

SMALL BUSINESS UTILIZATION COUNCIL

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

Small Business Preference Program

January 2009

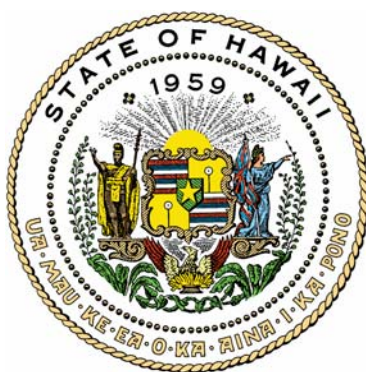


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Message from Small Business Utilization Council Members

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 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.



Theodore E. Liu, Chair



Russ K. 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 second 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.

(d) In performing its obligations, the Council may consult with DBEDT and other state or local agency, industry groups, labor organizations, federal purchasing agencies, the federal Small Business Administration, and other organizations or groups the Council deems helpful in achieving the goals of the program.

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, under Subchapter 9, Chapter 3-124. The rules are interim and will expire in eighteen months or until such time the State's Procurement Policy Board (PPB) approves the rules for permanency.

The following actions were taken at the monthly meetings throughout 2008.

March 3, 2008

It was announced that Procurement Circular No. 2006-11, Amendment 1, was distributed to State Agency Executive Heads. The Circular addresses the replacement of HAR Chapter 3-124, Subchapter 9 (Interim) Small Business Preference Rules and issues new section 3-124-73.1, "Implementation of the Small Business Preference by Heads of Purchasing Agents." This provision, approved by the PPB, provides changes in the set-asides and extends the rules another eighteen months.

April 7, 2008

It was indicated at this meeting that the SBUC's first Annual Report was completed and submitted to the Governor.

May 5, 2008

A presentation was made by the Department of Business, Economic Development and Tourism's (DBEDT's) Research and Economic Analysis Division (READ) entailing available data regarding firms, employees and wages in target industries by employment size categories. This information was provided to assist the members in targeting areas where state agencies can develop small business set-asides and

subcontracting. The provided data encompassed computer systems design and related services, scientific research and development services, residential remodelers, building finishing contractors and many other industries.

August 4, 2008

At this meeting, the members recommended that a memorandum be sent to the PPB requesting approval to modify HAR Chapter 3-124-71(a) (5) in order for the State Procurement Office (SPO) Administrator to become a “voting” SBUC member.

Also at this meeting, another presentation was made by DBEDT’s READ outlining potential targeted industries determined through a statewide comprehensive economic development strategy process. Industry data information detailed the number of firms, number of employees and total and average wages per industry. READ presented possible geographic preferences that identified three areas of high relative poverty; in particular, Waianae Coast, the Island of Molokai, and the Southern Coast of the Island of Hawaii.

Upon review of the statistical data, the members approved to submit a memorandum recommending that the PPB promulgate and adopt small business preference rules for set-aside and/or subcontracting in the geographically distressed areas of Waianae, the Southern Coast of the Island of Hawaii (Kau, Puna), Hamakua Coast, and the Island of Molokai, in order to stimulate economic growth, and that consideration be made based upon the employment of the residents, the companies based there and the activities and projects to occur within these geographic areas.

Additionally, members agreed to submit a memorandum to the PPB recommending that the following industry sectors be adopted as targeted areas for set-asides or for subcontracting:

- Customer Computer Programming/Software Development
- Alternative/Renewable Energy

September 8, 2008

It was announced that, effective September 5, 2008, Procurement Directive No. 2008-06 regarding HAR Chapter 3-124, Subchapter 9, Small Business Preference Rules, was issued. The Directive explains that the PPB adopted the Small Business Administration guidelines for small business size determinations and accepted the SBUC's geographic area set-asides for the Waianae District, Kau and Puna Districts, Hamakua Coast and the Island of Molokai. The Directive further explains that pursuant to section 3-124-74 (a) (3), the size standards and geographic areas shall be used when determining small business eligibility criteria for Agencies' solicitation.

