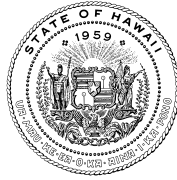


JOSH GREEN, M.D.  
GOVERNOR  
KE KIA'ĀINA



KEITH A. REGAN  
COMPTROLLER  
KA LUNA HO'OMALU HANA LAULĀ

MEOH-LENG SILLIMAN  
DEPUTY COMPTROLLER  
KA HOPE LUNA HO'OMALU HANA LAULĀ

**STATE OF HAWAII | KA MOKU'ĀINA O HAWAII**  
**DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES | KA 'OIHANA LOIHELU A LAWELAWÉ LAULĀ**  
P.O. BOX 119, HONOLULU, HAWAII 96810-0119

WRITTEN TESTIMONY  
OF  
KEITH A. REGAN, COMPTROLLER  
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES  
TO THE

**COMMITTEE ON GOVERNMENT OPERATIONS**

FEBRUARY 3, 2026, 3:00 P.M.  
CONFERENCE ROOM 225 AND VIA VIDEOCONFERENCE, STATE CAPITOL

S.B. 2662

RELATING TO GOVERNMENT ACCOUNTABILITY

Chair McKelvey, Vice Chair Gabbard, and Members of the Committee, thank you for the opportunity to submit testimony on S.B. 2662

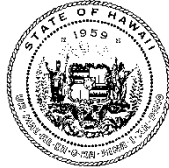
The Department of Accounting and General Services (DAGS) offers **comments** on this bill which proposes to add a new section to HRS 103D to address external consultants, justification, spending caps, reporting requirements, and audits.

The department, like many other departments, makes use of external consultants to provide services the department's internal staff are unable to provide due to limited staffing, the volume and complexity of projects the department is tasked with completing, and the need for highly specialized skills that are not readily available internally.

While the department has great confidence in the capabilities, skills, and professionalism demonstrated on a daily basis by its internal staff, the ability to utilize consultant services, managed and overseen by state personnel, is a critically important and necessary tool to address the volume, type, and timeliness of work undertaken by departments. By imposing spending caps and spending limits that triggers approval requirements can have far-reaching unintended consequences for government operations. In the absence of the specialized skills needed for some projects, qualified consultants play a critical role in our ability to timely deliver projects and services.

Thank you for the opportunity to provide testimony on this measure.

JOSH B. GREEN, M.D.  
GOVERNOR  
KE KIA'ĀINA



BONNIE KAHAKUI  
ADMINISTRATOR  
  
DAYNA OMIYA  
ASSISTANT ADMINISTRATOR

**STATE OF HAWAI'I | KA MOKU'ĀINA O HAWAI'I**  
**STATE PROCUREMENT OFFICE**

P.O. Box 119  
Honolulu, Hawaii 96810-0119  
Tel: (808) 586-0554  
email: [state.procurement.office@hawaii.gov](mailto:state.procurement.office@hawaii.gov)  
<http://spo.hawaii.gov>

**TESTIMONY  
OF  
BONNIE KAHAKUI, ADMINISTRATOR  
STATE PROCUREMENT OFFICE**

**TO THE SENATE COMMITTEE  
ON  
GOVERNMENT OPERATIONS  
FEBRUARY 3, 2026, 3:00 PM**

**SENATE BILL 2662  
RELATING TO GOVERNMENT ACCOUNTABILITY**

Chair McKelvey, Vice Chair Gabbard, and members of the committee, thank you for the opportunity to submit testimony on Senate Bill 2662. The State Procurement Office (SPO) respectfully provides the following comments.

**Comments**

The SPO appreciates the intent to reduce reliance on external consultants for work that qualified government employees can perform, while promoting transparency, efficiency, and cost-effectiveness, and prioritizing in-house expertise to ensure the long-term sustainability and independence of state operations. Senate Bill 2662's requirements for justification, spending caps, disclosure, audits, and annual reporting ensure consultant engagements remain cost-effective.

The bill does not address the factors that drive agencies to rely on consultants, such as workforce shortages, recruitment delays, limited specialized expertise, salary constraints in Hawaii's high cost of living, loss of institutional knowledge from retirements, and a shrinking talent pool.

