

STAND. COM. REP. NO. 2570

Honolulu, Hawaii

FEB 20 2026

RE: S.B. No. 3230
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. 3230 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) Prohibit all governmental bodies and public employees from procuring services for project management through non-governmental third-party contracts, except for certain procurements of independent verification and validation contracts for information technology services;
- (2) Require 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;
- (3) Appropriate funds to establish a Special Project Branch within the Public Works Division of the Department of Accounting and General Services, including funding for three full-time equivalent (3.0 FTE) 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, non-traditional delivery methods.

Your Committee received testimony in opposition to this measure from the American Council of Engineering Companies of Hawaii; Legislative Advocacy Committee of the American Institute of Architects, Hawai'i State Council; and one individual.

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

Your Committee finds that there has been a history of projects, including the Honolulu Authority for Rapid Transportation project and Daniel K. Inouye International Airport cargo facility project, that have engaged in the practice of "consultants managing consultants", in which the relevant agencies directly contracted with a prime consultant to manage and direct the services of multiple other prime consultants with whom the agency has also directly contracted. Your Committee further finds that in some instances, this practice can result in the dilution of agency oversight, obscured lines of responsibility and accountability, and contribute to cost overruns, delays, and reduced fiscal control. This measure establishes clear limitations on procuring project management services, thereby promoting greater fiscal accountability and oversight.

Your Committee notes the concerns raised in testimony by the State Procurement Office that prohibiting governmental bodies and public employees from procuring project management services through nongovernmental third-party contracts may hinder agencies' ability to deliver projects effectively and efficiently, and would transfer responsibility and liability from prime consultants to procuring agencies, requiring additional resources and funding. Your Committee acknowledges that while a categorical prohibition raises concerns, oversight of third-party contracts remains an inherently governmental and nondelegable responsibility of the state agency, which must retain ultimate authority, accountability, and decision-making over contract performance. See State Procurement Office Procurement Circular No. 2014-14 (September 12, 2014).



To address the concerns raised by the State Procurement Office, while preserving the inherently governmental responsibilities of purchasing agencies, your Committee has amended this measure by:

- (1) Deleting language that would have prohibited governmental bodies and public employees from procuring services for project management through non-governmental third-party contracts;
- (2) Inserting language that authorizes governmental bodies and public employees to procure project management services through non-governmental third-party contracts; provided that:
 - (A) All state agencies retain ultimate and final authority and accountability for project management as an inherently governmental responsibility;
 - (B) Oversight of each project management contract be performed by a designated public employee; and
 - (C) Third-party project management services may provide advisory, technical, or administrative support but not exercise decision-making authority or supervise public employees.
- (3) Inserting language clarifying that oversight of third-party contracts shall remain an inherently governmental and nondelegable responsibility of the state agency, which must retain ultimate authority, accountability, and decision-making over contract performance;
- (4) Inserting an effective date of July 1, 2525, to encourage further discussion;
- (5) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

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. 3230, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 3230, 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



