

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 HAWAI'I | KA MOKU'ĀINA O HAWAI'I
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES | KA 'OIHANA LOIHELU A LAWELAWE 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 10, 2026, 3:10 P.M.
CONFERENCE ROOM 211 AND VIA VIDEOCONFERENCE, STATE CAPITOL

S.B. 3230

RELATING TO PROCUREMENT

Chair McKelvey, Vice Chair Gabbard, and members of the Committee, thank you for the opportunity to submit testimony on S.B. 3230. The Department of Accounting and General Services (DAGS) offers **comments** on S.B. 3230.

Section 1 of the bill seeks to amend Section 103D-101, Hawaii Revised Statutes, to prohibit state and county agencies from procuring project management services through non-governmental third-party contracts, excepting independent verification and validation contracts for information technology services under certain conditions (page 3, lines 14-20).

Section 2 of the bill seeks to amend Section 103D-104, Hawaii Revised Statutes, to provide a new definition of project management as "a professional service that manages a project's schedule, cost, quality, safety, scope, and function, and ensures

that the project is completed on time and within budget[.]” (page 4, lines 4-7).

It is apparent these amendments are intended to address the history of projects (such as HART and the airport cargo terminal) that have engaged in “consultants managing consultants” to the detriment of those projects. For those relatively unusual historic engagements, the relevant agencies directly contracted with a prime consultant to manage and direct the services of multiple other prime consultants with whom the agency had directly contracted. The provisions of Sections 1 and 2 would be effective in prohibiting future use of a prime consultant to manage and direct the services of one or more other prime consultants.

However, taken together, the provisions of Sections 1 and 2 would also prohibit the relatively common and beneficial practice of an agency directly engaging a single prime consultant which is contractually responsible to manage and direct the services of one or more subconsultants. This practice makes efficient use of both state staff resources and private consultant resources; provides flexibility to assemble and manage consultant teams with the technical and specialized skills, experience, and expertise specific to each project; limits the state’s exposure to liability associated with the potential errors and omissions in the professional services provided the subconsultants by assigning that liability to the prime consultant; assigns responsibility for coordination of all consultant services to the prime consultant; assigns to the prime consultant the responsibility for managing and making compensation of its subconsultants; and maintains the agency’s ability to efficiently manage overall implementation of the project.

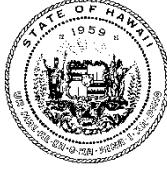
If enacted, the effect of this bill will be to require the agency prosecuting a project

to identify, select, and contract with multiple prime consultants; to manage and direct the services to be provided by each prime consultant; to coordinate the activities and interactions of multiple prime consultants; to accept responsibility for the managing liability for errors and omissions of multiple prime consultants, including determining how such liability should be allocated when multiple prime consultants interact to accomplish a single task (such as liabilities that may occur due to conflicts between structural and HVAC systems); to manage and effect direct payment to compensate each of the multiple prime consultants; and to accomplish myriad related tasks. The issue of coordination of the services of multiple prime consultants is of significant interest, in that such coordination will require the agency to approve the services delivered by each prime consultant, with that approval attendant on acceptance of the potential liability of errors and omissions incorporated into the approved services. That approval is a significant departure from the department's general practice of accepting, rather than approving, the services provided by a prime consultant and its subconsultants.

Thus, enactment of Sections 1 and 2 as written would significantly expand the responsibilities, required activities, and potential liabilities for which the contracting agency would become responsible; which would result in a concomitant requirement to expand and fund the staffing resources made available to that agency. The bill makes no accommodation for such expansion of staffing and associated funding.

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
<http://spo.hawaii.gov>

TESTIMONY
OF
BONNIE KAHAKUI, ADMINISTRATOR
STATE PROCUREMENT OFFICE

TO THE SENATE COMMITTEE
ON
GOVERNMENT OPERATIONS
FEBRUARY 10, 2026, 3:10 PM

SENATE BILL 3230
RELATING TO PROCUREMENT

Chair McKelvey, Vice Chair Gabbard, and members of the committee, thank you for the opportunity to submit testimony on Senate Bill 3230. The State Procurement Office (SPO) respectfully provides serious concerns with this bill.

Comments

The State Procurement Office provides the following comments:

SECTION 1, Page 3, lines 14-20, adds subsection (d), which prohibits all governmental bodies and public employees from procuring services for project management through non-governmental third-party contracts, except for certain independent verification and validation contracts for information technology services. The existing Procurement Code contains extensive safeguards for ethical conduct, conflicts of interest, impartiality, and fiscal accountability. A categorical statutory prohibition is unnecessary and may hinder agencies' ability to deliver projects effectively and efficiently. Procuring agencies often rely on project management services to supplement limited internal workforce capacity, provide flexibility to assemble and manage specialized teams with technical expertise, and maintain the agencies' ability to efficiently manage project implementation. Furthermore, prohibiting an agency from directly engaging with a prime consultant, who is responsible and liable for any services provided by subconsultants, transfers those responsibilities and liabilities to the procuring agency, requiring additional resources and funding.