Agencies may need to use external consultants when existing staff have limited capacity for additional responsibilities, when complex issues arise, or when specialized services are required for a short period. In such cases, hiring a permanent employee would not be cost-effective or in the best interest of the taxpayer. Senate Bill 2662 may deter agencies from hiring external consultants, potentially compromising projects, compliance, modernization, and timely delivery of services to taxpayers.

Furthermore, the bill imposes an additional administrative burden on agencies by requiring them to submit annual reports to the Legislature.

The SPO provided guidance through Procurement Circular 2014-14 - Personal Services and Inherently Governmental Functions (attached), which states that “it is important to recognize that the government/state/city organization has fundamental inherent functions that cannot be delegated to a contractor. If these inherent functions are delegated, it implies the contractor is now acting as an employee of the government” (a personal service).

The SPO’s guidance is consistent with the Federal Acquisition Regulation Subpart 7.5 – Inherently Governmental Functions.

## **Conclusion**

The SPO shares the Legislature’s commitment to reducing reliance on consultants by prioritizing the use of in-house expertise. Limited, well-controlled consultant engagements – focused on urgent needs and knowledge transfer – are necessary to sustain operations while Hawai’i builds a viable, modern workforce.

However, the bill as proposed places a heavy administrative burden on agencies and could lead to delays as they work to comply with new statutory requirements. Such delays may ultimately be detrimental to the State. Because many projects require highly specialized expertise, departments may be compelled to procure professional services not available in-house to ensure efficient and timely completion.

Thank you for the opportunity to submit testimony on this measure.

Attachment: [Procurement Circular 2014-14](#) - Personal Services and Inherently Governmental Functions



**STATE OF HAWAII  
STATE PROCUREMENT OFFICE**

P.O. Box 119  
Honolulu, Hawaii 96810-0119  
Telephone: (808) 587-4700  
e-mail: [state.procurement.office@hawaii.gov](mailto:state.procurement.office@hawaii.gov)  
<http://spo.hawaii.gov>


September 12, 2014

**PROCUREMENT CIRCULAR NO. 2014-14**

TO: Office of the Governor, Chief of Staff  
Office of the Lieutenant Governor, Chief of Staff  
Executive Department Heads  
Hawaii State Public Library System, State Librarian

Chief Procurement Officers (CPOs):  
Department of Education, Superintendent  
University of Hawaii, President  
Office of Hawaiian Affairs, Chairperson of the Board  
Hawaii Health Systems Corporation, President and Chief Executive Officer  
Judiciary, Administrative Director of the Courts  
Senate, President  
House of Representatives, Speaker

Counties of Hawaii, Kauai, Maui, and City & County of Honolulu  
Executive Branch, Finance Director  
Legislative Branch, Chairperson of the County Council  
Board/Departments of Water Supply, Manager/Chief Engineer  
Honolulu Authority for Rapid Transportation, Executive Director

FROM: Sarah Allen, Administrator 

SUBJECT: Personal Services and Inherently Governmental Functions

There are many times where a public organization finds itself with the responsibility of managing a complex multi-million dollar program without adequate resources. An answer to inadequate resources is outsourcing, i.e., bringing on a contractor with the subject matter expertise to assist in managing the program for success. There are obvious benefits and challenges to this practice; the benefits being additional expertise where there is none; the challenge is that you now have one contractor managing another.

What does the public organization have to recognize as vital here?

It is important to recognize that the government/state/city organization has fundamental inherent government functions that cannot be delegated to a contractor. If these inherent functions are delegated, it implies the contractor is now acting as an employee of the government (a personal service).

When it relates to procurement, the only people who should be making final decisions on how to spend taxpayer's money are those authorized, delegated public procurement officials.

Federal Procurement Law defines inherent functions and personal services to be performed only by government employees. The SPO recommends this guidance as a good procurement policy and a preventative measure for procurement violations.

The SPO considers the following responsibilities inherently governmental:

- (i) Determining what supplies or services are to be acquired by the Government;
- (ii) Approving any solicitation documents, to include documents defining requirements, specifications, incentives, and evaluation criteria;
- (iii) Negotiating cost and pricing;
- (iv) Awarding contracts;
- (v) Approving post-award contract changes to include, but not limited to, ordering changes in contract scope, schedule, budget, taking action based on evaluations of contractor performance, and accepting or rejecting contractor products or services; and
- (vi) Terminating contracts.

