



**WRITTEN TESTIMONY OF  
THE DEPARTMENT OF THE ATTORNEY GENERAL  
KA 'OIHANA O KA LOIO KUHINA  
THIRTY-THIRD LEGISLATURE, 2026**

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**ON THE FOLLOWING MEASURE:**

S.B. NO. 2662, S.D. 1, RELATING TO GOVERNMENT ACCOUNTABILITY.

**BEFORE THE:**

SENATE COMMITTEE ON WAYS AND MEANS

**DATE:** Thursday, March 5, 2026

**TIME:** 10:15 a.m.

**LOCATION:** State Capitol, Room 211

**TESTIFIER(S):** **WRITTEN TESTIMONY ONLY.**

(For more information, contact Jung Min (Charles) Lee,  
Deputy Attorney General, at 808-586-1316)

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Chair Dela Cruz and Members of the Committee:

The Department of the Attorney General (Department) provides the following comments.

This bill amends chapter 103D, Hawaii Revised Statutes (HRS), to reduce reliance on external consultants. It would require purchasing agencies to document and publish justification for consultant use, expand reporting and audit requirements, and require legislative approval for consulting contracts above a specified dollar threshold. The bill also directs chief procurement officers to ensure that "**inherent government functions**" are not delegated to contractors, while exempting certain specialized and emergency needs.

First, proposed subsection (a)(2) of the new section to be added to chapter 103D, at page 3, lines 16-17, would require purchasing agencies to seek legislative approval for any consulting contract exceeding a specified dollar amount. The Department is concerned that this requirement could delay time-sensitive projects and disrupt government operations when the Legislature is not in regular session.

Second, the bill does not clearly exclude the appointment of special deputy attorneys general or the retention of expert witnesses from its requirements. The Department regularly appoints special deputy attorneys general under section 28-8(b), HRS, when specialized legal expertise is needed beyond current staffing. As drafted,

special deputy attorneys general could fall within the scope of "external consultants." Similarly, state agencies must retain expert witnesses for litigation and administrative proceedings. Subjecting expert witness retention to public justification, approval, and reporting requirements could impair the State's ability to prosecute and defend matters effectively, risk disclosure of attorney work product and litigation strategy, and create unworkable delays.

Third, the bill uses the term "**inherent government functions**," at page 2, line 20, and page 5, line 17, but does not define it. Without a statutory definition or incorporation of an existing standard, chief procurement officers will lack clear guidance, and agencies may apply the requirement inconsistently. Under federal law, the Federal Activities Inventory Reform Act of 1998 (FAIR Act) defines "**inherently governmental function**" as a function so intimately related to the public interest as to require performance by government employees, while **expressly excluding advisory, informational, and recommendatory services from that definition**. See Pub. L. No. 105-270, § 5(2)(A)-(C), 112 Stat. 2382 (1998) (emphasis added). The absence of a comparable definition in this bill creates uncertainty as to the scope of the restriction and could lead to inconsistent application across agencies.

To address these concerns, the Department respectfully recommends the following amendments: (1) delete proposed subsection (a)(2) of the new section of chapter 103D, which requires prior legislative approval for consulting contracts; (2) amend subsection (c) at page 4, lines 8-13, to add an exclusion for the appointment of special deputy attorneys general pursuant to section 28-8(b), HRS, and for the retention of expert witnesses or consultants utilized for litigation or legal services; and (3) delete section 3 of the bill, which adds the undefined "**inherent government functions**" duty to section 103D-205(a), or alternatively, adopt a definition of the term.

Thank you for the opportunity to provide comments.



STATE OF HAWAII  
DEPARTMENT OF EDUCATION  
KA 'OIHANA HO'ONA'AUAO  
P.O. BOX 2360  
HONOLULU, HAWAII 96804

**Date:** 03/05/2026

**Time:** 10:15 AM

**Location:** CR 211 & Videoconference

**Committee:** WAM

**Department:** Education

**Person Testifying:** Keith T. Hayashi, Superintendent of Education

**Title of Bill:** SB2662, SD1, RELATING TO GOVERNMENT ACCOUNTABILITY.

**Purpose of Bill:** Requires each purchasing agency to provide justification for hiring external consultants. Requires each agency to seek approval from the Legislature for consulting contracts exceeding a certain dollar amount. Requires annual reports to the Legislature. Requires the Compliance Audit Unit within the Office of the Auditor to conduct regular audits of agency consultant contracts to assess cost-effectiveness and compliance. Establishes exceptions. Requires each chief procurement officer to ensure that inherent government functions are not delegated to a contractor. Effective 1/1/2525.  
(SD1)

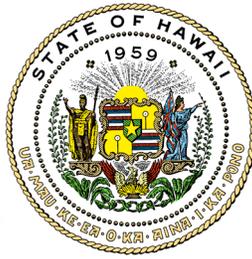
**Department's Position:**

The Hawaii State Department of Education (Department) appreciates the opportunity to offer testimony on SB 2662 SD 1.

