

SMALL BUSINESS UTILIZATION COUNCIL

**In Compliance with
Hawaii Administrative Rules,
Subchapter 9, Chapter 3-124**

Small Business Preference Program

January 2008



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Message from Small Business Utilization Council Members

We are honored to be members of the Small Business Utilization Council. This Council serves as the conduit for the Small Business Preference Program, a new program initiated by the State of Hawaii and geared towards Hawaii's small business community. It gives us great pleasure to be part of a State initiative where Hawaii's small businesses are supported and nurtured. A special thank you goes out to Council member Russ Saito, Comptroller of the Department of Accounting and General Services, for his knowledge, guidance and support of this Council.



Theodore E. Liu, Chair



Russ Saito, Vice Chair



Brennon Morioka, Member



Aaron Fujioka, Member



Mary Patricia Waterhouse
Member



Kalbert Young, Member



Wallace Rezentes, Member



William Takaba, Member

Overview

The Small Business Utilization Council is pleased to provide an overview of its first year, pursuant to Hawaii Administrative Rules, Chapter 3-124, Subchapter 9, "Small Business Preference Rule."

[3-124-71] Small Business Utilization Council

(c) The Council shall monitor and analyze the results of the Hawaii Small Business Preference program and prepare for the Procurement Policy Board, an annual small business utilization report suitable for public release and submission to the legislature and the governor. The report shall contain data and analysis addressing:

- (1) The total dollar amount of expenditures on contracts awarded to small businesses under this program by purchasing agency;
- (2) Industries, geographic areas, labor pools or other groups targeted for assistance under the program;
- (3) Assessments of success achieved and short-comings identified in the operation of the program; and
- (4) Recommendations for program improvements.

Introduction

The Small Business Utilization Council (SBUC) was established on January 6, 2007, with the passage of the Small Business Preference Rules, pursuant to Act 50, SLH 2005. The rules will expire in eighteen months or until such time that the State's Procurement Policy Board (PPB) approves the rules for permanency.

SBUC members held their first meeting in Honolulu on May 16, 2007. In an effort to understand the underlying goals of the SBUC, the following actions were taken at the monthly meetings throughout 2007.

May 16, 2007

The first SBUC meeting included an introduction of members and interested attendees. Members reviewed and discussed Act 50, SLH 2005 and HAR Chapter 3-124. It was noted that Hawaii Procurement Institute (HPI) was instrumental in drafting both the bill and the interim rules. It was discussed and agreed that because a broad spectrum of representatives serving on the SBUC would assist in helping with the program goals, voting members should also include the four County's finance directors.

June 12, 2007

At the second meeting, it was recommended that approval be sent to the PPB for adoption of the SBA's Table of Small Business Size Standards. The difference between a "preference" and a "set-aside" was discussed at length. Letters were mailed to the major chambers of commerce and trade agencies announcing the SBUC, the small business preference program and encouraging representatives' attendance.

July 16, 2007

At the third meeting, it was noted that the PPB considered the SBUC's request to adopt the SBA's Table of Small Business Size Standards as a legitimate request in terms of

changing the rules. Also noted, however, was that the PPB would need further guidance and more substantive information to adopt this request.

August 6, 2007

The SBUC agreed that in accordance with Chapter 103-D, a twenty percent (20.0%) contracting goal will be implemented; this is until such time that the SBUC may change the percentage.

November 5, 2007

It was noted that the proposed guidelines regarding the adoption of the SBA guidelines of the federal acquisition regulations' size standards proposed to the PPB were too board. As a result, HPI agreed to draft guidelines that would more narrowly tailor the State's requirements. It was also noted that training of the State's procurement processes and codes is especially needed on the executive level; such training is expected to enhance the understanding of the Small Business Preference Program. An initiative to draft a Governor's Administrative Directive describing the SBUC was proposed with the intent to provide State agencies with detailed information explaining the Small Business Preference Program and its requirements.

December 13, 2007

It was discussed that the Department of Accounting and General Services submitted to the PPB a proposed supplement to the existing HAR Chapter 124, Subchapter 9 "Small Business Preference Rules," included as Section 3-124-73.1, entitled "Implementation of Small Business Preference by Heads of Purchasing Agencies." The supplement includes, among other items, explicit guidelines and instructions for State procurement managers to adhere to. Subsequently, the PPB approved the proposed supplement to HAR Chapter 124, Subchapter 9 "Small Business Preference Rules." Discussions also

included the availability of video-conferencing for upcoming SBUC meetings and budgetary issues.

Total dollar amount of expenditures on contracts awarded to small businesses under this program by purchasing agency

Contracting has yet taken place within the Small Business Preference program; therefore, no amounts have been expended under this program.

Industries, geographic areas, labor pools or other groups targeted for assistance under the program

To date, general concepts have been discussed in regards to choosing various pilot programs within the preference program; the exact pilots have yet been identified within the small business preference program.

Assessments of success achieved and short-comings identified in the operation of the program

To date, no key matters have been noted.

Recommendations for program improvements

To date, the following recommendations, mostly addressed above, are expected to improve upon the Small Business Preference Program's visibility and enhancement:

1. The four County's finance directors became SBUC voting members in 2007, resulting in a total of eight SBUC members - seven voting and one non-voting
2. In accordance with Chapter 103-D, the SBUC agreed to implement a twenty percent contracting goal
3. The PPB approved DAGS's proposed supplement to the existing HAR Chapter 124, Subchapter 9, "Small Business Preference Rules"

4. Public information on the SBUC (agendas, administrative rules and Procurement Circular No. 2005-11) can be found electronically on the DAGS website. Information is accessible at: www.hawaii.gov/dags / State Procurement Office (under Attached Agency) / State Procurement Utilization Council

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