Ultimately, it is the government's responsibility to manage the contracts it procures, to make all final decisions on what they want and how much they will pay for it, with the ever-present goal in mind of achieving a successful outcome whilst safeguarding taxpayer's money.

Your staff may call Donn Tsuruda-Kashiwabara at 586-0565 or email [donna.tsuruda-kashiwabara@hawaii.gov](mailto:donna.tsuruda-kashiwabara@hawaii.gov) if they have any questions to the above.



STATE OF HAWAII  
DEPARTMENT OF EDUCATION  
KA 'OIHANA HO'ONA'AUAO  
P.O. BOX 2360  
HONOLULU, HAWAII 96804

**Date:** 02/03/2026

**Time:** 03:00 PM

**Location:** CR 225 & Videoconference

**Committee:** GVO

**Department:** Education

**Person Testifying:** Keith T. Hayashi, Superintendent of Education

**Title of Bill:** SB2662, RELATING TO GOVERNMENT ACCOUNTABILITY.

**Purpose of Bill:** 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.

**Department's Position:**

The Hawai'i State Department of Education (Department) supports the stated purpose of this measure, which acknowledges "a pressing need to reduce the reliance on external consultants for work that can or should be performed by qualified government employees," and has concerns with potential impacts from the seven new requirements on administrative workload and public services.

This actuality has been a long-standing challenge for the Department with the delivery of educational services for students, including those required for special education students, consistent with their Individual Education Plan (IEP). Whether the Department has the capacity in-house or not, there are expectations consistent with the requirements of the federal Individuals with Disabilities Education Act and that students receive those services to allow them to benefit from educational opportunities.

This bill calls for seven new requirements:

1. Justification Reports;
2. Spending Caps (%);
3. Legislative Approval (\$);
4. Public Disclosure;
5. Annual Report;
6. Mandatory Audits; and

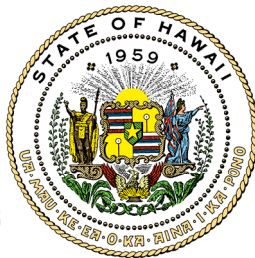
## 7. A ban on Contractor Performing “Inherent Government Functions”

The time and effort to meet all of these requirements for all contracted services do not appear immaterial and warrant further consideration. The Department also notes that further information on what will go into the blank percent and blank dollar amount, and the definition of “inherent government function,” is needed to better evaluate the potential cost and impact to operationalize.

Additionally the measure simultaneously does not address the myriad of challenges to locate, attract, hire, train, and retain a state workforce that is qualified and able to fulfill the full breadth of the Department’s mission and functions.

Thank you for the opportunity to submit testimony on this measure.





SENATE COMMITTEE ON GOVERNMENT OPERATIONS

The Honorable Angus L.K. McKelvey, Chair

The Honorable Mike Gabbard, Vice Chair

**S.B. NO. 2662, RELATING TO GOVERNMENT ACCOUNTABILITY**

Hearing: Tuesday, February 3, 2026, 3:00 p.m.

The Office of the Auditor offers comments on S.B. No. 2662, which is intended to reduce the use of external consultants for work that can be performed by qualified state employees. The bill requires, among other things, the Office of the Auditor “to conduct regular audits of agency consultant contracts to assess cost-effectiveness and compliance.”

We have reservations about the audits of purchasing agencies’ external consultant contracts the bill would require us to conduct. We do not have sufficient knowledge and understanding of agency operations or the experience of agency staff to be able to assess whether staff have sufficient expertise to perform the work contracted to external consultants; we similarly lack the ability to determine the cost to hire or train state employees to perform the contracted work. It also is unclear the criteria that the bill intends us to use to assess the cost-effectiveness of external consultant contracts.

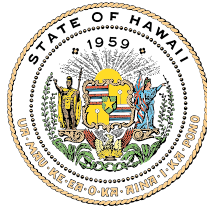
We also are concerned about our capacity to conduct the audits. We consider performance audits, which assess an agency’s performance of certain activities key to achieving its statutory mission, to be our primary type of work and the work that provides the most value to the Legislature, the agency, and the public. Those audits are performed under Generally Accepted Government Auditing Standards promulgated by the Comptroller General of the United States. Our staff is very familiar with the standards, which require them to complete 80 hours of continuing professional education every 2 years. The Legislature has tasked us with performing other work outside of performance audits,<sup>1</sup> including assessing income tax and general excise tax credits, exclusions, and exemptions; department’s special, revolving, and trust funds and trust accounts; proposals to enact new special and revolving funds; proposals to regulate professions; proposals to mandate health insurance coverage; among other things. That work limits our capacity to conduct performance audits. We caution against adding non-performance audit work, especially assessments that re-occur annually.