The Department procures external consultants to provide services the Department's internal staff are unable to provide due to limited staffing, volume and complexity of projects the Department is tasked with completing, and the need for highly specialized technical skills, experience and knowledge that are not readily available internally.

The procurement of consulting services provides the Department with the ability to access these critical resources in a timely manner. New requirements such as justification reports, legislative approval, public disclosure and annual reports and the time and effort to meet all of these requirements do not appear immaterial and warrant further consideration.

Thank you for the opportunity to provide comments on this measure.



SENATE COMMITTEE ON WAYS AND MEANS  
The Honorable Donovan M. Dela Cruz, Chair  
The Honorable Sharon Y. Moriwaki, Vice Chair

**S.B. NO. 2662, S.D. 1, RELATING TO GOVERNMENT ACCOUNTABILITY**

Hearing: Thursday, March 5, 2026, 10:15 a.m.

The Office of the Auditor offers comments on S.B. No. 2662, S.D. 1, which is intended to reduce the use of external consultants for work that can be performed by qualified state employees. The bill requires, among other things, the Office of the Auditor “to conduct regular audits of agency consultant contracts to assess cost-effectiveness and compliance.”

We have reservations about the audits of purchasing agencies’ external consultant contracts the bill would require us to conduct. We do not have sufficient knowledge and understanding of agency operations or the experience of agency staff to be able to assess whether staff have sufficient expertise to perform the work contracted to external consultants; we similarly lack the ability to determine the cost to hire or train state employees to perform the contracted work. It also is unclear the criteria that the bill intends us to use to assess the cost-effectiveness of external consultant contracts.

We also are concerned about our capacity to conduct the audits. We consider performance audits, which assess an agency’s performance of certain activities key to achieving its statutory mission, to be our primary type of work and the work that provides the most value to the Legislature, the agency, and the public. Those audits are performed under Generally Accepted Government Auditing Standards promulgated by the Comptroller General of the United States. Our staff is very familiar with the standards which require them to complete 80 hours of continuing professional education every 2 years. The Legislature has tasked us with performing other work outside of performance audits,<sup>1</sup> including assessing income tax and general excise tax credits, exclusions, and exemptions; department’s special, revolving, and trust funds and trust accounts; proposals to enact new special and revolving funds; proposals to regulate professions; proposals to mandate health insurance coverage; among other things. The work assigned to us under this bill dilutes our capacity to conduct performance audits. We caution against adding non-performance audit work, especially assessments that re-occur annually.

While we note the Committee on Government Operations’ request for additional staffing and fiscal resources for our office, the addition of such resources does not change our position on this measure. We would like to clarify that we are unable to determine the cost-effectiveness of an

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<sup>1</sup> We conduct financial and single audits of 25 state programs, including the State of Hawai‘i’s Annual Comprehensive Financial Report and the State of Hawai‘i’s Single Audit, through contracts with independent CPA firms.

agency's external consultant contracts because we do not have the expertise to determine if an agency has the ability to perform the work in-house without retaining an outside consultant.

JOSH B. GREEN, M.D.  
GOVERNOR  
KE KIA'ĀINA



BONNIE KAHAKUI  
ADMINISTRATOR  
  
DAYNA OMIYA  
ASSISTANT ADMINISTRATOR

**STATE OF HAWAI'I | KA MOKU'ĀINA O HAWAI'I**  
**STATE PROCUREMENT OFFICE**

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TESTIMONY  
OF  
BONNIE KAHAKUI, ADMINISTRATOR  
STATE PROCUREMENT OFFICE

TO THE SENATE COMMITTEE  
ON  
WAYS AND MEANS  
MARCH 5, 2026, 10:15 AM

SENATE BILL 2662, SD1  
RELATING TO GOVERNMENT ACCOUNTABILITY

Chair Dela Cruz, Vice Chair Moriwaki, and members of the committee, thank you for the opportunity to submit testimony on Senate Bill 2662, SD1. The State Procurement Office (SPO) appreciates the removal of the required spending caps and disclosure; however, respectfully provides the following comments.

**Comments**

The SPO appreciates the intent to reduce reliance on external consultants for work that qualified government employees can perform, while promoting transparency, efficiency, and cost-effectiveness, and prioritizing in-house expertise to ensure the long-term sustainability and independence of state operations. While the requirements of Senate Bill 2662, SD1, for justification, audits, and annual reporting ensure consultant engagements remain cost-effective, it does impose an additional administrative burden on agencies resulting in project delays. Additionally, the requirement for legislative approval of contracts exceeding a certain dollar amount will have unintended delays in project implementation. This bill also does not address the details of publishing justification reports except through the annual report.