Additional information was requested from DBEDT's READ for clarification and submission to the PPB regarding a clearer description of "software development" and "alternative/renewable energy services."

October 6, 2008

Mr. Aaron Fujioka, the SPO's Administrator, was welcomed to the SBUC as a "voting" member as the PPB had approved the member's recommendation to modify HAR Chapter 3-124-71(a)(5).

Another presentation was made by DBEDT's READ that encompassed Alternative Energy Establishments by NAICS (North American Industry Classification System)

codes and Alternative Energy Establishments by County. It was explained that the alternative energy sector is a priority of the State in terms of a clean energy initiative. It was also noted that it is a growing industry as more local companies are getting involved in energy installation. The custom computer programming sector is part of an identified technology sector that has recently been re-examined by the Hawaii Science and Technology Council. An analysis of that sector shows that it has performed better than the economy, as a whole, and better than a number of the other technical sectors. It is also one of the key sectors for the development of the creative industry priority of animation and is a priority for most of the “info tech” activity as the federal government has a high need for specialists in computer programming. Based on this information, the members voted to send a memorandum to the PPB explaining how and why the two recommended areas were chosen by this Council.

Finally, it was noted that the Procurement Institute at the University of Hawaii at Manoa, located within the Richardson School of Law, has been approached to assist the SBUC for training of the Small Business Preference Program. This would entail the creation of a module training package to include various training materials along with a measuring devise.

November 3, 2008

It was announced that the Office of Hawaiian Affairs (OHA) has been “awarded” a Hawaii Procurement Technical Center (PTAC). It was noted that PTAC’s are designed to assist companies with procurement consulting and marketing services linking businesses to bid information, training, research, counseling and opportunities in government. Although PTAC is a federal concept as OHA would like to apply the

program to State procurement, the SBUC recommended that an invitation be extended to the appropriate OHA representatives to attend the next meeting to discuss and present this concept to the members.

SBUC members said good-bye to member William Takaba from the Island of Hawaii and wished him well as a new County Finance Officer was appointed by the County's newly elected Mayor, effective December 1, 2008.

Total Dollar Amount of Expenditures on Contracts Awarded to Small Businesses Under this Program by Purchasing Agency

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

Industries, Geographic Areas, Labor Pools or Other Groups Targeted for Assistance Under the Program

Geographic area set-asides targeted for assistance under the program include the Waianae District, Kau and Puna Districts, Hamakua Coast and the Island of Molokai; the size standards and geographic areas are to be used when determining small business eligibility criteria.

Assessments of Success Achieved and Short-comings Identified in The Operation of the Program

One potential short-coming identified in the program's operation involves the geographic area set-asides targeted for assistance under the program. Procurement Directive No. 2008-06, which provides the SBUC's guidelines for

small business size determinations, may likely not be fully understood as to exactly what the information translates to in terms of actual implementation. Therefore, this concept will subsequently be more fully articulated in the administrative rules.

Recommendations for Program Improvements

In addition to the above noted activities, the following recommendations are expected to improve upon the Small Business Preference Program's visibility and enhancement:

1. Eight Voting Members – Eight voting members rather than seven voting and one non-voting members, as was initially created in the rules, has improved the overall effectiveness of the SBUC members' proposals and recommendations made during the meetings.
2. Procurement Training – As of this writing, details of a formal training program are in the process of being discussed.
3. SBUC Web Site – Electronic information (agendas, minutes, reports, and procurement circulars) continues to be posted on DAGS' website. Information is accessible at: www.hawaii.gov/dags / State Procurement Office (see Attached Agency) / State Procurement Utilization Council.
4. Other – Pursuant to Section 3-124-71, Small Business Council, the SBUC has, during monthly meetings, consulted with other state agencies such as OHA, the federal Small Business Administration, and small business

organizations such as Building Industry Association of Hawaii, to assist the members in achieving the goals of this program.

Small Business Utilization Council

Web Page

***www.hawaii.gov/dags - State Procurement Office
- Small Business Utilization Council***

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