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<sup>1</sup> We conduct financial and single audits of 25 state programs, including the State of Hawai‘i’s Annual Comprehensive Financial Report and the State of Hawai‘i’s Single Audit, through contracts with independent CPA firms.

JOSH GREEN, M.D.  
GOVERNOR

SYLVIA LUKE  
LIEUTENANT GOVERNOR



KALBERT K. YOUNG  
EXECUTIVE DIRECTOR

GAIL STROHL  
DEPUTY EXECUTIVE DIRECTOR

**STATE OF HAWAII  
EMPLOYEES' RETIREMENT SYSTEM**

**TESTIMONY BY KALBERT YOUNG  
EXECUTIVE DIRECTOR, EMPLOYEES' RETIREMENT SYSTEM  
STATE OF HAWAII  
TO THE SENATE COMMITTEE ON GOVERNMENT OPERATIONS  
ON  
SENATE BILL NO. 2662**

**February 3, 2026**

**3:00 PM**

**Conference Room 225 and VIA Videoconference**

RELATING TO GOVERNMENT ACCOUNTABILITY.

Chair McKelvey, Vice Chair Gabbard, and Members of the Committee,

While the Board of Trustees (BOT) has not had a chance to review the bill, and while the Employees' Retirement System (ERS) appreciates the intent of SB 2662, there are concerns similar to SB 1543 from the 2025 session for which we respectfully oppose this measure.

SB 2662 proposes to enact additional conditions and restrictions when hiring an external consultant. While the ERS supports the bill's intent to increase government accountability while developing our own workforce capacity and capabilities, we are concerned that depending upon the (un)specified limits and restrictions contemplated in the bill could compromise the nimbleness necessary to execute external contracts vital to operate the ERS. Effective management of the investments and services within the ERS requires an extensive number of external partners to supplement the on-staff administration. The bill would add significant administrative and logistical challenges that would affect government operations.



**Employees' Retirement System**  
of the State of Hawaii

The responsibility to administer proper operation of the system is vested in the BOT by section 88-23 Hawaii Revised Statute (HRS). Being a public board subject to Sunshine Laws and Uniform Information Practices Act (UIPA) rules, all BOT processes, determinations and documents are already made public except for those exempted for purposes of confidentiality by said rules.

The BOT oversees requests for procurements along with their justification and budgetary considerations. The majority of external consultants approved and used by the BOT and the ERS are providing highly technical and specialized niche skills and experience not possessed by existing staff, nor most times in the State.

The requirement for prior legislative approval of contracts above the currently undefined threshold would likely constrain the Boards ability to fulfill its fiduciary obligation to provide expert and necessary consultative resources to responsibly administer the system. The additional analysis, justification, reporting, undetermined cap, and Legislative approval requirements would augment what is currently a lengthy, complex, and public procurement process, potentially delaying access to needed services and expertise provided by external consultants to administer the system in compliance with best practices and State and Federal requirements.

As with many other government agencies, the ERS is also dealing with staffing issues resulting from local demographic changes and market dynamics. We currently have a vacancy rate of nearly 25% of total staff positions, most of which are in technically specialized and prominent roles within the organization. The justification and reporting requirements would add to the already stressed in-house capacity that management and the Board of Trustees seek to relieve with external consultants.

Further concerns would be that, when it would be potentially feasible to use or create existing positions in place of external consultants, the creation and recruitment of such positions would be subject to a lengthy and indeterminate hiring and recruiting process. Recruitment efforts often encounter multiple challenges in today's competitive job markets such as a lack of applicants due to qualification or compensation, applicants deferring positions for other (oftentimes inter-government) positions, and applicants transferring or leaving shortly after beginning employment for other opportunities, affecting both the continuity of training and projects assigned to them.

Thank you for the opportunity to provide testimony detailing our concerns in opposition of SB 2662.



