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CC: Administrative Services Offices

FROM: Bonnie Kahakui, Administrator *Bonnie A Kahakui*

SUBJECT: Guidance on Processing Price Adjustment Requests Resulting from  
Federal Tariff Policy Changes

This circular provides guidance to all procuring agencies regarding price adjustment requests from vendors citing the impact of the new federal tariff policies. This guidance aligns with the established procedures for processing any price list or contract price adjustment request.

**Background**

The recent implementation of tariff policies by the President has the potential to affect the cost of goods, services, and construction acquired by the departments. Consequently, vendors may submit requests for price adjustments to existing contracts or price lists. All requests must be

reviewed consistently and rigorously to ensure fair and reasonable pricing, while acknowledging legitimate cost increases.

### **Guidance for Handling Price Adjustment Requests**

The following steps outline the process for evaluating price adjustment requests related to tariff increases:

#### **1. Vendor Submission of Price Adjustment Request**

- Vendors seeking a price adjustment must formally submit a written request to the procurement officer or designated procurement personnel.
- The request must clearly state that the price adjustment is directly attributable to the newly implemented tariffs.
- The request must specify the affected goods, materials, or services and the corresponding proposed price increase.
- The vendor must provide comprehensive documentation demonstrating the direct impact of the tariffs on the vendor's costs. This documentation should include, but is not limited to:
  - Original invoices or purchase orders (pre-tariff and post-tariff): Showing the cost comparison of the imported components or materials directly affected by the tariffs.
  - Documentation of tariff payments: Evidence of the actual tariffs paid on the specific goods or materials incorporated into the goods or services provided to the department (for example: customs declarations or official tariff payment receipts).
  - Breakdown of cost components: A detailed breakdown illustrating how the tariff has increased the overall cost of the affected goods or services. This should clearly link the tariff cost to the final price.
  - Supplier communication: Letters or other communication from the vendor's suppliers explicitly stating that the price increase is a direct result of the new reciprocal tariffs and providing supporting details.
  - For services: If the tariff impacts the cost of materials used in the provision of services, the vendor must provide similar documentation linking the tariff to the material costs.

#### **2. Department Due Diligence and Verification**

Upon receipt of a price adjustment request, the department must conduct due diligence to verify the vendor's claims. This process shall include, but is not limited to:

- Initial Review: Ensure the vendor has provided sufficient documentation as outlined in Section 1. Incomplete requests should be returned to the vendor for further information. The agency should also review the contract terms regarding price adjustments and allowable types. If the price is based on a discount from list price, ask for current catalog pricing or published MSRP.
- Cost Analysis: Conduct a detailed analysis of the vendor's cost breakdown and supporting documentation. Verify the accuracy of the claimed tariff impact and its direct relevance to the goods or services provided to the department.
- Market Research: As necessary, conduct independent market research to assess the prevailing market prices for the impacted goods or services. This will help determine if the proposed price adjustment is reasonable in the current market conditions. This research may include:
  - Comparing prices from other vendors offering similar goods or services.
  - Reviewing relevant industry publications or price indices.
  - Consulting with internal subject matter experts.

- **Verification of Tariff Applicability:** Confirm that the specific goods or materials identified by the vendor are subject to the new tariffs. This may involve referencing official tariff schedules or consulting with relevant government resources. See Resources below.
- **Reasonableness Assessment:** Evaluate whether the proposed price increase is a reasonable reflection of the documented tariff impact. Consider factors such as the percentage of imported components, the tariff rate, and any potential mitigating factors.
- **Documentation of Findings:** Maintain a comprehensive record of all documents reviewed, analyses conducted, and findings of the due diligence process. This documentation serves as the basis for the department's decision on the price adjustment request.

### **3. Department Decision and Communication**

- Based on the due diligence conducted, the department shall make a determination on the price adjustment request. Ensure the agency does not pay increased prices for goods purchased before tariff implementation.
- If the department determines that the price adjustment is justified, the procurement officer, or designee, will process the necessary contract modification or price list update.
- The vendor should be notified in writing of the department's decision; approved, denied, or denied in part.
- Negotiate price increases, if applicable. Expect vendors to absorb a portion of tariff-related costs, as these are considered business expenses. Negotiate any pass-through increase.
- If the department determines that the price adjustment is not justified, the department's written communication must clearly articulate the reasons for the decision, referencing the findings of the due diligence process and any specific deficiencies in the vendor's documentation.
- If negotiations fail, consider termination for convenience as the agency should not be paying for a price that is not fair and reasonable.

### **4. Ongoing Monitoring**

- Agencies should continue to monitor market conditions and any further developments related to the new tariffs that may impact contract pricing.
- If tariffs are subsequently adjusted or removed, agencies should engage with vendors to review pricing and ensure that any reductions in costs are reflected in the contract prices.

### **5. Key Considerations**

- **Transparency:** Maintain open communication with vendors throughout the price adjustment review process.
- **Consistency:** Apply this guidance consistently to all price adjustment requests related to reciprocal tariffs.
- **Timeliness:** Process requests in a timely manner while ensuring thorough due diligence.
- **Record Keeping:** Maintain detailed records of all price adjustment requests, supporting documentation, and department decisions.

### **6. Resources from NIGP and NASPO (hyperlinks)**

- [NIGP Headliner: Tariffs and the New World Order: What's a Buyer to Do?](#)
- [FTA Tariff Tool - FTA Tariff Tool Home](#)
- [Considerations for Government Contractors - Dentons - Trump Tariffs – Considerations for Government Contractors](#)
- [Navigating Price Fluctuations and Tariffs in Public Procurement - NASPO](#)