

PROCUREMENT POLICY BOARD
1151 Punchbowl Street, Conference Room 410
Honolulu, Hawaii 96813

Regular Meeting
March 19, 2009
1:00 pm

AGENDA

- I. Call to Order.
- II. Approval of Minutes – Meeting of January 15, 2009.
- III. Communication from the Small Business Utilization Council regarding the nomination of:

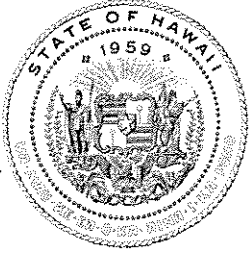
Ms. Nancy Crawford, Director of Finance of the County of Hawaii, replacing Mr. William Takaba; and

Mr. Rix Maurer, Director of Budget and Fiscal Services of the City and County of Honolulu, replacing Ms. Mary Patricia Waterhouse, as voting members on the Small Business Utilization Council.
- IV. Communication from the Small Business Utilization Council regarding HAR Chapter 3-124, Small Business Preference Rules – Targeted Area for Set-Aside and/or Subcontracting – Alternate Renewable Energy.
- V. Executive Session to consult with the Board’s attorney on powers, immunities, and liabilities pursuant to HRS section 92-5(a)(4); to discuss personnel matters pursuant to HRS section 92-5(a)(2). Regarding the term and appointment requirements of Administrator, State Procurement Office pursuant to HRS §103D-204.
- VI. Announcements.
- VII. Adjournment.

Agenda may be viewed at www.spo.hawaii.gov/procurement-policy-board-minutes-of-meeting. Individuals may present testimony on matters on the Procurement Policy Board’s agenda when the agenda item is being discussed by the Board. Individuals intending to testify should contact the State Procurement Office at (808) 587-4700 at least 48 hours before the scheduled meeting. Written testimonies will be accepted through e-mail at procurement.policy.board@hawaii.gov or faxed to (808) 587-4703 until 1:00 pm, March 17, 2009. Testimonies received after the March 17, 2009 deadline will be forwarded to the board as time permits. Individuals submitting written testimony at the meeting and would like the written testimony distributed to the board at this meeting, are requested to provide 12 copies.

Individuals requiring special assistance or services may call (808) 587-4700 by 1:00 p.m., March 16, 2009 to discuss accommodation arrangements.

Agenda Item III



DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM

LINDA LINGLE
GOVERNOR
THEODORE E. LIU
DIRECTOR
MARK K. ANDERSON
DEPUTY DIRECTOR

No. 1 Capitol District Building, 250 South Hotel Street, 5th Floor, Honolulu, Hawaii 96813
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804
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Telephone: (808) 586-2355
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6MAR'09 PM 2:32 SPO-

March 3, 2009

To: Procurement Policy Board

Thru: Aaron Fujioka, Administrator
State Procurement Office

From: Theodore E. Liu, Chairman 
Small Business Utilization Council

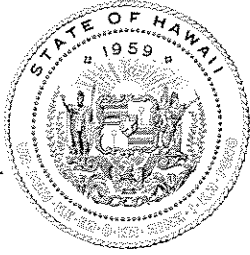
Re: Nominations to the Small Business Utilization Council

On behalf of the Small Business Utilization Council, I am respectfully recommending to the Procurement Policy Board the nominations of the following individuals to serve as voting members on the Small Business Utilization Council, effective upon approval.

- Ms. Nancy Crawford, Director of Finance of the County of Hawaii
 - o Replaces Mr. William Takaba
- Mr. Rix Maurer, Director of Finance of the City and County of Honolulu
 - o Replaces Ms. Mary Patricia Waterhouse

Thank you very much.