Section 2, page 4, lines 4-7, requires the compliance audit unit to conduct regular audits of each purchasing agency's external consultant contracts. However, the bill does not specify how often "regular" audits should take place. It should also be clear that the compliance audit unit is from the Office of the Auditor, pursuant to HRS Section 103D-107, which states "There is established a compliance audit unit within the office of the auditor."

Therefore the SPO recommends the following revised language:

"(b) The compliance audit unit, **from the office of the auditor,** shall conduct regular audits of each purchasing agency's external consultant contracts to assess the cost-effectiveness of the contracts and compliance with this section."

The SPO provided guidance through Procurement Circular 2014-14 - Personal Services and Inherently Governmental Functions (attached), which states that "it is important to recognize that the government/state/city organization has fundamental inherent functions that cannot be delegated to a contractor. If these inherent functions are delegated, it implies the contractor is now acting as an employee of the government (a personal service)."

Furthermore, the SPO's guidance aligns with the Federal Acquisition Regulation Subpart 7.5 – Inherently Governmental Functions.

### **Conclusion**

The SPO shares the Legislature's commitment to reducing reliance on consultants by prioritizing the use of in-house expertise. Limited, well-controlled consultant engagements – focused on urgent needs and knowledge transfer – are necessary to sustain operations while Hawai'i builds a viable, modern workforce. However, the bill places an administrative burden on agencies and could lead to delays as they work to comply with new statutory requirements. Such delays may ultimately increase overall costs or compromise certain projects.

Thank you for the opportunity to submit testimony on this measure.

Attachment: [Procurement Circular 2014-14](#) - Personal Services and Inherently Governmental Functions



**STATE OF HAWAII**  
**STATE PROCUREMENT OFFICE**  
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September 12, 2014

PROCUREMENT CIRCULAR NO. 2014-14

TO: Office of the Governor, Chief of Staff  
Office of the Lieutenant Governor, Chief of Staff  
Executive Department Heads  
Hawaii State Public Library System, State Librarian

Chief Procurement Officers (CPOs):  
Department of Education, Superintendent  
University of Hawaii, President  
Office of Hawaiian Affairs, Chairperson of the Board  
Hawaii Health Systems Corporation, President and Chief Executive Officer  
Judiciary, Administrative Director of the Courts  
Senate, President  
House of Representatives, Speaker

Counties of Hawaii, Kauai, Maui, and City & County of Honolulu  
Executive Branch, Finance Director  
Legislative Branch, Chairperson of the County Council  
Board/Departments of Water Supply, Manager/Chief Engineer  
Honolulu Authority for Rapid Transportation, Executive Director

FROM: Sarah Allen, Administrator 

SUBJECT: Personal Services and Inherently Governmental Functions

There are many times where a public organization finds itself with the responsibility of managing a complex multi-million dollar program without adequate resources. An answer to inadequate resources is outsourcing, i.e., bringing on a contractor with the subject matter expertise to assist in managing the program for success. There are obvious benefits and challenges to this practice; the benefits being additional expertise where there is none; the challenge is that you now have one contractor managing another.

What does the public organization have to recognize as vital here?

It is important to recognize that the government/state/city organization has fundamental inherent government functions that cannot be delegated to a contractor. If these inherent functions are delegated, it implies the contractor is now acting as an employee of the government (a personal service).

When it relates to procurement, the only people who should be making final decisions on how to spend taxpayer's money are those authorized, delegated public procurement officials.

Federal Procurement Law defines inherent functions and personal services to be performed only by government employees. The SPO recommends this guidance as a good procurement policy and a preventative measure for procurement violations.

The SPO considers the following responsibilities inherently governmental:

- (i) Determining what supplies or services are to be acquired by the Government;
- (ii) Approving any solicitation documents, to include documents defining requirements, specifications, incentives, and evaluation criteria;
- (iii) Negotiating cost and pricing;
- (iv) Awarding contracts;
- (v) Approving post-award contract changes to include, but not limited to, ordering changes in contract scope, schedule, budget, taking action based on evaluations of contractor performance, and accepting or rejecting contractor products or services; and
- (vi) Terminating contracts.

Ultimately, it is the government's responsibility to manage the contracts it procures, to make all final decisions on what they want and how much they will pay for it, with the ever-present goal in mind of achieving a successful outcome whilst safeguarding taxpayer's money.

Your staff may call Donn Tsuruda-Kashiwabara at 586-0565 or email [donna.tsuruda-kashiwabara@hawaii.gov](mailto:donna.tsuruda-kashiwabara@hawaii.gov) if they have any questions to the above.

