

# STATE PROCUREMENT OFFICE PREFERENCES – STATE OF HAWAII

PREFERENCE	PURPOSE/BACKGROUND	APPLICATION	EVALUATION
<b>Hawaii Products</b> Ref. ACT 175, SLH 2009 Effective 7/1/09 HAR chapter 3-24 subchapter 1	Promote use of products mined, excavated, produce, manufactured, raised, or grown in Hawaii with value as follows: <ul style="list-style-type: none"> <li>• 10% for Class I products (more than 50% value added in-state);</li> <li>• 15% for Class II products (Any agricultural, aquacultural, horticultural, silvicultural, floricultural, or livestock product is raised, grown, or harvested in the state).</li> </ul>	Competitive Sealed Bids and Proposals	Decrease price of Hawaii product by 10% or 15%
<b>Printing, Binding and Stationery Work</b> Ref. HRS §103D-1003 & HAR Chapter 3-124, Subchapter 2	Promote use of businesses performing the work in Hawaii. Applies to all bidders not performing the work in Hawaii if their price is lower than the price of work performed in Hawaii.	Competitive Sealed Bids	Increase price of bidder not performing the work in Hawaii by 15%
<b>Reciprocal</b> Ref. HRS §103D-1004 & HAR Chapter 3-124, Subchapter 3	Ensure fair and open competition for Hawaii businesses contracting with the State. Reciprocal law applies to bidders from states that apply preference. Preference shall be equal to the preference the out-of-state bidder would receive in own state or shall be in the amount the out-of-state preference exceeds comparable Hawaii preference.	Competitive Sealed Bids from out-of-state bidders that have preference against Hawaii bidders	Increase out-of-state bidder's price
<b>Recycled Products</b> Ref. HRS § 103D-1005 & HAR Chapter 3-124, Subchapter 4	Promote the use of recycled products.	Competitive Sealed Bids	Decrease price of recycled product by at least 5% or as specified in the invitation for bids
<b>Software Development Business</b> Ref. HRS § 103D-1006 & HAR Chapter 3-124, Subchapter 5	Promote Hawaii software development businesses principally located in-state, with 80% of labor for software development performed by persons domiciled in Hawaii. "Software development," includes any work related to feasibility studies, system design, analysis, specifications, programming, testing, debugging or implementation for an electronic data processing system.	Competitive Sealed Bids and Proposals	Increase non-Hawaii company price by 10%

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<b>Taxpayer</b> Ref. HRS §103D-1008 & HAR Chapter 3-124, Subchapter 7	Ensure fair competition for bidders paying the applicable Hawaii general excise and applicable use taxes by penalizing bidders exempt from paying the taxes.	Competitive Sealed Bids	Increase exempt bidder's price by applicable retail rate of general excise and applicable use tax
<b>Qualified Community Rehabilitation Programs</b> Ref. HRS §103D-1009 & HAR Chapter 3- 124, Subchapter 8	Promote use of goods and services of qualified community rehabilitation programs located in Hawaii.	Competitive Sealed Bids and Proposals	Increase non-qualified bidder's price by the percentage allowed under HRS §103D-1009, currently 5%
<b>Biofuel</b> Ref. HRS §103D-1012	Promote the use of biodiesel or biofuel for diesel engines or boilers.	Competitive Sealed Bids	Increase price of non-biodiesel or non-biofuel by five cents per gallon.  Other details to be determined.
<b>Set-aside for Small Businesses</b> Ref. HRS §103D-906	Promote the growth and development of small businesses.	Solicitations set-aside for award to small businesses	Based on the source selection process used to procure goods, services, or construction.

### Procedures When More Than One Preference Applies:

Should more than one preference allowed by statute apply, the evaluated price shall be based on application of applicable preferences in the order specified below. The preferences (1) through (8) in this subsection shall be applied to the original prices. The sum of the preferences, where applicable, shall be added to the original price, except that preference (1) shall be subtracted from the Hawaii products price.

- (1) Hawaii products, pursuant to HRS §103D-1002;
- (2) Tax adjustment for tax exempt offerors, pursuant to HRS §103D-1008;
- (3) Preferred use of Hawaii software development businesses, pursuant to HRS §103D-1006;
- (4) Recycled products, pursuant to HRS §103D-1005;
- (5) Reciprocal, pursuant to HRS §103D-1004;
- (6) Printing, binding, and stationery work within the State, pursuant to HRS §103D-1003;
- (7) Qualified community rehabilitation programs, pursuant to HRS §103D-1009;
- (8) Biofuel preference, pursuant to HRS §103D-1012.

Should the price comparison for bids submitted pursuant to HRS §103D-302, after taking into consideration all applicable preferences, result in identical total prices; award shall be made, pursuant to HAR §3-122-34.

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EXAMPLE of the Tax preference and Printing, Binding, and Stationery Work preference:

Offers are submitted by a tax exempt bidder and a taxpaying bidder. The tax exempt bidder who is not required to pay the Hawaii General Excise tax will also have the printed material printed outside of Hawaii. The taxpaying bidder will print the material in Hawaii and is required to pay the Hawaii General Excise Tax. The Tax preference and the Printing, Binding, and Stationery Work preference increases the evaluated price of the tax exempt bidder.

Tax Exempt Bidder:	\$100.00	Bid Price
	+ 4.50	Tax Preference (\$100 x 4.5%)
	+ 15.00	Printing, Binding, and Stationery Work Preference (\$100 x 15%)
	<hr/>	Evaluated Bid Price
	\$119.50	
Tax Paying Bidder:	\$110.00	Bid Price

Award is made to the Tax Paying Bidder with the price of \$110.00 even though its bid price is higher than the tax exempt bidder's price of \$100.00.

For more information, call (808) 586-0568.