

JAN 23 2026

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
16 long-term sustainability and independence of state operations.
17 Through these efforts, the legislature seeks to ensure that



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 new contracts
16 with external consultants;

17 (5) Requiring each agency to submit annual reports to the
18 legislature;

19 (6) Requiring the compliance audit unit within the office
20 of the auditor to conduct regular audits of agency



consultant contracts to assess cost-effectiveness and compliance; and

- (7) Requiring each chief procurement officer to ensure that inherent government functions are not delegated to a contractor.

SECTION 2. Chapter 103D, Hawaii Revised Statutes, is amended by adding a new section to part III to be appropriately designated and to read as follows:

"§103D- External consultants; justification; spending caps; reporting requirements; audits. (a) Notwithstanding section 103D-301, each purchasing agency shall:

(1) Provide detailed justification for hiring external consultants by:

(A) Demonstrating the lack of in-house capacity or expertise;

(B) Conducting a cost-benefit analysis that compares consultant costs with the expenses of hiring or training state employees; and

(C) Publishing justification reports for public and legislative review;



1 (2) Spend not more than per cent of the purchasing
2 agency's budget on consulting services;

3 (3) Seek approval from the legislature for any contract
4 for consulting services exceeding \$;

5 (4) Disclose all contracts the purchasing agency awards to
6 external consultants after the effective date of this
7 Act, including:

8 (A) The total costs of each contract, broken down by
9 service and duration;

10 (B) The names of consultants and firms; and

11 (C) The work scope and deliverables; and

12 (5) Submit an annual report to the legislature no later
13 than twenty days prior to the convening of each
14 regular session on its contracts with external
15 consultants, which shall include:

16 (A) The number of external consultants used; and

17 (B) The percentage of the purchasing agency's budget
18 spent on consulting.

19 (b) The compliance audit unit shall conduct regular audits
20 of each purchasing agency's external consultant contracts to



1 assess the cost-effectiveness of the contracts and compliance
2 with this section.

3 (c) This section shall not apply to the contracting of
4 external consultants for:

5 (1) Highly technical or niche expertise unavailable in the
6 State; and

7 (2) Short-term emergency needs, including disaster
8 response or urgent technical projects."

9 SECTION 3. Section 103D-205, Hawaii Revised Statutes, is
10 amended by amending subsection (a) to read as follows:

11 "(a) For their respective jurisdictions and unless
12 otherwise specifically provided in this chapter, each chief
13 procurement officer shall serve as the central procurement
14 officer for the officer's respective jurisdiction and:

15 (1) Procure or supervise the procurement of all goods,
16 services, and construction;

17 (2) Exercise general supervision and control over all
18 inventories of goods;

19 (3) Sell, trade, or otherwise dispose of surplus goods;



(4) Establish and maintain programs for the inspection, testing, and acceptance of goods, services, and construction;

(5) Coordinate with the administrator regarding procurement policies, opportunities for statewide innovation implementation, and concerns;

(6) Report procurement contract data pursuant to requirements established by the administrator, in the form and manner prescribed by the state procurement office; ~~and~~

(7) Assist and cooperate with the administrator regarding any compliance review by the administrator pursuant to section 103D-206~~[7]~~; and

(8) Ensure that inherent government functions are not delegated to a contractor."

SECTION 4. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 5. This Act shall take effect upon its approval.

INTRODUCED BY:





S.B. NO. 2662

Report Title:

Auditor; External Consultants; Purchasing Agencies; Disclosure Requirements; Spending Caps; Audit; Exceptions; 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 new contracts with external consultants. Requires annual reports to the Legislature. Requires the Compliance Audit Unit within the Office of the Auditor to conduct regular audits of agency consultant contracts to assess cost-effectiveness and compliance. Establishes exceptions. Requires each chief procurement officer to ensure that inherent government functions are not delegated to a contractor.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

