

STAND. COM. REP. NO.

**2115**

Honolulu, Hawaii

**FEB 0 6 2026**

RE: S.B. No. 2122  
S.D. 1

Honorable Ronald D. Kouchi  
President of the Senate  
Thirty-Third State Legislature  
Regular Session of 2026  
State of Hawaii

Sir:

Your Committee on Labor and Technology, to which was referred S.B. No. 2122 entitled:

"A BILL FOR AN ACT RELATING TO CAFETERIA PLANS,"

begs leave to report as follows:

The purpose and intent of this measure is to specify that the maximum contribution and carryover amounts for a public service flexible spending account plan shall be set in accordance with the annual limits prescribed by the Internal Revenue Service for cafeteria plans.

Your Committee received testimony in support of this measure from the Hawaii Government Employees Association, ASFCME Local 152, AFL-CIO and United Public Workers ASFCME Local 646, AFL-CIO.

Your Committee received testimony in opposition to this measure from the Libertarian Party of Hawaii.

Your Committee received comments on this measure from the Department of Human Resources Development and City and County of Honolulu Department of Human Resources.

Your Committee finds that flexible spending account plans established for public employees in the State allow employees to contribute a portion of their salary or wages on a pre-tax basis into the plans to pay for certain medical and other eligible



expenses, thereby increasing their take-home pay and financial flexibility. Your Committee further finds that these plans are statutorily required to qualify as a cafeteria plan under the Internal Revenue Code and the Internal Revenue Service establishes the maximum allowable contribution and carryover amounts, which are adjusted annually to reflect cost-of-living changes. However, under existing state law, these amounts are set by public employers at significantly lower amounts and increases at a significantly slower pace compared to those permitted under federal law. This measure requires the maximum contribution and maximum carryover amount for any flexible spending account plan to be set annually in accordance with the federally prescribed limits. Your Committee finds that doing this will give employees the immediate opportunity to elect more of their income to cover eligible expenses.

Your Committee has amended this measure by:

- (1) Clarifying that the maximum salary reduction contribution and maximum carryover amounts for any flexible spending account plan shall be set in accordance with the maximum amounts, rather than the inflation-adjusted maximum amounts, prescribed by the Internal Revenue Service; and
- (2) Inserting an effective date of January 1, 2077, to encourage further discussion.

As affirmed by the record of votes of the members of your Committee on Labor and Technology that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2122, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2122, S.D. 1, and be referred to your Committee on Ways and Means.

Respectfully submitted on  
behalf of the members of the  
Committee on Labor and  
Technology,

  
BRANDON J.C. ELEFANTE, Chair