#### 2025-2026 Board of Directors

##### **President**

Charles Jury, P.E.  
Okahara and Associates, Inc.  
Ph: (808) 524-1124

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Kealohi Sandefur, P.E.  
Yogi Kwong Engineers, LLC  
Ph: (808) 942-0001

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Ronald N.S. Ho & Associates  
Ph: (808) 941-0577

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Ph: (808) 369-0729

Scott Hayashi  
SSFM International  
Ph: (808) 531-1308

Ginny M. Wright  
Executive Director  
350 Ward Ave. Ste. #160-83  
Honolulu, Hawaii 96814  
Ph: (808) 741-4772  
Email: [gwright@acechawaii.org](mailto:gwright@acechawaii.org)

Website: [www.acechawaii.org](http://www.acechawaii.org)

February 2, 2026

#### **Senate Committee on Government Operations**

**Hearing Date: Tuesday, February 3, 2026, 3 p.m.**

Honorable Chair McKelvey, Vice Chair Gabbard, and Members of the Senate Committee on Government Operations

**Subject: SB 2662, Relating to Government Accountability  
Testimony in Strong Opposition**

Dear Chair McKelvey, Vice Chair Gabbard, and Committee Members:

The American Council of Engineering Companies of Hawaii (ACECH) represents 68 member firms with over 2,000 employees throughout Hawaii. ACECH is part of the national ACEC, which has chapters in every state and represents 5,500 engineering firms employing more than 640,000 design professionals.

While the bill's purpose appears well-intentioned – aiming to build up in-house expertise at government agencies – ACECH believes this bill would **unduly restrict the ability of state and county agencies to contract for professional engineering and related services**, limiting flexibility that is essential for cost-effective, timely, and technically sound delivery of essential infrastructure projects in Hawai'i. **Therefore, ACECH strongly opposes SB2662.**

Public agencies across the country – including in Hawai'i – rely on private consulting firms to supplement in-house staff, manage workload surges, and provide specialized expertise. Restricting this flexibility does not reduce costs; instead, it may:

- Force agencies to maintain **permanent staffing levels sized for peak demand**, even when workload and funding fluctuate;
- Delay project delivery due to hiring constraints, civil service timelines, or unfilled vacancies;
- Increase long-term obligations related to **pensions, benefits, and administrative overhead**.

Independent analyses comparing **fully loaded public-sector costs** with consultant delivery have found that, when all costs are accounted for, **contracted professional services are frequently equal to or less expensive than in-house delivery**, particularly for design and technical services.

A 2016 study commissioned by ACEC and conducted by the Polytechnic Institute of New York University evaluated the cost of in-house engineering services versus contracting out similar work<sup>1</sup>. The study concluded that:

- Salary-only comparisons are misleading and materially understate the true cost of public employees;
- When pension, leave, benefits, overhead, and utilization rates are included, **contracting for professional services can be more cost-effective**;
- Outsourcing provides agencies with scalability and access to specialized expertise without long-term fiscal exposure.

<sup>1</sup> <https://www.acec.org/wp-content/uploads/2023/04/NYU-Study-On-Contracting-Out-Engineering-Services.pdf>

Key findings of the study (2016 data from DOTs) include:

- Average direct salaries: \$69,262 for DOTs and \$75,133 for firms.
- Fringe benefits: 79% for DOTs and 36% for firms.
- Overhead rates: 215% for DOTs and 125% for firms.
- Total average costs: \$272,684 for DOTs and \$217,020 for firms.

The study emphasizes that **simple cost comparisons are not the best measure of value in delivering design services** to the public. This view is embraced in federal law and in most states, including Hawaii, which require the use of Qualifications-Based Selection (QBS) procurement process for selecting design professional services. The QBS process ensures public agencies receive design services best suited to their needs, through which firms are selected based on experience and technical expertise, before negotiating a fair and reasonable price based on a proposed detailed scope of the project.

Hawai‘i faces unique challenges that make flexible contracting especially important when considering the buildup of permanent staff at public agencies:

- A limited local labor pool for specialized engineering and environmental disciplines. Many of our local firms have the luxury of reaching back to mainland offices or teaming partners to facilitate complicated projects;
- High cost of living that complicates recruitment and retention of permanent public employees;
- Episodic but urgent capital needs related to climate resilience, water infrastructure, transportation, and disaster recovery. Again, maintaining permanent staffing levels sized to accommodate episodic peak demand would result in a bloated public service that would cost significantly more than contracting out.

