

STAND. COM. REP. NO.

190

Honolulu, Hawaii

FEB 10 2025

RE: S.B. No. 462
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. 462 entitled:

"A BILL FOR AN ACT RELATING TO PROCUREMENT CONTRACTS,"

begs leave to report as follows:

The purpose and intent of this measure is to:

- (1) Require all performance incentive contracts to specify a pricing basis, performance goals, and a formula in calculating the contractor's profit, fees, or price decrease if the specified performance goals are exceeded or not met; and
- (2) Allow moneys remaining in the contract budget after project completion to be divided between the State and contractor if the contractor has met or exceeded all performance goals specified in the contract.

Your Committee received comments on this measure from the Department of Education and State Procurement Office.

Your Committee finds that performance incentive contracts can be powerful tools in efficiently completing contracts with superior outcomes for all parties involved. However, the complexity of these contracts necessitates explicit terms for the accountability and satisfaction of the contracting parties. This



measure will guarantee best practices in the drafting of performance incentive contracts by specifying required elements of the contract in the Hawaii Public Procurement Code.

Your Committee has amended this measure by:

- (1) Removing language that would have allowed the contractor and the State to divide any moneys remaining in the contact budget upon completion of the project under certain circumstances to match rules adopted by the Department of Accounting and General Services;
- (2) Inserting an effective date of January 1, 2525, to encourage further discussion; and
- (3) 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. 462, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 462, 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,

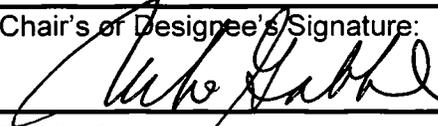


ANGUS L.K. MCKELVEY, Chair



The Senate
Thirty-Third Legislature
State of Hawai'i

Record of Votes
Committee on Government Operations
GVO

Bill / Resolution No.:* SB462	Committee Referral: GVO, WAM	Date: 1-30-25		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <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
MCKELVEY, Angus L.K. (C)	✓			
GABBARD, Mike (VC)	✓			
MORIWAKI, Sharon Y.	✓			
SAN BUENAVENTURA, Joy A.	✓			
FEVELLA, Kurt				✓
TOTAL	4	—	—	1
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: 				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

*Only one measure per Record of Votes