JOSH GREEN, M.D.  
GOVERNOR

SYLVIA LUKE  
LIEUTENANT GOVERNOR



KALBERT K. YOUNG  
EXECUTIVE DIRECTOR

GAIL STROHL  
DEPUTY EXECUTIVE DIRECTOR

**STATE OF HAWAII  
EMPLOYEES' RETIREMENT SYSTEM**

TESTIMONY BY KALBERT YOUNG  
EXECUTIVE DIRECTOR, EMPLOYEES' RETIREMENT SYSTEM  
STATE OF HAWAII  
TO THE SENATE COMMITTEE ON WAYS AND MEANS  
ON  
SENATE BILL NO. 2662 SD1

**March 5, 2026**

**10:15 AM**

**Conference Room 211 and VIA Videoconference**

RELATING TO GOVERNMENT ACCOUNTABILITY.

Chair Dela Cruz, Vice Chair Moriwaki, and Members of the Committee,

While the Board of Trustees (BOT) has not had a chance to review the bill, and while the Employees' Retirement System (ERS) appreciates the intent of SB 2662 SD1, there are concerns similar to SB 1543 from the 2025 session for which we respectfully oppose this measure.

SB 2662 SD1 proposes to enact additional conditions and restrictions when hiring an external consultant. While the ERS supports the bill's intent to increase government accountability while developing our own workforce capacity and capabilities, we are concerned that the reporting and approvals required in the bill could compromise the nimbleness necessary to execute external contracts vital to operate the ERS. Effective management of the investments and services within the ERS requires an extensive number of external partners to supplement the on-staff administration. The bill would add significant administrative and logistical challenges that would affect government operations.



Employees' Retirement System  
of the State of Hawaii

The responsibility to administer proper operation of the system is vested in the BOT by section 88-23 Hawaii Revised Statute (HRS). Being a public board subject to Sunshine Laws and Uniform Information Practices Act (UIPA) rules, all BOT processes, determinations and documents are already made public except for those exempted for purposes of confidentiality by said rules.

The BOT oversees requests for procurements along with their justification and budgetary considerations. The majority of external consultants approved and used by the BOT and the ERS are providing highly technical and specialized niche skills and experience not possessed by existing staff, nor most times in the State.

The requirement for prior legislative approval of contracts above the currently undefined threshold would likely constrain the Boards ability to fulfill its fiduciary obligation to provide expert and necessary consultative resources to responsibly administer the system. The additional analysis, justification, reporting, and Legislative approval requirements would add to what is already a lengthy, complex, and public procurement process, potentially delaying access to needed services and expertise provided by external consultants to administer the system in compliance with best practices and State and Federal requirements.

As with many other government agencies, the ERS is also dealing with staffing issues resulting from local demographic changes and market dynamics. We currently have a vacancy rate of nearly 25% of total staff positions, most of which are in technically specialized and prominent roles within the organization. The justification and reporting requirements would add to the already stressed in-house capacity that management and the Board of Trustees seek to relieve with external consultants.

Further concerns would be that, when it would be potentially feasible to use or create existing positions in place of external consultants, the creation and recruitment of such positions would be subject to a lengthy and indeterminate hiring and recruiting process. Recruitment efforts often encounter multiple challenges in today's competitive job markets such as a lack of applicants due to qualification or compensation, applicants deferring positions for other (oftentimes inter-government) positions, and applicants transferring or leaving shortly after beginning employment for other opportunities, affecting both the continuity of training and projects assigned to them.

Thank you for the opportunity to provide testimony detailing our concerns in opposition of SB 2662 SD1.

**DEPARTMENT OF PARKS AND RECREATION**  
**KA 'OIHANA MĀLAMA PĀKA A ME NĀ HANA HO'ONANEA**  
**CITY AND COUNTY OF HONOLULU**

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RICK BLANGIARDI  
MAYOR  
MEIA



LAURA H. THIELEN  
DIRECTOR  
PO'O

KĒHAULANI R. PU'U  
DEPUTY DIRECTOR  
HOPE PO'O

March 3, 2026

The Honorable Donovan M. Dela Cruz, Chair  
The Honorable Sharon Y. Moriwaki, Vice Chair  
and Members of the Senate Committee on Ways and Means

Dear Chair Dela Cruz, Vice Chair Moriwaki, and Members of the Committee:

Subject: SB 2662, SD1 – Relating to Government Accountability

The Department of Parks and Recreation (DPR) of the City and County of Honolulu (City) respectfully **opposes** Senate Bill (SB) 2662, SD1 Relating to Government. DPR does not support a measure which requires each purchasing agency to provide justification for hiring external consultants; caps the amount each agency can spend on external consultants; seek legislative approval for certain consulting contracts; disclose new contracts with external consultants; and requires the submission of annual reports.

While DPR and the City understand the desire to reduce consultant work that City employees, hypothetically, could perform, SB 2662, SD1 fails to recognize the many reasons that drive City reliance on consultants. DPR manages, maintains, and operates parks and recreational facilities under City jurisdiction; develops and implements programs for cultural, recreational and other leisure-time activities; beautifies City streets, parks and recreational facilities, including planting, pruning, and maintenance of shade trees, maintains and operates the City's botanical and community gardens; and supports private tree planting through the community forestry program.

