



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

Date: 02/04/2025

Time: 03:05 PM

Location: CR 225 & Videoconference

Committee: Senate Government Operations

Department: Education

Person Testifying: Keith T. Hayashi, Superintendent of Education

Bill Title: SB 1543 RELATING TO GOVERNMENT ACCOUNTABILITY.

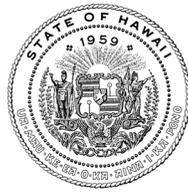
Purpose of Bill: Requires each purchasing agency to provide justification for hiring external consultants. Caps the amount each agency can spend on external consultants. Requires each agency to seek approval from the Legislature for consulting contracts exceeding a certain dollar amount. Requires each agency to disclose all contracts with external consultants. Requires annual reports to the Legislature. Requires the Compliance Audit Unit to conduct regular audits of agency consultant contracts to assess cost-effectiveness and compliance.

Department's Position:

The Hawaii State Department of Education (Department) appreciates the opportunity to offer comments on SB 1543. While the Department understands the value of government work to be performed by qualified government employees, they are difficult to recruit and retain. Without those qualified government employees, the bill as it is drafted impedes the Department's ability to perform the necessary work to carry out the Department's mission.

The Statewide workforce staffing challenges make it untenable for the Department to maintain 21.5 million square feet of facilities across 266 schools and offices statewide with the staffing that exists. As a government entity, the Department depends on consultants to perform the necessary professional engineering and architectural work.

Thank you for the opportunity to provide comments on SB 1543.



JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
LIEUTENANT GOVERNOR

LUIS P. SALAVERIA
DIRECTOR

SABRINA NASIR
DEPUTY DIRECTOR

EMPLOYEES' RETIREMENT SYSTEM
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
OFFICE OF THE PUBLIC DEFENDER

STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE
Ka 'Oihana Mālama Mo'ohelu a Kālā
P.O. BOX 150
HONOLULU, HAWAII 96810-0150

ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT

TESTIMONY BY LUIS P. SALAVERIA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE SENATE COMMITTEE ON GOVERNMENT OPERATIONS
ON
SENATE BILL NO. 1543

February 4, 2025
3:05 p.m.
Room 225 and Videoconference

RELATING TO GOVERNMENT ACCOUNTABILITY

The Department of Budget and Finance (B&F) offers comments on this bill. Senate Bill (S.B.) No. 1543 adds a new section to Chapter 103D requiring all purchasing agencies to: 1) provide justification for hiring external consultants in the form of a public report demonstrating lack of in-house capacity and a cost-benefit analysis; 2) limiting agencies by capping the percentage of the agency's budget that may be spent on consulting services to an unspecified amount; 3) require obtaining legislative approval to contract for consultant services exceeding an unspecified amount; 4) disclose all contracts with external consultants by total cost, service, duration, names, scope and deliverables; 5) submit a legislative report to include the number of external consultants used and percentage of the purchasing agency's budget spent on consultants. S.B. No. 1543 also requires the compliance audit unit of the Office of the Auditor to conduct regular audits of consultant contracts. The bill exempts "highly technical or niche expertise unavailable in the State" and "short-term emergency needs" from these requirements, but does not define what those terms mean.

B&F believes the adoption of this bill would be detrimental to the efficient operation of State government. The onerous requirements proposed in this bill would discourage purchasing agencies from using of outside consultants. However, because it does not address the underlying reasons why purchasing agencies need to procure consultants, the end result may very well be that the services that would have been contracted out will instead just not get done.

Purchasing agencies may pursue consultant contracts because existing employees may not have the time or capacity to handle the additional work on top of their regular duties. There might also be situations in which the State's need for a consultant to handle certain complex issues or to provide a specialized service is for a limited time and circumstance only, and hiring a permanent employee would not be in the best interests of the taxpayer.

Thank you for your consideration of our comments.



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

P.O. Box 119
Honolulu, Hawaii 96810-0119
Tel: (808) 586-0554
email: state_procurement_office@hawaii.gov
<http://spo.hawaii.gov>

TESTIMONY
OF
BONNIE KAHAKUI, ADMINISTRATOR
STATE PROCUREMENT OFFICE

TO THE SENATE COMMITTEE
ON
GOVERNMENT OPERATIONS
FEBRUARY 4, 2025; 3:05 PM

SENATE BILL 1543
RELATING TO GOVERNMENT ACCOUNTABILITY

Chair McKelvey, Vice Chair Gabbard, and members of the committee, thank you for the opportunity to submit testimony on Senate Bill 1543. The State Procurement Office (SPO) provides the following comments.