Constraining agencies’ ability to engage consultants would **slow delivery of critical infrastructure**, particularly on neighbor islands where in-house technical capacity is already thin. The current state of government vacancies is a pressing issue that needs to be addressed. Our firms routinely face long delays in project delivery due to limited agency resources – at almost every State and County agency - to review project design submittals and permit applications. To enhance in-house capacity and expertise, it is crucial to focus on filling vacant positions and fostering a culture of retention within departments.

ACEC represents the private engineering firms that partner with government to deliver public projects safely, efficiently, and in compliance with professional standards. We acknowledge that this bill would be detrimental to our member firms but believe it would also harm the State’s public agencies and citizens that depend on our industry. SB 2662 would:

- Harm Hawai‘i-based engineering firms that contribute significantly to the State’s economy beyond the projects they work on;
- Discourage investment in local technical capacity;
- Undermine long-standing public-private partnerships that have delivered essential infrastructure statewide.

Regarding accountability, we note that current procurement laws – including qualifications-based selection, contract oversight, and audit requirements – already provide strong safeguards to ensure public accountability. The bill also calls for reporting of all contracts, and we note that all State and County awards to consultants are already documented on the State’s procurement website.

In summary, SB 2662 would restrict a proven and necessary tool for public project delivery in Hawai‘i. By pushing essential infrastructure project design to public agencies that already have problems with staffing and efficiency, and by limiting agencies’ ability to contract for professional services, the bill would **increase costs, delay projects, and reduce access to specialized expertise**, to the detriment of both government and the public. For these reasons, we respectfully urge the Committee to **defer SB 2662**.

Respectfully submitted,

AMERICAN COUNCIL OF ENGINEERING COMPANIES OF HAWAII



Charles Jury, P.E.  
President

**SB-2662**

Submitted on: 2/2/2026 2:53:22 PM

Testimony for GVO on 2/3/2026 3:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Ikaika Kincaid	Individual	Oppose	Written Testimony Only

Comments:

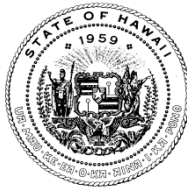
Mahalo for allowing me to testify on this bill!!

I strongly oppose SB2662. Public agencies all over the country have realized that contracting design services is more efficient and cost-effective than staffing up to conduct this work in house. Contracting design services allows agencies to deliver essential infrastructure projects without having to staff up to a level that may be needed for peak workloads (and then being forced to carry those staff during the natural ebbs of projects and workloads), and allows the agency to utilize specialty expertise that would be too expensive to hold in house. A 2016 study of this topic by NYU found that contracting out engineering services is more cost effective and efficient. I urge you to defer this bill.

Mahalo!

Ikaika

JOSH GREEN, M.D.  
GOVERNOR  
KE KIA'ĀINA



STATE OF HAWAI'I | KA MOKU'ĀINA 'O HAWAI'I  
DEPARTMENT OF TRANSPORTATION | KA 'OIHANA ALAKAU  
869 PUNCHBOWL STREET  
HONOLULU, HAWAII 96813-5097

EDWIN H. SNIFFEN  
DIRECTOR  
KA LUNA HO'OKELE

Deputy Directors  
Nā Hope Luna Ho'okele  
DREANALEE K. KALILI  
TAMMY L. LEE  
CURT T. OTAGURO  
ROBIN K. SHISHIDO

**LATE**

Tuesday, February 3, 2026  
3:00 PM  
State Capitol, 225

SB2662  
**RELATING TO GOVERNMENT ACCOUNTABILITY**

House Committee on Government Operations

The Department of Transportation (DOT) strongly opposes Senate Bill 2662.

This bill proposes to require each purchasing agency to provide justification for hiring external consultants, cap the amount agencies can spend on consultants, seek legislative approval for certain consulting contracts, disclose new contracts, and submit annual reports. While the DOT understands the intent to increase accountability and cost-effectiveness in government operations, we have significant concerns about the potential negative impacts of this legislation on our ability to efficiently and effectively carry out our mission.

The DOT, like many state agencies, relies on external consultants to provide specialized expertise, augment our workforce during peak periods, and assist with complex projects that require specific technical knowledge. The proposed restrictions and additional administrative burdens could severely hamper our ability to access these critical resources in a timely manner.

The requirement for legislative approval of contracts exceeding a certain dollar amount is particularly concerning. This additional layer of approval could lead to significant delays in project implementation, potentially jeopardizing federal funding deadlines and increasing overall project costs due to delays.