SB 2662, SD1 would make it very difficult, if not impossible, to keep parks and city streets in operating and safe conditions without the use of external consultants. DPR's Division of Urban Forestry (DUF) maintains approximately 100,000 street and park trees and palms, including pruning/removing in undeveloped areas of parks, when necessary. These trees and palms are maintained mostly by private contractors with contract specifications that includes inspection of every tree on the contract list and reporting back to DUF if there are any concerns.

The Honorable Donovan M. Dela Cruz, Chair  
The Honorable Sharon Y. Moriwaki, Vice Chair  
and Members of the Senate Committee on Ways and Means  
March 3, 2026  
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The pruning/removing tree contracts cover the entire island in 22 regions and specialty areas. Highly urbanized areas are pruned approximately once per year, and other trees are pruned approximately once every two years. Coconut and royal palms are trimmed every four to five months.

DUF crews are primarily used to perform emergency response, specialty pruning, root pruning, stumping and other duties. DUF continues to face recruitment and hiring challenges for specialized positions such as tree trimmers. Limiting the number of external consultants, the department could procure would result in DPR having to increase staffing levels for in-house tree pruning/removal crews and professionally trained staff to maintain all city trees by 200%, including increasing the number of arborists on staff. The creation of additional positions, budgeting for those positions, followed by recruitment and hiring, when the DPR is already challenged to fill vacant positions, makes this goal unrealistic and unachievable. In addition, the department would be required to incur additional equipment costs to obtain, maintain, and replace large vehicles such as aerial lifts, dump trucks, equipment such as chippers, chainsaws, blowers, etc., and additional base yards to house all the personnel and vehicles/equipment.

The complexity of the DPR's projects and the need for specialized skills require the department to procure professional services to provide DPR highly technical and specialized skills not possessed by existing staff. For example, external contractors are used for the grant-funded projects including: Urban Tree Canopy Assessment; Tree Inventory Ground Truth; Exceptional Tree Improvements; Community Canopy Program and Community Tree Plan Engagement.

The DPR Maintenance Support Services Division (MSS) is responsible for improving park facilities by renovating, restoring, repairing, and improving park facilities. MSS trades include plumbers, carpenters, masons, welders, painters and small engine repairers. The trades program is the mainstay in maintaining and repairing an inventory of aging facilities. MSS also provides heavy construction equipment support, utility crew support and a chemical unit that provides fertilizing, herbicide, and vector control to all parks. The work program, which contracts out work projects, is an integral part of the maintenance program. MSS responds to emergency repair calls on park properties and assists the City and County of Honolulu where needed.

The Honorable Donovan M. Dela Cruz, Chair  
The Honorable Sharon Y. Moriwaki, Vice Chair  
and Members of the Senate Committee on Ways and Means  
March 3, 2026  
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MSS Work Program has procured external consultants to assist with the following: roofing inspections and repairs for park facilities, repair and repaving park facility parking lots, repair and maintenance of gym bleachers, and reseal and replace gym floors fencing. External consultants provide an efficient and more cost-effective way to repair and maintain the City's aging park facilities.

It is neither fiscally sustainable nor operationally realistic for DPR to permanently staff every specialized discipline needed on a project-by-project basis. External consultant services are strategically utilized to address discrete project demands, supplement limited internal capacity, and ensure compliance with complex regulatory and funding requirements.

DPR further notes that external consultant contracts are already subject to multiple layers of fiscal and performance oversight. Assigning additional audit authority risks duplicative review processes that would divert limited administrative staff from essential operational functions, including maintenance, programming, and public service delivery.

Thank you for the opportunity to provide testimony in **opposition** to SB 2662, SD1.

Sincerely,

A handwritten signature in black ink, appearing to read 'Laura Thielen', written in a cursive style.

Laura H. Thielen  
Director

**OFFICE OF THE MAYOR**  
**KE KE'ENA O KA MEIA**  
**CITY AND COUNTY OF HONOLULU**

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DEPUTY MANAGING DIRECTOR  
HOPE PO'O HO'OKELE

March 04, 2026

The Honorable Donavan Dela Cruz, Chair  
The Honorable Sharon Moriwaki, Vice-Chair  
and Members of the Committee on Ways and Means  
Hawaii State Senate  
415 S. Beretania St., Room 211  
Honolulu, Hawaii 96813

Aloha Chair Dela Cruz, Vice-Chair Moriwaki, and Members of the Committee:

Upon consultation with Mayor Blangiardi and Managing Director Mike Formby, the administration of the City and County of Honolulu (City) **supports the intent of SB2662** to reduce the unnecessary reliance on external consultants when in-house expertise exists, or could exist, in the provision of core services, **but has concerns about the bill as currently written.**

Currently, City departments rely upon consultants with technical and specialized expertise that is either 1) not available in the department, or 2) not available at the time the expertise is critically needed. In other words, City departments may have some in-house experts but, depending upon the flow of project contracts with technical demands, not at the capacity necessary to service the project workload on a day-to-day, month-to-month, year-to-year basis. In essence, the inability to call upon technical and specialized expertise when needed would severely jeopardize the workload pipeline of City departments.

