



**STATE PROCUREMENT OFFICE
NOTICE OF AND REQUEST FOR EXEMPTION
FROM CHAPTER 103D, HRS**

1. TO: Chief Procurement Officer
2. FROM: Russ K. Saito, State Comptroller

Department/Division/Agency

Pursuant to §103D-102(b)(4), HRS, and Chapter 3-120, HAR, the Department requests a procurement exemption to purchase the following:

3. Description of goods, services or construction:

This is our annual request for exemption from the Mandatory Purchase of Office Paper and Printed Material with Recycled Content, Section 3-124-26(b), Hawaii Administrative Rules. Approval is being requested to utilize 100% virgin paper for State of Hawaii checks to be purchased under the new Invitation For Bids for fiscal year 2008-2009.

Although recycled cut sheet form is available for 32# white ledger paper, XEROX Hawaii (the manufacturer of the laser printers used to print our checks), does not recommend the use of recycled paper for check stock (see attached letter). The reason is that recycled paper contains composites that affect the scanning readability of the MICR line, which could provide incorrect financial information when being processed by the bank.

Unless we can be assured the recycled check stock is completely free of all impurities, XEROX highly recommends the use of virgin check stock.

4. Name of Vendor: To be determined
Address:

5. Price:
\$30,000

6. Term of Contract: From: 7/1/08 To: 6/30/09

7. Prior Exemption Ref. No.

8. Explanation describing how procurement by competitive means is either not practicable nor advantageous to the State:
Procurement of the check stock will be through Invitation for Bid.

9. Details of the process or procedures to be followed in selecting the vendor to ensure maximum fair and open competition as practicable:
Procurement of the check stock will be through Invitation for Bid.

REQUEST FOR EXEMPTION FROM CHAPTER 103D, HRS (Cont.)

Chief Procurement Officer's comments:

This approval is based on the printer manufacturer's recommendation that 100% virgin paper be used in their equipment in order to reduce paper jams and to insure proper scanning readability of the checks by the banking industry. This approval is for the solicitation process only, section 103D-310(c), HRS, and section 3-122-112, HAR, shall apply.

16.

APPROVED DISAPPROVED NO ACTION REQUIRED

Alvin S. Fyler 12/10/07
Chief Procurement Officer Date

XEROX®

700 Bishop St. #1200
Honolulu, HI 96813

November 13, 2007

Via FAX: 586-1882

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Xerox high speed printers can run a variety of paper stock. However, we highly recommend the use of virgin paper for the following reasons. Any other type of paper should only be used if there is no alternative.

Our MICR guarantee is based on the printing being within tolerances of the check scanners used by the banking industry to automate processing. This guarantee is based on 100% readability. These tolerances are maintained in part by the quality of the paper. Recycled paper has composites that affect the scanning readability. There are particles within recycled paper the scanners might read. As a result, incorrect account information could be registered requiring operator intervention or incorrect financial information.

In addition to the MICR issues, performance of the printers is affected. More jams will occur using recycled paper. High-speed printer performance is based on paper stock. Paper stock is by far the most crucial element in the performance/reliability of any printing engine. There is a recommended range of paper where the expectation will be acceptable. Outside of this range and performance is negatively affected.

We hope these points offer some insight to the use of recycled paper.

Sincerely,



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Xerox Hawaii

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