Furthermore, the proposed caps on consultant spending fail to account for the varying needs of different agencies and the fluctuating demands of large-scale infrastructure projects. This one-size-fits-all approach could severely limit our ability to respond to emergencies, address urgent safety concerns, or take advantage of time-sensitive opportunities for federal matching funds.

The DOT already has robust procurement procedures in place that ensure transparency, competitiveness, and value for money in our consulting contracts. Adding another layer of oversight through the Compliance Audit Unit within the Office of the



Auditor may create redundancies and inefficiencies without providing significant additional benefits.

In conclusion, while we appreciate the Legislature's focus on fiscal responsibility, we believe this bill would create unnecessary obstacles to efficient government operations, particularly in the realm of transportation infrastructure improvements and maintenance. We urge the committee to consider the unique needs of agencies like the DOT and the potential unintended consequences of these broad restrictions.

Thank you for the opportunity to testify in opposition to this bill.

**AIRLINES COMMITTEE OF HAWAII**

Daniel K. Inouye International Airport  
Terminal 1, Third Floor  
300 Rodgers Blvd., #62  
Honolulu, Hawaii 96819-1832  
Phone (808) 838-0011  
Fax (808) 838-0231

Senator Angus McKelvey, Chair  
Senator Mike Gabbard, Vice Chair  
Committee on Government Operations

RE: **SB 2662 – Relating to Government Accountability – In Opposition**  
**Tuesday, February 3, 2026; 3:00 p.m.**  
**Conference room 225**

Aloha Chair McKelvey, Vice Chair Gabbard and members of the committee:

The Airlines Committee of Hawaii (ACH), comprised of 19 signatory air carriers that underwrite the State airport system, appreciates the opportunity to submit testimony in opposition to SB 2662, which among other things, requires each purchasing agency to provide justification for hiring external consultants, caps the amount each agency can spend on external consultants and requires each agency to seek approval from the Legislature for consulting contracts exceeding a certain dollar amount.

For decades, the Department of Transportation, Airports Division (DOT-A) has had difficulty filling vacant positions as well as with retention. Therefore, the DOT-A has utilized consultants to supplement DOT-A personnel, a practice that is applied at most, if not all major airports across the country.

Although the costs to supplement staff are not insignificant, the benefits typically outweigh the costs. This is particularly true relative to the implementation of large capital programs, with the potential for incurring millions of dollars in escalation due to project delays.

Accordingly, the ACH believes supplementing DOT-A staff with consultants to expedite implementation of their large capital program is a prudent investment that ultimately results in projects completed sooner and at a lower cost.

*\*ACH members are Air Canada, Air New Zealand, Alaska Airlines, All Nippon Airways/Air Japan, Aloha Air Cargo, American Airlines, China Airlines, Delta Air Lines, Federal Express, Fiji Airways, Hawaiian Airlines, Japan Airlines, Korean Airlines, Philippine Airlines, Qantas Airways, Southwest Airlines, United Airlines, United Parcel Service, and WestJet.*

For these reasons, we ask that you hold this bill.

Sincerely,

ACH Executive Committee

A stylized signature in black ink, consisting of two large, overlapping 'B' shapes.

Brendan Baker

A signature in blue ink, appearing to be 'DS' followed by a flourish.

David Sellers

A signature in black ink, appearing to be 'EL' followed by a flourish.

Elizabeth Loomis

A signature in black ink, appearing to be 'Randall Fiertz'.

Randall Fiertz

A signature in black ink, appearing to be 'Richard Ide'.

Richard Ide

**LATE**

**SB-2662**

Submitted on: 2/2/2026 3:07:44 PM

Testimony for GVO on 2/3/2026 3:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Janice Marsters	Individual	Oppose	In Person

Comments:

I am a small business owner of an environmental consultancy firm headquartered on Maui and I strongly oppose SB2662. Public agencies all over the country have realized that contracting design services is more efficient and cost-effective than staffing up to conduct this work in house. Contracting design services allows agencies to deliver essential infrastructure projects without having to increase their staff to a level that may be needed for peak workloads (and then being forced to carry those staff during the natural ebbs of projects and workloads), and allows the agency to utilize specialty expertise that would be too expensive to hold in house. A 2016 study of this topic by NYU found that contracting out engineering services is more cost effective and efficient. I urge you to defer this bill.