Seeing as the City agrees and supports the intent of the proposed legislation, the City respectfully requests the legislature define the nature of the problem, if any, first, through Section 2 (b) and conduct an audit that describes and verifies the nature of the problem before the State and City seek to solve the problem. The City would gladly participate in an audit of consultant use, confident our current system does not excessively misuse consultants at government employee expense, but open to learning more and correcting deficiencies.

The Honorable Donavan Dela Cruz, Chair  
The Honorable Sharon Moriwaki, Vice-Chair  
and Members of the Committee on Ways and Means  
March 04, 2026  
Page 2

Thank you for the opportunity to provide testimony, and should there be any questions, please contact me at 808-768-6608 or via email at [anthony.miranda@honolulu.gov](mailto:anthony.miranda@honolulu.gov).

Sincerely,

A handwritten signature in black ink, appearing to read "Anthony Miranda". The signature is fluid and cursive, with the first name "Anthony" written in a larger, more prominent script than the last name "Miranda".

Anthony Miranda  
Legislative Liaison, Office of the Mayor



Lori M.K. Kahikina, P.E.  
Executive Director and CEO |  
*Poʻo Hoʻokō a Kahu Luna Nui Hoʻokō*

Mike O'Keefe  
Deputy Executive Director and COO |  
*Hope Poʻo Hoʻokō a Kahu Luna Hoʻoponopono*

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Kaulana Park  
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Kathy Sokugawa

March 4, 2026

The Honorable Senator Donovan M. Dela Cruz, Chair  
The Honorable Senator Sharon Y. Moriwaki, Vice Chair  
and Members of the Committee on Ways and Means  
415 South Beretania Street, Room 211  
Honolulu, Hawaii 96813

Dear Senators Dela Cruz, Moriwaki, and Members of the Committee on Ways and Means:

Subject: SB 2662, Relating to Government Accountability

Established under Article XVII of the Revised Charter of the City and County of Honolulu ("City"), HART is the City's semi-autonomous public transit authority that is responsible for the planning and construction of its rail transit system. The rail transit system, known as Skyline, is the first fully automated, driverless light rail system in the United States, and is the largest public infrastructure project in Hawaii's history.

HART consistently prioritizes hiring internal, government employees over relying on consultants because we recognize that building in-house expertise is not only more cost effective, but also more sustainable in the long term. While we understand and appreciate the intent of SB 2662 – to reduce taxpayer costs and promote government accountability by decreasing reliance on consultants for work that can be performed by government employees – the requirements contained in SB 2662 would impose significant administrative burdens on HART and its purchasing department. Complying with these requirements would require critical staff to shift some focus away from the challenging and time-sensitive work at hand to additional administrative tasks. Such extensive requirements could also jeopardize the timely procurement of essential technical and specialized services that, despite ongoing efforts to expand our internal workforce, we have been unable to self-perform. Therefore, I respectfully request that this Committee defer SB 2662, or, at minimum, consider amending it to exclude HART.

Thank you for this opportunity to submit testimony. Please feel free to contact me at [lkahikina@honolulu.gov](mailto:lkahikina@honolulu.gov) or (808) 768-6159 with any questions.

Very truly yours,

Lori M.K. Kahikina, P.E.  
Executive Director and CEO

**BOARD OF WATER SUPPLY  
KA 'OIHANA WAI  
CITY AND COUNTY OF HONOLULU**

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RICK BLANGIARDI  
MAYOR  
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ERNEST Y. W. LAU, P.E.  
MANAGER AND CHIEF ENGINEER  
MANAKIA A ME KAHU WILIKI

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NĀ'ĀLEHU ANTHONY, Chair  
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EDWIN H. SNIFFEN, Ex-Officio  
GENE C. ALBANO, P.E., Ex-Officio

March 5, 2026

The Honorable Donovan M. Dela Cruz, Chair  
and Members  
Senate Committee on Ways and Means  
Hawaii State Capitol, Room 211  
Honolulu, Hawaii 96813

Dear Chair Dela Cruz and Members:

Subject: Senate Bill 2662, SD1: Relating to Government Accountability

The Honolulu Board of Water Supply (BWS) strongly opposes Senate Bill (SB) 2662, Senate Draft (SD) 1, relating to government accountability, which imposes upon each government purchasing agency to provide justification for hiring external consultants, seek approval from the Legislature for consulting contracts exceeding a certain dollar amount, submit annual reports to the Legislature, have an auditor conduct regular audits of the BWS consultant contracts, and require the BWS procurement officer to ensure inherent government functions are not delegated to a contractor.

