



HAWAI'I STATE ETHICS COMMISSION

Komikina Ho'opono Kulekele o Hawai'i Moku'āina

Committee: House Committee on Judiciary & Hawaiian Affairs
Bill Number: SB 2970 SD1
Hearing Date/Time: March 19, 2026, 2:00 p.m.
Re: Testimony in Support with **Proposed Amendments**

Aloha Chair Tarnas, Vice-Chair Poepoe, and Committee Members:

Thank you for the opportunity to provide testimony in support of SB 2970 SD1, which prohibits state agencies from entering into contracts with businesses owned or controlled by relatives or household members of department directors or deputy directors. This measure appropriately reduces the risk and appearance of favoritism in state contracting.

For clarity, the Commission proposes including all contract provisions in Haw. Rev. Stat. § 84-15. Below is the proposed revised version of this existing statute. It includes slightly modified text, including enforcement against any state employee who directly participates in a violation. It also uses the generic description of "department head" instead of "Director," recognizing that some departments use different titles, such as "Superintendent," "Comptroller," etc.

PROPOSED AMENDMENT:

§84-15 Contracts. (a) A state agency shall not enter into any contract to procure or dispose of goods or services, or for construction, with a legislator, an employee, or a business in which a legislator or an employee has a controlling interest, involving services or property of a value in excess of \$10,000 unless:

- (1) The contract is awarded by competitive sealed bidding pursuant to section 103D-302;
- (2) The contract is awarded by competitive sealed proposal pursuant to section 103D-303; or
- (3) The agency posts a notice of its intent to award the contract and files a copy of the notice with the state ethics commission at least ten days before the contract is awarded.

(b) A state agency shall not enter into a contract with any person or business ~~[which]~~that is represented or assisted personally in the matter by a person who has been an employee of the agency within the preceding two years and who participated while in state office or employment in the matter with which the contract is directly

concerned. This subsection shall not apply to any contract that is awarded in accordance with subsection (a) with a person or business represented or assisted by a person who was a member of a task force or served as the designee or representative of a task force member.

(c) A state agency shall not enter into a contract to procure or dispose of goods or services, or for construction, with any business:

(1) That is owned or operated; or

(2) In which a controlling interest is held, by a relative or household member of a department head or deputy director of a principal state department.

(d) The department head or acting department head of a principal state department, and any deputy director of the department, shall be responsible for ensuring that all contracts entered into by the department comply with this section.

(e) Any violation of this section may be assessed against the department head, acting department head, or deputy director of the department at the time the violation occurred, and against any employee who directly committed, participated in, or authorized the violation.

(f) As used in this section:

"Department head" means the head of a principal state department regardless of specific title, including a director, chairperson, superintendent, comptroller, or other chief administrative officer.

"Household member" means an individual who resides in the same dwelling unit as the director or deputy director of a principal state department.

"Principal state department" means a principal department of the executive branch listed in section 26-4.

"Relative" means a department head's or deputy director's parent, grandparent, stepparent, child, grandchild, stepchild, foster child, adopted child, sibling, half-sibling, stepsibling, parent's sibling, first cousin, sibling's child, spouse, spouse's parent, child-in-law, or sibling-in-law, or any individual who has become a member of the director's or deputy director's immediate family through the Hawaiian hanai custom."

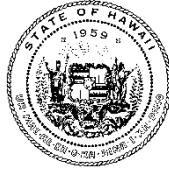
Mahalo for the opportunity to testify on this bill.

Very truly yours,

/S/ Robert D. Harris

Robert D. Harris

Executive Director and General Counsel



STATE OF HAWAI'I | KA MOKU'ĀINA O HAWAI'I
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TESTIMONY
OF
BONNIE KAHAKUI, ADMINISTRATOR
STATE PROCUREMENT OFFICE

TO THE HOUSE COMMITTEE
ON
JUDICIARY & HAWAIIAN AFFAIRS
MARCH 19, 2026, 2:00 PM

SENATE BILL 2970, SD1
RELATING TO STANDARDS OF CONDUCT

Chair Tarnas, Vice Chair Poepoe, and members of the committee, thank you for the opportunity to submit testimony on Senate Bill 2970, SD1. The State Procurement Office (SPO) appreciates the intent of Senate Bill 2970, SD1, to prevent conflicts of interest, ensure transparency, and maintain public trust. The SPO respectfully offers comments and recommendations.

Comments

Section 2, subsection (a), page 2, lines 10-21; and page 3, lines 1-3, adds language restricting state agencies from entering into certain contracts with a legislator, an employee, or a business in which they hold a controlling interest, unless specified conditions are met. However, contracts under \$10,000 are exempt from such restrictions. This exemption may create a loophole that allows smaller contracts to be split or "parceled" to avoid oversight.

Recommendation

To ensure this bill is consistent with the intent and structure of established statutes and rules, the SPO recommends the following:

- Enforce conditions on ALL contracts by revising Section 2, subsection (a), page 2, lines 10-21, and page 3, lines 1-3 to read:

"§84-15 Contracts. (a) A state agency shall not enter into any contract to procure or dispose of goods or

services, or for construction, with a legislator, an employee, or a business in which a legislator or an employee has a controlling interest, [~~involving services or property of a value in excess of \$10,000~~] unless:

- (1) The contract is awarded by competitive sealed bidding pursuant to section 103D-302;
- (2) The contract is awarded by competitive sealed proposal pursuant to section 103D-303; or
- (3) The agency posts a notice of its intent to award the contract and files a copy of the notice with the state ethics commission at least ten days before the contract is awarded."

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

March 19, 2026, 2 p.m.
Hawaii State Capitol
Conference Room 325 and Videoconference

To: House Committee on Judiciary & Hawaiian Affairs
Rep. David A. Tarnas, Chair
Rep. Mahina Poepoe, Vice Chair

From: Grassroot Institute of Hawaii
Ted Kefalas, Director of Strategic Campaigns

RE: TESTIMONY IN SUPPORT OF SB2970 SD1 — RELATING TO STANDARDS OF CONDUCT

Aloha Chair, Vice Chair and other Committee Members,

The Grassroot Institute of Hawaii **supports** [SB2970 SD1](#), which would prohibit state agencies from entering into contracts for goods, services and construction work with a business that is owned or operated — or in which a controlling interest is held — by a relative or household member of a director or deputy director of a principal state department.

By prohibiting contracts that could benefit the relative or household member of a state department head, this bill would help prevent financial conflicts of interest as well as issues of impartiality in contracting, an essential practice in government procurement.¹

In order to improve public trust in government and root out corruption, state agencies must avoid improper influence in contracting and even the appearance of impropriety. We applaud the committee for addressing this important issue and urge you to pass SB2970.

Ted Kefalas
Director of Strategic Campaigns
Grassroot Institute of Hawaii

¹ "[Ethics and Procurement Integrity](#)," U.S. Office of Government Ethics, July 2007.