to create the most advanced and open electronic public sector procurement system in the State of Hawaii. An electronic sourcing system called "SuperQuote" was established at no cost to the University, through which requests for quotation are solicited online. By making use of the Internet, quotes are received faster, the process is more open, competition is increased resulting in lower prices, and there is automatically an audit trail. The University also implemented the first purchasing card (PCard) program in the State. Accountability is maintained through various restrictions on the type and amount of allowable spending. The PCard program reduces time, costs and effort in purchasing, including by enabling purchases over the Internet. Both SuperQuote and the PCard system have direct electronic interfaces to the University's financial management information system. This eliminates duplicate data entry in purchasing, which further reduces administrative costs and decreases a potential source of errors. The University developed comprehensive and thorough written policies and procedures appropriate for these modern practices. The University's Administrative Procedures on Procurement have been available online for many years and can be found at the following website: <http://www.hawaii.edu/apis/apm/a8200.html>. While the current versions of these procedures reflect the 2005 revocation of the University's Act 115 flexibility, the previous procedures that took advantage of the flexibility are also available in the online archives at <http://www.hawaii.edu/svpa/apm/archives/a8200.html>.

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

In improving its internal procurement system, the University of Hawaii completely honored the statutory requirement to comply with the intent of the State procurement code. While dramatically increasing open competition and improving operational efficiency, the University has also embraced applicable federal procurement guidelines in its new processes and systems. The University procedures developed to implement the flexibility granted by Act 115, as described above, were all reviewed, discussed and approved by the Board of Regents at duly noticed open public meetings conducted under the State "Sunshine" laws. In addition to a bevy of internal control processes, the University's procurement practices are independently audited each year to ensure fair and equitable treatment of vendors, to foster effective broad-based competition in order to secure best value in purchases, and to maintain the integrity of the procurement process.

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

The widely accepted movement to increase University flexibility has been widely supported by the Legislature over the last decade, by the last two Governors, by the

business community and by the voting public. The University's own procurement system and processes 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. Our faculty and staff used this direct responsibility and accountability to help the University of Hawaii respond to changing conditions, new opportunities and Hawaii's needs in a more timely and effective manner. In addition, the University's flexibility reduced cost to State Government by relieving other agencies of any responsibility for University procurement.

The University has noted the concerns expressed by certain representatives of the Architecture and Engineering community at previous legislative hearings and is disappointed at their testimony against providing the University with the administrative flexibility called for in the Constitution. Even when exempt, the University followed State practices in the selection of Architects and Engineers. The University has been working collaboratively with the ACECH (American Council of Engineering Companies Hawaii) and a member of the AIA (American Institute of Architects) in addressing any concerns they may have with the University's procurement procedures for these professional services using the Quality Based Selection (QBS) system. With their concurrence the University is initiating a Consultant Evaluation System by which the Architects and Engineers will be evaluated on their performance, and that evaluation will become part of their files when being considered for future work. This will be used whether or not the university is exempt from the State Procurement Code. In addition, the University has been meeting with representatives of the construction industry to discuss anything and everything that will provide a better construction project for the people of Hawaii. Whether exempt from the State Procurement Code or not, the University has executed its construction projects through selection of the lowest qualified bidder.

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

Thank you for this opportunity to testify in support of SB 92.