Testimony of the State Procurement Office
SENATE BILL 3230
Senate Committee on Government Operations
February 10, 2026
Page 2

The definition of “project management” proposed in Section 2, Page 4, lines 4-7, may unintentionally encompass a wide range of professional services under HRS Chapter 103D, creating uncertainty, inconsistent application, procurement delays, or disputes.

The SPO appreciates the intent of Section 4 on Page 5 to establish a Special Project Branch within the Public Works Division of the Department of Accounting and General Services through the proposed addition of subsection (d) to §103D-101. However, the creation of a limited number of permanent positions does not mitigate the ***statewide impact*** of prohibiting agencies from supplementing their workforce through competitively procured project management services. The Procurement Code has historically allowed agencies, subject to oversight and approval requirements, to determine whether internal resources or external expertise best serve the State’s needs for a particular project.

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



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

Date: 02/10/2026
Time: 03:10 PM
Location: CR 225 & Videoconference
Committee: GVO

Department: Education

Person Testifying: Keith T. Hayashi, Superintendent of Education

Title of Bill: SB3230, RELATING TO PROCUREMENT.

Purpose of Bill: Prohibits all governmental bodies and public employees from procuring services for project management through nongovernmental third-party contracts, except for certain procurements of independent verification and validation contracts for information technology services. Requires every budget transfer to receive prior written certification from an appropriate fiscal officer as to the effect the budget transfer will have on the total project budget or the total contract budget. Appropriates moneys to establish a Special Project Branch within the Public Works Division of the Department of Accounting and General Services, including 3.0 full-time equivalent permanent positions, to provide specialized expertise and staff resources that support the Division's implementation of certain complex, high-profile capital improvement program projects using innovative, nontraditional delivery methods.

Department's Position:

The Hawaii State Department of Education (Department) appreciates the opportunity to offer testimony to SB 3230. As written, this bill would prohibit the procurement of project management services through non-governmental third-party contracts and would severely compromise the Department's ability to address programs such as its significant school construction and repair backlog.

Similar to other public works agencies across the state, the Department procures external consultants to provide services the Department's internal staff are unable to provide due to limited staffing, volume and complexity of projects the Department is tasked with completing, and the need for highly specialized technical skills, experience and knowledge that are not readily available internally.

These proposed restrictions would severely impact the Department's ability to access these critical resources in a timely manner and would slow the delivery of critical infrastructure improvements, result in an increase in costs and delays in projects, and impact the improvements to the Department's statewide system of approximately

4,700 buildings on 21.5 million square feet.

The fiscal responsibility section of the bill is concerning. This additional layer of approvals could lead to significant delays in project implementation and completion, and increase overall project cost due to delays.

The Department remains committed to ethical procurement practices, but believes this bill would have more unintended consequences to efficient government operations, particularly to school infrastructure system operations as robust as the Department's. For these reasons, the Department urges the committee to defer SB 3230.

Thank you for this opportunity to provide comments.

2025-2026 Board of Directors

President

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

President-Elect

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

Treasurer

Tim Goshi, P.E.
KAI Hawaii, Inc.
Ph: (808) 791-3966

Secretary

George Takase, P.E.
Ronald N.S. Ho & Associates
Ph: (808) 941-0577

Past President

Shannon Holman, P.E.
Orion Engineers & Associates
Ph: (808) 282-7986

National Director

Nimr Tamimi, P.E.
Engineering Partners, Inc.
Ph: (808) 930-7823

Directors

Dayna Nemoto-Shima, P.E.
Pacific Geotechnical Engineers, Inc.
Ph: (808) 678-8024 x808

Simone Simbeck
Haley & Aldrich, Inc.
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

Website: www.acechawaii.org

February 9, 2026

Senate Committee on Government Operations

Hearing Date: Tuesday, February 10, 2026, 3:10 p.m.

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

**Subject: SB 3230, Relating to Procurement
Testimony in 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 member firm projects directly affect the quality of the water we drink and the food we eat; the safety of our buildings, highways, bridges, and infrastructure; and the quality of the environment in which we work and play. Efficient and competent project management of essential infrastructure projects is a serious business. **ACECH has significant concerns about SB3230.**

We are unsure of the intentions of this bill and the meaning of “non-governmental third-party contracts. If the intent is to prevent agencies from contracting for project management services, ACECH believes this bill would **unduly restrict the ability of state and county agencies to contract for project management and related services** when needed. We can readily think of several examples where agencies have contracted project management services because the agency did not have the in-house capacity or capability:

- The County of Maui hired an independent consultant to oversee the administration and project management of the Community Development Block Grant for the rebuilding of Lahaina.
- Many agencies outsource the management of their complex regulated stormwater management programs or other complex environmental programs.
- Several agencies use consultants as staff augmentation when the agency does not have the in-house ability to execute capital improvement projects or programs

ACECH believes that is crucial to preserve the flexibility to hire outside project managers if it is needed for an agency’s cost-effective, timely, and technically sound delivery of essential infrastructure projects in Hawai‘i. Independent analyses comparing **fully loaded public-sector costs** with consultant delivery have found that, when all costs are accounted for, **contracted professional services are typically equal to or less expensive than in-house delivery**, particularly for design and technical services¹.