Agenda Item IV



**DEPARTMENT OF BUSINESS,
ECONOMIC DEVELOPMENT & TOURISM**

LINDA LINGLE
GOVERNOR
THEODORE E. LIU
DIRECTOR
MARK K. ANDERSON
DEPUTY DIRECTOR

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March 6, 2009

10MAR'09 PM 1:56 SPO-A

To: Procurement Policy Board

Thru: Aaron Fujioka, Administrator
State Procurement Office

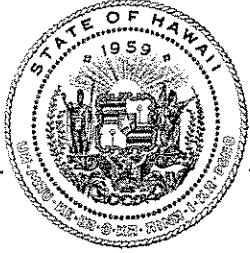
From: Theodore E. Liu, Chair 
Small Business Utilization Council

Re: HAR Chapter 3-124, Small Business Preference Rules
Targeted Area for Set-Aside and/or Subcontracting – Alternate Renewable Energy

On behalf of the Small Business Utilization Council (SBUC), I am respectfully recommending that the Procurement Policy Board reconsider the alternate/renewable energy industry sector to be adopted as a targeted area for a set-aside and/or subcontracting. This request serves as a follow-up to the SBUC's October 8, 2008 memorandum to the Procurement Policy Board (copy attached). During the Board's reconsideration, the SBUC would like to know exactly what, if any, concerns and questions the Procurement Policy Board may have regarding this request.

The SBUC thanks you for your anticipated response.

Attachment



DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM

LINDA LINGLE
GOVERNOR
THEODORE E. LIU
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October 8, 2008

To: Procurement Policy Board

Thru: Aaron Fujioka, Administrator
State Procurement Office

From: Theodore E. Liu, Chair
Small Business Utilization Council

Re: Justification for Recommended Set-Asides and Subcontracting

Pursuant to the Procurement Policy Board's request from the Small Business Utilization Council, I have outlined below specific information that addresses how the Council members arrived at choosing custom computer programming services and alternative/renewable energy industry sectors as targeted areas for set-asides and/or subcontracting.

Custom computer programming is one of a number of industries in the technology sector that has been identified by the state as having significant potential to help diversify the economy and increase the average wage level. As documented in the recent report *Innovation and Technology in Hawaii: An Economic and Workforce Profile*, prepared by the Hawaii Science and Technology Institute, this industry has outperformed both the overall Hawaii and U.S. economies between 2002 and 2007. It has also outperformed growth in the same industry at the national level. Because it primarily produces intellectual property, rather than a physical product, it is able to be relatively cost-competitive with other areas of the nation and in the global market for such services.

Custom computer programming lends itself to preference/set aside programs for two reasons. First, it is well captured within the North American Industrial Classifications System (NAICS) code 541511.¹ This simplifies identification of companies providing such services for procurement purposes. Second, the service is more likely to be a procurement staple of state and local governments than many other emerging technology industries such as research and development and biotech. The attached tables and charts show the size and growth of custom computer programming from 2002 to 2007.

¹ NAICS is a system for organizing firms into industries that share similar production characteristics. It replaces the previous system referred to as the Standard Industrial Classification (SIC) system.

The Clean Energy Initiative, designed to decrease Hawaii's dependence on imported fossil fuel, is a major initiative for the State of Hawaii and U.S. Department of Energy (USDOE). On January 31, 2008, Governor Lingle signed a Memorandum of Understanding (MOU) with the USDOE for the Hawaii-DOE Clean Energy Initiative. The goal is to decrease energy demand and accelerate use of renewable, indigenous energy resources in Hawaii in residential, commercial building, industrial, utility, and transportation end-use sectors, so that renewable energy resources will be sufficient to meet 70% of Hawaii's energy demand by 2030.

The Hawaii-DOE MOU notes that "the islands of Hawaii have abundant natural resources, including wind, sunshine, and geothermal sources for electricity generation, and land for energy crops that can be refined into biofuels to address transportation needs. Economic and culturally sensitive use of natural resources can provide energy supply security and price stability for the people of Hawaii as well as significant environmental benefits and economic growth opportunities. Successfully developing Hawaii's energy economy will make the State a global model for achieving a sustainable, clean, flexible, and economically vibrant energy future." Thus, alternative/renewable energy is seen as a vital ingredient for the security and competitiveness of Hawaii's economy as well as environmentally important.

