

STAND. COM. REP. NO. **2501**

Honolulu, Hawaii

FEB 16 2024

RE: S.B. No. 2536
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Thirty-Second State Legislature
Regular Session of 2024
State of Hawaii

Sir:

Your Committee on Government Operations, to which was referred S.B. No. 2536 entitled:

"A BILL FOR AN ACT RELATING TO PROCUREMENT PREFERENCES AND RECIPROCITY,"

begs leave to report as follows:

The purpose and intent of this measure is to:

- (1) Establish a new accounting services procurement preference for certain Hawaii accounting service businesses; and
- (2) Clarify that the existing reciprocity procurement preference includes offerors under section 103D-303, Hawaii Revised Statutes.

Your Committee received testimony in support of this measure from Accuity LLP and C&Y CPAs LLC.

Your Committee received testimony in opposition to this measure from the State Procurement Office.

Your Committee finds that many of the State's residents who earn college degrees either leave the State or do not return due to the lack of career opportunities, thus negatively impacting the State's economic potential. Although public accounting firms with



offices in the State address this need by offering professional career paths that allow residents to remain in the State, the high cost of operating a business in the State, coupled with the high cost of living, makes it difficult for these firms to compete for government service contracts against firms that do not have offices in the State that operate out of low-cost jurisdictions. This measure addresses the important issue of local resident displacement by incentivizing public accounting firms to operate in the State, while further supporting fair competition with other states and safeguarding the interests of local businesses.

Your Committee notes that the language in this measure that provides a bid preference for local accounting firms mirrors that of section 103D-1006, Hawaii Revised Statutes, which provides a bid preference for Hawaii software development businesses.

Your Committee has amended this measure by:

- (1) Inserting an effective date of July 1, 2112, to encourage further discussion; and
- (2) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Government Operations that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2536, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2536, S.D. 1, and be referred to your Committee on Ways and Means.

Respectfully submitted on
behalf of the members of the
Committee on Government
Operations,



ANGUS L.K. MCKELVEY, Chair