BWS does contract with external consultants for professional services in planning and engineering. For certain specialized and complex projects that BWS does not have staff with the expertise or specific technical knowledge we rely on outside consultants to augment our staffing.

The requirements in SB 2662, SD1, would impose restrictions and administrative burdens on the timeline of project completion dates. BWS has built, operated, and maintained a complex infrastructure to provide safe, dependable, and affordable service to our customers. BWS already has in place key action plans to assess and address water system risks and vulnerabilities to ensure water system adequacy, dependable serves, and operational efficiency.

BWS has strict procurement procedures in place that serve to ensure transparency, competitiveness and compliance with the State Hawaii Public Procurement Code pursuant to Hawaii Revised Statutes chapter 103D.

The Honorable Donovan M. Dela Cruz, Chair  
and Members  
March 5, 2026  
Page 2

BWS believes the requirements in SB2662, SD1, would disrupt our planned project timelines, actually increase construction costs and is impracticable to stay on course to meet our mission, operation, and management functions.

Very truly yours,

A handwritten signature in blue ink, appearing to read 'Ernest Y. W. Lau', with a stylized flourish extending to the left.

ERNEST Y. W. LAU, P.E.  
Manager and Chief Engineer

DEPARTMENT OF TRANSPORTATION SERVICES  
KA 'OIHANA LAWELAWE 'ŌHUA  
CITY AND COUNTY OF HONOLULU

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J. ROGER MORTON  
DIRECTOR  
PO'O  
HONGLONG LI, Ph.D., P.E.  
DEPUTY DIRECTOR  
HOPE PO'O

TESTIMONY OF J. ROGER MORTON  
DIRECTOR OF TRANSPORTATION SERVICES

BEFORE THE SENATE COMMITTEE ON WAYS AND MEANS  
**Thursday, March 5, 2026, 10:15 AM**  
**Conference RM 211 and Via Videoconference**

TO: Sen. Donovan M. Dela Cruz, Chair, Sen. Sharon Y. Moriwaki, Vice Chair, and Members of the Committee on Ways and Means

RE: STRONG OPPOSITION TO SENATE BILL 2662, S.D. 1, RELATING TO GOVERNMENT ACCOUNTABILITY

Aloha Chair Dela Cruz, Vice Chair Moriwaki, and Members of the Committee on Ways and Means. My name is J. Roger Morton, and I serve as the Director of the Department of Transportation Services (DTS) for the City and County of Honolulu. DTS strongly opposes SB 2662, SD1.

At the outset, we recognize and share the Legislature's commitment to accountability, transparency, and fiscal stewardship. DTS manages critical public infrastructure and transit services — including Skyline rail, TheBus, Handi-Van, and the HOLO smart fare system — and we understand the importance of prudent use of public funds. However, this bill would impose sweeping procedural requirements that would significantly impair the ability of government agencies — including county agencies — to function effectively and efficiently.

Legislative Approval of Contracts Undermines Efficient Administration

The requirement that agencies seek legislative approval for consulting contracts exceeding a specified dollar threshold is particularly problematic.

Transportation projects frequently involve:

- Federally funded capital projects with strict obligation deadlines
- Complex environmental, engineering, and safety compliance requirements
- Rapid response to emergencies, disasters, or urgent infrastructure failures

Introducing a new legislative approval layer into procurement decisions would create unavoidable delays. These delays could:

- Jeopardize federal funding deadlines
- Increase construction and consulting costs due to inflation or remobilization
- Disrupt project schedules
- Expose the State or counties to claims and contractual penalties

Procurement authority has historically been delegated to executive agencies for precisely this reason: operational decisions must be made promptly and professionally within established statutory frameworks.

### One-Size-Fits-All Spending Caps Are Impractical

The proposed spending caps and uniform reporting structure fail to recognize that infrastructure agencies experience:

- Cyclical capital peaks
- Large federally funded construction programs
- Specialized technical demands beyond in-house capacity

DTS, like many transportation agencies nationwide, relies on consultants for:

- Specialized engineering
- Federal compliance and environmental documentation
- Rail systems integration
- Safety certification
- Major capital program management

These are not core “outsourced government functions,” but rather highly specialized services that fluctuate with project phases. Artificial caps do not reflect operational reality.

### Redundant Oversight Already Exists

Public procurement in Hawai‘i is already governed by:

- Chapter 103D, HRS
- Chief Procurement Officer oversight
- State Procurement Office rules
- Federal procurement requirements (for federally funded projects)
- Annual audits
- Public transparency laws

The addition of mandatory legislative approvals and routine Compliance Audit Unit audits of consultant contracts risks creating redundancy without commensurate benefit.