The Hawaii Science and Technology Institute report has attempted to identify the size and growth of alternative/renewable in Hawaii's economy. As shown in Table 5, the report identified nine industries and government sectors with significant activity in alternative/renewable energy. These industries accounted for nearly 3,600 jobs in 2007, up 50% or almost 1,200 jobs from 2002.

The task of identifying where in the economy the alternate/renewable energy firms are is more challenging than for computer programming above. Alternative/renewable energy does not fall into a unique NAICS code for classification purposes. Many companies participating in this activity are classified by their core specialties such as heating, cooling and electrical work, engineering, etc. A sample of 50 companies known to be energy-related was found by DBEDT to be classified in a wide range of NAICS codes as shown in Table 6. This sample was identified from a list of about 140 alternate/sustainable energy firms and organizations contained in several directories of such entities.

Thank you for your consideration.

Table 1
Jobs, Growth and Average Earnings for Custom Computer Programming in Hawaii

Custom computer programming services (NAICS 541511)	
Basic Information	
2002 Industry Jobs	1,039
2007 Industry Jobs	1,337
Total Change	298
Total % Change	28.68%
2007 Average Earnings/Worker	\$87,987

Figure 1
Growth in Custom Computer Programming jobs in Hawaii (Regional) and the U.S.

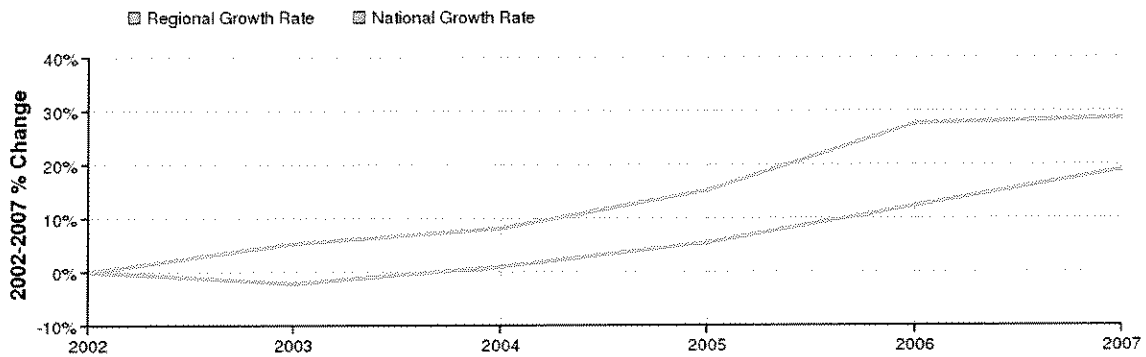


Table 3
Comparison of Jobs, Establishments and Average Earnings, Hawaii and U.S.
2002 - 2007

Description	2002 Jobs	2007 Jobs	Change	% Change	Earnings Per Worker	2007 Establishments
Hawaii (Regional) Total	1,039	1,337	298	29%	\$87,987	284
National Total	501,935	597,284	95,349	19%	\$94,597	77,181

Source: EMSI Covered Employment - Fall 2008 Pre-Release (BETA)

Table 4
Major Occupations in Custom Computer Programming, 2002-2007

SOC Code	Name	2002 Jobs	2007 Jobs	Change	% Change
15-1021	Computer programmers	137	159	22	16%
15-1041	Computer support specialists	57	70	13	23%
15-1051	Computer systems analysts	51	69	18	35%
15-1031	Computer software engineers, applications	50	72	22	44%
15-1099	Computer specialists, all other	45	57	12	27%
11-1021	General and operations managers	43	52	9	21%
41-3099	Sales representatives, services, all other	40	53	13	33%

Source: EMSI Covered Employment - Fall 2008 Pre-Release (BETA)
 SOC: Standard Occupational Code

Table 5
Estimates of Industries Providing Significant Alternate/Renewable Energy Services

