

STAND. COM. REP. NO. **2472**

Honolulu, Hawaii

FEB 19 2026

RE: S.B. No. 2601
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 Government Operations, to which was referred S.B. No. 2601 entitled:

"A BILL FOR AN ACT RELATING TO PROCUREMENT,"

begs leave to report as follows:

The purpose and intent of this measure is to:

- (1) Ensure that awarded contracts are supported by sufficient appropriations by requiring that the contract amount does not exceed ten percent of the amount of the appropriation or balance of an appropriation that is available to cover the cost of the contract;
- (2) Require a contract that exceeds the ten percent threshold to be approved by the Chief Procurement Officer; and
- (3) Repeal criminal penalties in the Hawaii Public Procurement Code.

Your Committee received comments on this measure from the State Procurement Office.

Your Committee finds that the Hawaii Public Procurement Code, specifically, section 103D-309, Hawaii Revised Statutes, promotes fiscal responsibility and effectively prevents the over-obligation



of appropriated funds by requiring certification that sufficient appropriated funds are available to cover the payments under a contract before that contract is awarded through competitive sealed bidding. However, your Committee further finds that this section does not specify a threshold for the funds that must be available or adequately address the disposition of contract awards that exceed appropriated amounts. This measure addresses both concerns by setting the threshold at ten percent of the amount or balance of the appropriation and requiring the Chief Procurement Officer to approve any contract that exceeds the threshold, while also repealing criminal penalties in the Hawaii Public Procurement Code.

Your Committee acknowledges the concern raised in testimony by the State Procurement Office that repealing criminal penalties in the Hawaii Public Procurement Code may create uncertainty regarding how, when, and to whom the penalties will be assessed through the administrative processes. Your Committee received testimony from the State Procurement Office expressing concern that implementing this measure as introduced may be difficult because requiring review of contracts with cost overruns of ten percent or more could produce a voluminous workload. Your Committee finds that, although the State Procurement Office indicated it could manage these duties if the threshold were increased to fifteen percent or more, doing so could narrow the scope of oversight to a smaller subset of contracts than the Legislature intended. Accordingly, your Committee recommends that your Committee on Ways and Means, should it choose to deliberate on this measure, consider including a general fund appropriation and an additional full-time equivalent (FTE) position to support implementation of this measure while maintaining the ten percent overrun threshold.

Your Committee also notes the State Procurement Office's comments that the existence of the misdemeanor provision reinforces the seriousness of compliance with the Hawaii Public Procurement Code and serves as an important deterrent to intentional, egregious violators. Therefore, amendments to this measure are necessary to address these comments.



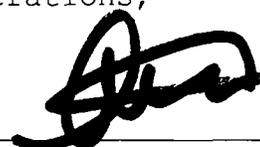
Accordingly, your Committee has amended this measure by:

- (1) Clarifying that any person who violates the Hawaii Public Procurement Code or any rules adopted thereunder is subject to prosecution for a misdemeanor in cases of egregious violations;
- (2) Inserting a blank appropriation amount for the State Procurement Office to carry out the purpose of the measure, including the establishment and hiring of an unspecified number of positions;
- (3) Inserting an effective date of July 1, 2525, to encourage further discussion; and
- (4) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

Your Committee notes that this measure, as amended, contains an appropriation for an unspecified amount and an unspecified amount of full-time equivalent positions. Should your Committees on Ways and Means and Judiciary choose to deliberate on this measure, your Committee respectfully requests that they consider inserting an appropriate amount and number for the appropriation and positions.

As affirmed by the record of votes of the members of your Committee on Government Operations that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2601, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2601, S.D. 1, and be referred to your Committees on Ways and Means and Judiciary.

Respectfully submitted on
behalf of the members of the
Committee on Government
Operations,

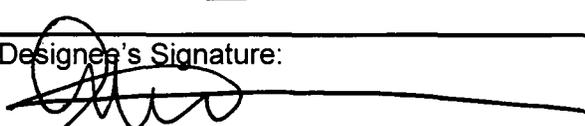


ANGUS L.K. MCKELVEY, Chair



The Senate
Thirty-Third Legislature
State of Hawai'i

Record of Votes
Committee on Government Operations
GVO

Bill / Resolution No.:* SB2601	Committee Referral: GVO, WAM/JDC	Date: 2/5/2026		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
MCKELVEY, Angus L.K. (C)	✓			
GABBARD, Mike (VC)	✓			
HASHIMOTO, Troy N.				✓
MORIWAKI, Sharon Y.	✓			
AWA, Brenton	✓			
TOTAL	4	—	—	1
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: 				
Distribution: Original Yellow Pink File with Committee Report Committee Drafting Agency				

*Only one measure per Record of Votes