

Honolulu, Hawaii

FEB 12 2025

RE: S.B. No. 1543
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Thirty-Third State Legislature
Regular Session of 2025
State of Hawaii

Sir:

Your Committee on Government Operations, to which was referred S.B. No. 1543 entitled:

"A BILL FOR AN ACT RELATING TO GOVERNMENT ACCOUNTABILITY,"

begs leave to report as follows:

The purpose and intent of this measure is to:

- (1) Require each purchasing agency to provide justification for hiring external consultants;
- (2) Cap the amount each agency can spend on external consultants;
- (3) Require each agency to seek approval from the Legislature for consulting contracts exceeding a certain dollar amount;
- (4) Require each agency to disclose all contracts with external consultants;
- (5) Require each agency to submit annual reports on its external consultant contracts to the Legislature; and
- (6) Require the Compliance Audit Unit to conduct regular audits of agency consultant contracts to assess cost-effectiveness and compliance.



Your Committee received testimony in opposition to this measure from the American Council of Engineering Companies of Hawaii.

Your Committee received comments on this measure from the Department of Education, Department of Budget and Finance, State Procurement Office, Department of Accounting and General Services, Employees' Retirement System, Hawaii Health Systems Corporation, and American Institute of Architects Hawaii State Council.

Your Committee finds that excessive outsourcing of government functions often leads to increased costs, diminished accountability, and a loss of institutional knowledge within public agencies. Reducing dependence on external consultants fosters transparency in government operations and promotes cost efficiency. This measure promotes accountability and the in-house retention of government functions by establishing regulations to reduce outsourcing certain duties to contractors.

Your Committee notes the testimony of the State Procurement Office that chief procurement officers also play a significant role in determining when outsourcing is necessary.

Accordingly, your Committee has amended this measure by:

- (1) Inserting new language to require each chief procurement officer to ensure that inherent government functions are not delegated to a contractor;
- (2) Inserting an effective date of January 1, 2491, to encourage further discussion;
- (3) Amending section 1 to reflect its amended purpose; and
- (4) 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. 1543, as amended herein, and recommends that it pass



Second Reading in the form attached hereto as S.B. No. 1543,
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