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

Hawai‘i faces unique challenges that make flexible contracting especially important when considering having permanent staff at public agencies conduct more work in-house:

- 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. 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.

We note that there is nothing stopping agencies from handling all project management in house now. If they could do so, they would. 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. We believe constraining agencies’ ability to engage outside project managers would **slow delivery of critical infrastructure**, particularly on neighbor islands where in-house technical capacity is already thin.

In summary, SB 3230 would restrict a proven and necessary tool for public project delivery in Hawai‘i. By pushing project management to public agencies that already have problems with staffing and efficiency, and by limiting agencies’ ability to contract for outside project management when needed, 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 oppose this bill as written.

Respectfully submitted,

AMERICAN COUNCIL OF ENGINEERING COMPANIES OF HAWAII



Charles Jury, P.E.
President



LATE

February 9, 2026

Hawaii State Council
A Chapter of the
American Institute of Architects

2026 Board of Directors

President
Melanie Islam, AIA

Vice President
Lorena Yamamoto, AIA

Secretary/Treasurer
Morgan Gerdel, AIA

Directors
Richard Furst, AIA
Joel Ganotisi, AIA
Wayne Goo, AIA
Julie Lam, Assoc. AIA
Kevin Loo Chan, AIA
Kritthika Penedo, AIA
Maziyar Rajaei, AIA
David Sellers, AIA
Jeremy Stoddart, AIA
Erin Wong, Assoc. AIA

Ex Officio
Julia Fink
Executive Vice President

AIA Hawaii
Center for Architecture
828 Fort St. Mall, Suite 100
Honolulu, HI 96813-4452

T 808-628-7243
contact@aiahonolulu.org
aiahonolulu.org/hsc

1.1.19 ver.

TO: Honorable Angus McKelvey, Chair
Honorable Mike Gabbard, Vice Chair
Senate Committee on Government Operations

FROM: Legislative Advocacy Committee
American Institute of Architects, Hawai'i State Council

Aloha Chair, Vice Chair, and Members of the Committee,

Mahalo for the opportunity to provide testimony on SB 3230, which would require agencies to justify the use of external professional consultants before engaging those services.

We understand and respect the Legislature's intent to promote fiscal accountability and ensure that public agencies are using taxpayer resources efficiently. However, we respectfully **oppose** SB 3230 because its approach would create operational barriers that ultimately harm project delivery, increase risk, and reduce the State's ability to respond effectively to complex construction needs.

Modern public construction projects, particularly large or technically complex design-build efforts, require professional project management (PM) staffing levels that agencies cannot realistically maintain in-house on a permanent basis. External project managers (sometimes as experienced licensed architects and engineers) are not substitutes for agency capability; they are an essential extension of it. Their use reflects practical workforce realities, fluctuating project demand, and the need for specialized skills that are not feasible for agencies to carry year-round.

Requiring agencies to justify consultant use introduces an additional procedural hurdle that risks delaying projects, discouraging efficient procurement, and reducing flexibility precisely when agencies must respond quickly to infrastructure demands. Rather than strengthening accountability, the bill may unintentionally slow delivery, increase administrative burden, and expose projects to greater cost escalation due to delay. Many projects both start and come to proper completion due to the role of highly qualified external PM positions with the ability to operate in unified step with the private sector professionals.

It is also important to recognize that PM consultants are already subject to competitive procurement standards, contractual oversight, and performance accountability. Existing frameworks allow agencies to select qualified professionals while maintaining transparency and fiscal responsibility. If improvements are needed in project oversight or delivery practices, those discussions should focus on strengthening management tools, not restricting access to the professional expertise required to execute complex public work.

We welcome continued dialogue on how to improve accountability and project performance. AIA Hawaii stands ready to work with policymakers and agencies to develop solutions that enhance oversight without compromising the State's ability to deliver critical public projects.

For these reasons, we respectfully urge the Committee to defer SB 3230.

Mahalo,

Reid Mizue, AIA
AIA Hawaii Legislative Advocacy Committee

SB-3230

Submitted on: 2/9/2026 12:46:32 PM
Testimony for GVO on 2/10/2026 3:10:00 PM

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

Comments:

Aloha Chair McKelvey, Vice Chair Gabbard, and Committe Members.

As a licensed engineer for over 20 years in Hawaii and working as a consultant for varous state and county agencies throughout this time, I have seen the struggles with the agencies' labor forces which have negatively affected the agencies in completing project on time and within budgets.

SB 3230 would unduly restrict the ability of state and county agencies to contract for project management and related services when needed. It is crucial to preserve agencies' flexibility to hire outside project managers if it is needed for cost-effective, timely, and technically sound delivery of essential infrastructure projects in Hawai'i. We note that there is nothing stopping agencies from handling all project management in house now. If they could do so, they would. Agencies contract project management services because the agency did not have the in-house capacity or capability. By pushing project management to public agencies that already have problems with staffing and efficiency, and by limiting agencies' ability to contract for outside project management when needed, the bill would increase costs, delay projects, and reduce access to specialized expertise, to the detriment of both government and the public.