

Honolulu, Hawaii

**FEB 27 2025**

RE: S.B. No. 1543  
S.D. 2

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

Sir:

Your Committee on Ways and Means, to which was referred S.B. No. 1543, S.D. 1, 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 reduce the State's reliance on external consultants for work that can be performed by qualified government employees.

More specifically, the measure:

- (1) Requires each state purchasing agency to provide justification for hiring external consultants;
- (2) Caps the amount that each agency may spend to hire external consultants;
- (3) Requires each agency to seek approval from the Legislature for consulting contracts exceeding a certain dollar amount;
- (4) Requires each agency to disclose all contracts with external consultants;
- (5) Requires annual reports to the Legislature;



- (6) Requires the Compliance Audit Unit to conduct regular audits of agency consultant contracts to assess cost-effectiveness and compliance; and
- (7) Requires each chief procurement officer to ensure that inherent government functions are not delegated to a contractor.

Your Committee received written comments in opposition to this measure from the Department of Corrections and Rehabilitation; American Council of Engineering Companies of Hawaii; and one individual.

Your Committee received written comments on this measure from the Departments of Accounting and General Services, Department of Budget and Finance, Department of Education, Employees' Retirement System of the State of Hawaii, Hawaii State Public Library System, State Procurement Office, University of Hawaii System, and Hawaii Health Systems Corporation.

Your Committee finds that there is a pressing need to reduce the State's reliance on external consultants for work that qualified government employees can or should perform. Your Committee further finds that excessive outsourcing of government functions often leads to increased costs, diminished accountability, and a loss of institutional knowledge within state agencies. Your Committee recognizes that prioritizing the use of in-house expertise and strengthening the role of public employees in performing core government functions can foster greater transparency, promote cost efficiency, retain institutional knowledge, and enhance the long-term sustainability and independence of state operations. Your Committee finds that the requirements in this measure will help the State achieve these objectives.

Your Committee has amended this measure by:

- (1) Clarifying that the requirement for legislative approval of contracts exceeding a certain amount shall apply to each contract sought by the purchasing agency;
- (2) Clarifying that the required disclosure of contracts currently held by a purchasing agency shall only apply



to contracts approved after the effective date of this measure; and

- (3) Making technical, nonsubstantive changes for the purposes of clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Ways and Means that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 1543, S.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as S.B. No. 1543, S.D. 2.

Respectfully submitted on  
behalf of the members of the  
Committee on Ways and Means,



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DONOVAN M. DELA CRUZ, Chair



The Senate  
Thirty-Third Legislature  
State of Hawai'i

**Record of Votes**  
**Committee on Ways and Means**  
**WAM**

|  |  |                           |          |          |
|--|--|---------------------------|----------|----------|
| Bill / Resolution No.:*<br><b>SB1543 SD1</b>   | Committee Referral:<br><b>GVO, WAM</b> | Date:<br><b>2-18-2025</b> |          |          |
| <input type="checkbox"/> The Committee is reconsidering its previous decision on this measure.<br>If so, then the previous decision was to: _____  |  |                           |          |          |
| The Recommendation is:<br><input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313 |  |                           |          |          |
| Members  | Aye                                    | Aye (WR)                  | Nay      | Excused  |
| DELA CRUZ, Donovan M. (C)  | X                                      |                           |          |          |
| MORIWAKI, Sharon Y. (VC)   | X                                      |                           |          |          |
| AQUINO, Henry J.C.   | X                                      |                           |          |          |
| DECOITE, Lynn  |  |                           |          | X        |
| ELEFANTE, Brandon J.C.   | X                                      |                           |          |          |
| HASHIMOTO, Troy N.   | X                                      |                           |          |          |
| INOUYE, Lorraine R.  | X                                      |                           |          |          |
| KANUHA, Dru Mamo   | X                                      |                           |          |          |
| KIDANI, Michelle N.  | X                                      |                           |          |          |
| KIM, Donna Mercado   | X                                      |                           |          |          |
| LEE, Chris   | X                                      |                           |          |          |
| WAKAI, Glenn   | X                                      |                           |          |          |
| FEVELLA, Kurt  | X                                      |                           |          |          |
|  |  |                           |          |          |
|  |  |                           |          |          |
|  |  |                           |          |          |
|  |  |                           |          |          |
| <b>TOTAL</b>   | <b>12</b>                              | <b>0</b>                  | <b>0</b> | <b>1</b> |
| Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted   |  |                           |          |          |
| Chair's or Designee's Signature:<br>  |  |                           |          |          |
| <b>Distribution:</b> Original     Yellow     Pink     Goldenrod<br>File with Committee Report     Clerk's Office     Drafting Agency     Committee File Copy   |  |                           |          |          |

**\*Only one measure per Record of Votes**