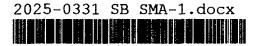
JAN 2 3 2025

### 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



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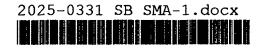
## S.B. NO. 1543

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.			

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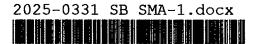
1	SECT	ION 2	. Chapter 103D, Hawaii Revised Statutes, is
2	amended b	y add	ing a new section to part III to be appropriately
3	designate	d and	to read as follows:
4	" <u>§10</u>	<u>3D-</u>	External consultants; justification; spending
5	<u>caps; rep</u>	ortin	g requirements; audits. (a) Notwithstanding
6	section 1	03D-3	01, each purchasing agency shall:
7	<u>(1)</u>	Prov	ide detailed justification for hiring external
8		cons	ultants by:
9		<u>(A)</u>	Demonstrating the lack of in-house capacity or
10			expertise;
11		<u>(B)</u>	Conducting a cost-benefit analysis that compares
12			consultant costs with the expenses of hiring or
13			training state employees; and
14		<u>(C)</u>	Publishing justification reports for public and
15			legislative review;
16	(2)	Spen	d not more than per cent of the purchasing
17		agen	cy's budget on consulting services;
18	(3)	Seek	approval from the legislature before contracting
19		for	consulting services exceeding \$ ;
20	(4)	Disc	lose all contracts the purchasing agency currently
21		<u>hold</u>	s with external consultants, including:



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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	<u>(b)</u>	The compliance audit unit shall conduct regular audits
13	<u>of each p</u>	urchasing agency's external consultant contracts to
14	assess th	e cost-effectiveness of the contracts and compliance
15	with this	section.
16	<u>(c)</u>	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	SECT	ION 3. New statutory material is underscored.



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

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INTRODUCED BY: Ama Mercado Kr



#### 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 costeffectiveness 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.