### Home Rule Concerns

Most importantly, as drafted, this measure raises significant home rule concerns.

The Hawai'i Constitution grants counties authority over local affairs and administration. By requiring legislative approval of routine procurement decisions and imposing additional state-level management controls over purchasing agencies, the Legislature risks encroaching upon executive and county administrative authority. Moreover, it would be impracticable to require State and county agencies to obtain the approval of the Legislature for non-legislative contracts, which by constitutional mandate, convenes for only sixty session days.

Procurement decisions — including whether to hire consultants — are operational management functions traditionally vested in executive leadership. Requiring the Legislature to approve individual contracts crosses from policy-setting into day-to-day administration.

Such a shift could:

- Blur separation of powers principles
- Undermine executive accountability
- Weaken county autonomy over local operations

Public accountability is best achieved through policy direction, appropriations authority, and oversight hearings — not through routine legislative approval of executive management decisions.

### Risk to Infrastructure Delivery and Public Safety

Transportation agencies must respond quickly to:

- Federal grant opportunities
- Climate resilience initiatives
- Emergency infrastructure repairs
- Safety system upgrades
- Time-sensitive procurement for rail and bus operations

Additional procedural hurdles could slow urgently needed projects that directly affect public safety, congestion relief, and economic activity.

### Conclusion

While we appreciate the Legislature's focus on strengthening accountability and building internal government capacity, SB 2662, SD1, would:

- Impede efficient project delivery
- Risk loss of federal funds
- Create redundant oversight mechanisms
- Impose impractical one-size-fits-all spending controls
- Raise serious home rule and separation-of-powers concerns

For these reasons, the Department of Transportation Services respectfully urges the Committee to defer or reject this measure.

Thank you for the opportunity to testify in strong opposition. I am available to answer any questions.

JOSH GREEN, M.D.  
GOVERNOR  
KE KIA'AINA



KEITH A. REGAN  
COMPTROLLER  
KA LUNA HO'OMALU HANA LAULĀ

MEOH-LENG SILLIMAN  
DEPUTY COMPTROLLER  
KA HOPE LUNA HO'OMALU HANA LAULĀ

**STATE OF HAWAI'I | KA MOKU'ĀINA O HAWAI'I**  
**DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES | KA 'OIHANA LOIHELU A LAWELAWE LAULĀ**  
P.O. BOX 119, HONOLULU, HAWAII 96810-0119

WRITTEN TESTIMONY  
OF  
KEITH A. REGAN, COMPTROLLER  
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES  
TO THE

**COMMITTEE ON WAYS AND MEANS**

MARCH 5, 2026, 10:15 A.M.  
CONFERENCE ROOM 211 AND VIA VIDEOCONFERENCE, STATE CAPITOL

S.B. 2662, S.D. 1

RELATING TO GOVERNMENT ACCOUNTABILITY

Chair Dela Cruz, Vice Chair Moriwaki, and Members of the Committee, thank you for the opportunity to submit testimony on S.B. 2662, S.D. 1.

The Department of Accounting and General Services (DAGS) **opposes** this bill which requires agencies to justify the use of external consultants, obtain legislative approval for contracts above a set threshold, submit annual reports, and undergo regular audits by the Compliance Audit Unit to ensure cost effectiveness and compliance. Chief procurement officers must also ensure that inherently governmental functions are not delegated to contractors, with certain exceptions allowed. DAGS, like many other departments, makes use of external consultants to provide services the department's internal staff are unable to provide due to limited

staffing, the volume and complexity of projects the department is tasked with completing, and the need for highly specialized skills that are not readily available internally.

While the department has great confidence in the capabilities, skills, and professionalism demonstrated on a daily basis by its internal staff, the ability to utilize consultant services, managed and overseen by state personnel, is a critically important and necessary tool to address the volume, type, and timeliness of work undertaken by departments. Imposing spending limits that trigger approval requirements can have far-reaching unintended consequences for government operations, particularly given the measure's lack of specificity as to the criteria that would need to be satisfied to gain such approval. In the absence of the specialized skills needed for some projects, qualified consultants play a critical role in our ability to timely deliver projects and services.

We also note that the measure seeks to amend Section 103D-205, Hawaii revised Statutes, to add language to “[ensure that inherent government functions are not delegated to a contractor]” but does not delineate those inherent government functions. By contrast, in September 2014, the State Procurement Office issued Procurement Circular 2014-14 which has provided strict and effective relevant guidance, stating “the only people who should be making final decisions on how to spend taxpayer’s money are those authorized, delegated public procurement officials” not contractors; and sets forth six inherent government functions. The department believes the guidance and specificity provided by Procurement Circular 2014-14 has been and can continue to be effective, and introduction of the amended language for HRS 103D-205 might serve to

confuse or weaken application of that guidance.

Thank you for the opportunity to provide testimony on this measure.