

JAN 23 2025

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# A BILL FOR AN ACT

RELATING TO GOVERNMENT ACCOUNTABILITY.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1           SECTION 1. The legislature finds that there is a pressing  
2 need to reduce the reliance on external consultants for work  
3 that can or should be performed by qualified government  
4 employees. Excessive outsourcing of government functions often  
5 leads to increased costs, diminished accountability, and a loss  
6 of institutional knowledge within public agencies. By  
7 prioritizing the use of in-house expertise, the State can foster  
8 greater transparency in its operations, ensuring that decisions  
9 about the allocation of public funds are clear, justifiable, and  
10 aligned with the best interests of taxpayers. Moreover,  
11 reducing dependence on external consultants will promote cost  
12 efficiency, enabling government agencies to allocate resources  
13 more effectively while building and retaining institutional  
14 capacity. Strengthening the role of public employees in  
15 performing core government functions will also enhance the long-  
16 term sustainability and independence of state operations.  
17 Through these efforts, the legislature seeks to ensure that



1 public agencies are equipped to meet the evolving needs of the  
2 State in a manner that is both responsible and effective.

3 Accordingly, the purpose of this Act is to reduce reliance  
4 on external consultants for work that can be performed by  
5 qualified government employees and ensure transparency, cost  
6 efficiency, and the development of in-house expertise within  
7 government agencies by:

- 8 (1) Requiring each purchasing agency to provide  
9 justification for hiring external consultants;
- 10 (2) Capping the amount each agency can spend on external  
11 consultants;
- 12 (3) Requiring each agency to seek approval from the  
13 legislature for consulting contracts exceeding a  
14 certain dollar amount;
- 15 (4) Requiring each agency to disclose all contracts with  
16 external consultants;
- 17 (5) Requiring annual reports to the legislature; and
- 18 (6) Requiring the compliance audit unit to conduct regular  
19 audits of agency consultant contracts to assess cost-  
20 effectiveness and compliance.



1 SECTION 2. Chapter 103D, Hawaii Revised Statutes, is  
2 amended by adding a new section to part III to be appropriately  
3 designated and to read as follows:

4 "§103D- External consultants; justification; spending  
5 caps; reporting requirements; audits. (a) Notwithstanding  
6 section 103D-301, each purchasing agency shall:

7 (1) Provide detailed justification for hiring external  
8 consultants by:

9 (A) Demonstrating the lack of in-house capacity or  
10 expertise;

11 (B) Conducting a cost-benefit analysis that compares  
12 consultant costs with the expenses of hiring or  
13 training state employees; and

14 (C) Publishing justification reports for public and  
15 legislative review;

16 (2) Spend not more than \_\_\_\_\_ per cent of the purchasing  
17 agency's budget on consulting services;

18 (3) Seek approval from the legislature before contracting  
19 for consulting services exceeding \$ \_\_\_\_\_ ;

20 (4) Disclose all contracts the purchasing agency currently  
21 holds with external consultants, including:



1           (A) The total costs of each contract, broken down by  
2           service and duration;

3           (B) The names of consultants and firms; and

4           (C) The work scope and deliverables; and

5       (5) Submit an annual report to the legislature no later  
6       than twenty days prior to the convening of each  
7       regular session of its contracts with external  
8       consultants, which shall include:

9           (A) The number of external consultants used; and

10          (B) The percentage of the purchasing agency's budget  
11          spent on consulting.

12       (b) The compliance audit unit shall conduct regular audits  
13       of each purchasing agency's external consultant contracts to  
14       assess the cost-effectiveness of the contracts and compliance  
15       with this section.

16       (c) This section shall not apply to:

17       (1) Highly technical or niche expertise unavailable in the  
18       State; and

19       (2) Short-term emergency needs, including disaster  
20       response or urgent technical projects."

21       SECTION 3. New statutory material is underscored.



1 SECTION 4. This Act shall take effect upon its approval.

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INTRODUCED BY: *Anna Mercado K.*



# S.B. NO. 1543

**Report Title:**

External Consultants; Purchasing Agencies; Disclosure Requirements; Spending Caps; Audit; Reports

**Description:**

Requires each purchasing agency to provide justification for hiring external consultants. Caps the amount each agency can spend on external consultants. Requires each agency to seek approval from the Legislature for consulting contracts exceeding a certain dollar amount. Requires each agency to disclose all contracts with external consultants. Requires annual reports to the Legislature. Requires the Compliance Audit Unit to conduct regular audits of agency consultant contracts to assess cost-effectiveness and compliance.

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

