

STAND. COM. REP. NO. **2571**

Honolulu, Hawaii

FEB 20 2026

RE: S.B. No. 3249
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. 3249 entitled:

"A BILL FOR AN ACT RELATING TO PROCUREMENT PROTESTS,"

begs leave to report as follows:

The purpose and intent of this measure is to require the forfeiture of cash or protest bond in an administrative proceeding for review of procurement-related disputes if the initiating party does not prevail.

Your Committee received testimony in support of this measure from the Department of Accounting and General Services and State Procurement Office.

Your Committee received testimony in opposition to this measure from the Subcontractors Association of Hawaii; General Contractors Association of Hawaii; Ralph S. Inouye Co., Ltd.; and one individual.

Your Committee finds that while allowing protests of the solicitation or award of a contract is an integral accountability measure in the procurement process, prolonged disputes can cause significant delays, increasing costs and construction timelines. Strengthening the penalty for a frivolous appeal disincentivizes bidders on construction projects from filing bid protests which



may be spurious or without merit. This measure increases accountability and efficiency in the procurement process.

Your Committee acknowledges the concerns raised in testimony by various contractors that the protest provisions of the procurement code act as ethical safeguards to ensure all participating parties comply with the law. By increasing the risk of forfeiture of the cash or protest bond, this measure may deter legitimate protests on large projects that would require significant sums for the cash or protest bond amount. Therefore, amendments to this measure are necessary to address this concern.

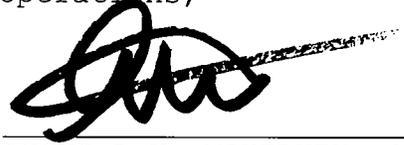
Accordingly, your Committee has amended this measure by:

- (1) Providing that half of the cash or protests bond amount, rather than the full amount, shall be forfeited if the initiating party does not prevail in the administrative proceeding;
- (2) Restoring existing statutory language that requires the office of administrative hearings to find that an appeal was made in bad faith, in addition to the initiating party not prevailing in the administrative proceeding, before any forfeiture of the cash or protest bond occurs;
- (3) Amending section 1 to reflect its amended purpose;
- (4) Inserting an effective date of January 1, 2525, to encourage further discussion; and
- (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. 3249, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 3249, S.D. 1, and be referred to your Committee on Judiciary.



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



ANGUS L.K. MCKELVEY, Chair