RENEWABLE ENERGY					
NAICS Code	Description	2002 Jobs	2007 Jobs	Earnings per Worker, Hawaii	2007 Establishments
221111	Hydroelectric power generation	7	18	--	--
221119	Other electric power generation	147	28	--	--
541360	Geophysical surveying and mapping services	33	47	\$56,002	5
541611	Administrative Mgt consulting services	848	1,571	\$49,531	140
541690	Other technical consulting services	433	637	\$35,573	62
541712	Research & dev in Physical, Engrg (not astronomy)	850	1,208	\$84,194	85
611312	Colleges, universities (RCUH)-Energy	6	4	\$62,942	1
611312	Colleges, universities (UH)-Energy	30	35	\$62,942	-
920212	State conservation programs (Natural Resources)	39	39	\$65,510	2
RENEWABLE ENERGY		2,393	3,587	\$58,498	295

Table 6
Sample Distribution of Energy Firms among NAICS Codes

Alternate Energy Establishments by NAICS*			
NAICS	NAICS Title	Estbl.	Jobs
Power Generation			
221112	Fossil Fuel Electric Power Generation	1	55
221119	Other Electric Power Generation	2	31
Construction			
	Water and Sewer Line and Related Structures		
237110	Construction	1	4
238221	Residential plumbing and HVAC contractors	8	58
238222	Nonresidential plumbing and HVAC contractors	2	405
238912	Nonresidential site preparation contractors	1	12
Wholesale & Retail			
	Medical, Dental, and Hospital Equipment and Supplies		
423450	Merchant Wholesalers	1	1
444190	Other Building Material Dealers	1	3
447110	Gasoline Stations with Convenience Stores	1	335
Professional, Scientific & Technical Services			
541110	Offices of Lawyers	6	354
541330	Engineering Services	6	276
	Administrative Management and General Management		
541611	Consulting Services	1	183
541690	Other Scientific and Technical Consulting Services	2	54
541711	Research and Development in Biotechnology	3	105
	Research and Development in the Physical, Engineering, and Life Sciences (except Biotechnology)		
541712		6	397
	Research and Development in the Social Sciences and Humanities		
541720		1	7
Management of Companies			
551112	Offices of Other Holding Companies	1	16
Administrative Support, Waste Mgt & Remediation Services			
561110	Office Administrative Services	1	9
562910	Remediation Services	1	1
Repair & Maintenance Services			
	Commercial and Industrial Machinery and Equipment (except Automotive and Electronic) Repair and Maintenance		
811310		1	54
TOTAL		47	2,360

*Partial List. Represents those firms contained in alternate energy directories and lists maintained by DBEDT Strategic Energy Division that could be tracked in the Unemployment Insurance Data Base. This data base includes only Hawaii firms with paid employees in the given year.

In the event energy projects need to be defined by their characteristics rather than by NAICS codes, operational definitions of such projects will likely be needed. DBEDT has reviewed sources for official definitions of alternate/renewable energy activities and technologies in the Hawaii Revised Statutes. The following may be helpful in establishing project criteria at the appropriate time.

Definitions of Various Alternate/Renewable Energy Technologies Defined in the Hawaii Revised Statutes.

§235-12 Energy conservation; income tax credit.*(for solar or wind energy device, heat pump, or ice storage system)*

"Solar or wind energy device" means any new identifiable facility, equipment, apparatus, or the like which makes use of solar or wind energy for heating, cooling, or reducing the use of other types of energy dependent upon fossil fuel for their generation.

"Heat pump" means and refers to an electric powered compression heating system which extracts energy from warm ambient air or recovers waste heat to assist in the production of hot water.

"Ice storage system" refers to ice banks or other cool energy storage tanks, containers, accessories, and controls that are specifically designed to store ice or chilled fluids for the express purpose of shifting the consumption of energy to off-peak periods.

§235-12.5 Renewable energy technologies; income tax credit. *(For eligible renewable energy technology systems)*

"Renewable energy technology system" means a new system that captures and converts a renewable source of energy, such as wind, heat (solar thermal), or light (photovoltaic) from the sun into:

- (1) A usable source of thermal or mechanical energy;
- (2) Electricity; or
- (3) Fuel.

"Solar or wind energy system" means any identifiable facility, equipment, apparatus, or the like that converts insolation or wind energy to useful thermal or electrical energy for heating, cooling, or reducing the use of other types of energy that are dependent upon fossil fuel for their generation.