

STAND. COM. REP. NO. 2626

Honolulu, Hawaii

FEB 20 2026

RE: S.B. No. 2662
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. 2662 entitled:

"A BILL FOR AN ACT RELATING TO GOVERNMENT ACCOUNTABILITY,"

begs leave to report as follows:

The purpose and intent of this measure is to:

- (1) Require each purchasing agency to provide justification for hiring external consultants;
- (2) Cap the amount each agency can spend on external consultants;
- (3) Require each agency to seek approval from the Legislature for consulting contracts exceeding a certain dollar amount;
- (4) Require each agency to disclose new contracts with external consultants;
- (5) Require annual reports to the Legislature;
- (6) Require the Compliance Audit Unit within the Office of the Auditor to conduct regular audits of agency consultant contracts to assess cost-effectiveness and compliance;



- (7) Establish exceptions; and
- (8) Require each chief procurement officer to ensure that inherent government functions are not delegated to a contractor.

Your Committee received testimony in opposition to this measure from the Department of Transportation, Employees' Retirement System, American Council of Engineering Companies of Hawaii, Airlines Committee of Hawaii, and two individuals.

Your Committee received comments on this measure from the Department of Accounting and General Services, Department of Education, State Procurement Office, and the Office of the Auditor.

Your Committee finds that excessive outsourcing of government functions often leads to increased costs, diminished accountability, and a loss of institutional knowledge within public agencies. Nonetheless, your Committee finds that many state departments make use of external consultants to provide services that the departments' internal staff are unable to provide due to limited staffing, the volume and complexity of work, and the lack of highly specialized skills. Your Committee believes that, if the state government reduced its reliance on external consultants and prioritized the use of in-house expertise, the State would foster greater transparency in its operations, promote cost efficiency, and enhance the sustainability of government operations. This measure will ensure public agencies are responsible, effective, and equipped to meet the evolving needs of the State by reducing the use of external consultants for work that can be performed by qualified government employees.

Your Committee has amended this measure by:

- (1) Deleting language that would have capped the amount each purchasing agency could spend on external consulting services;
- (2) Deleting language that would have required each purchasing agency to disclose certain details of all new contracts it awards to external consultants;



- (3) Clarifying that the requirements do not apply to the contracting of external consultants for technical or specialized expertise unavailable in the department;
- (4) Amending section 1 to reflect its amended purpose;
- (5) Inserting an effective date of January 1, 2525, to encourage further discussion; and
- (6) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

Your Committee has heard the testimony of the Office of the Auditor expressing concerns that it is not able to conduct the audits required by this measure due to lack of staffing and fiscal resources. Your Committee finds that this issue raises concerns that merit further consideration and requests that your Committee on Ways and Means consider appropriating funds, including funds to hire full-time equivalent (FTE) employees, to effectuate the purpose of this measure.

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. 2662, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2662, S.D. 1, and be referred to your Committee on Ways and Means.

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



ANGUS L.K. MCKELVEY, Chair