The SPO has provided guidance to purchasing agencies of all procurement jurisdictions 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).

The SPO's guidance is in line with the Federal Acquisition Regulation (FAR) Subpart 7.5 - Inherently Governmental Function:

- 12) In Federal procurement activities with respect to prime contracts-
 - (i) Determining what supplies or services are to be acquired by the Government (although an agency may give contractors authority to acquire supplies at prices within specified ranges and subject to other reasonable conditions deemed appropriate by the agency);
 - (ii) Participating as a voting member on any source selection boards;
 - (iii) Approving any contractual documents, to include documents defining requirements, incentive plans, and evaluation criteria;
 - (iv) Awarding contracts;
 - (v) Administering contracts (including ordering changes in contract performance or contract quantities, taking action based on evaluations of contractor performance, and accepting or rejecting contractor products or services);

- (vi) Terminating contracts;
- (vii) Determining whether contract costs are reasonable, allocable, and allowable;
and
- (viii) Participating as a voting member on performance evaluation boards.

The SPO proposes adding to Section 103D-205, HRS, as follows:

§103D-205 Authority and duties of the chief procurement officer. (a) For their respective jurisdictions and unless otherwise specifically provided in this chapter, each chief procurement officer shall serve as the central procurement officer for the officer's respective jurisdiction and:

- (1) Procure or supervise the procurement of all goods, services, and construction;
- (2) Exercise general supervision and control over all inventories of goods;
- (3) Sell, trade, or otherwise dispose of surplus goods;
- (4) Establish and maintain programs for the inspection, testing, and acceptance of goods, services, and construction;
- (5) Coordinate with the administrator regarding procurement policies, opportunities for statewide innovation implementation, and concerns;
- (6) Report procurement contract data pursuant to requirements established by the administrator, in the form and manner prescribed by the state procurement office; and
- (7) Assist and cooperate with the administrator regarding any compliance review by the administrator pursuant to section 103D-206.
- (8) Ensure that inherent government functions are not delegated to a Contractor;**

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



STATE OF HAWAII
STATE PROCUREMENT OFFICE
P.O. Box 119
Honolulu, Hawaii 96810-0119
Telephone: (808) 587-4700
e-mail: state.procurement.office@hawaii.gov
<http://spo.hawaii.gov>

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 if they have any questions to the above.

JOSH GREEN, M.D.
GOVERNOR
KE KIA'ĀINA



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

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

STATE OF HAWAII | KA MOKU'ĀINA O HAWAII
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

GOVERNMENT OPERATIONS

FEBRUARY 4, 2025, 3:05 P.M.
CONFERENCE ROOM 225 AND VIA VIDEOCONFERENCE, STATE CAPITOL

S.B. 1543

RELATING TO GOVERNMENT ACCOUNTABILITY

Chair McKelvey, Vice Chair Gabbard, and Members of the Committee, thank you for the opportunity to submit testimony on S.B. 1543.

The Department of Accounting and General Services (DAGS) offers **comments** on this bill which proposes to add a new section to HRS 103D to address external consultants, justification, spending caps, reporting requirements, and audits.

The department, 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, these constraints

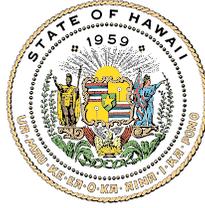
make it more efficient for the state to utilize consultant services that are managed and overseen by internal staff. The alternative would be to dramatically increase the number of state positions necessary to address the volume, type, and timeliness of work currently accomplished by external consultants.

We would recommend that the legislature consider conducting a study to better quantify and analyze this issue before making a significant change to the procurement statute that may have far-reaching unintended consequences to government operations throughout Hawai'i. Consultants play a critical role in our ability to deliver projects and services to the public. We understand the concern of using external consultants but, without coupling this significant operational change with the necessary internal additional resources, would create significant operational challenges for the department.

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

JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
LIEUTENANT GOVERNOR



THOMAS WILLIAMS
EXECUTIVE DIRECTOR

GAIL STROHL
DEPUTY EXECUTIVE DIRECTOR

**STATE OF HAWAII
EMPLOYEES' RETIREMENT SYSTEM**

**TESTIMONY BY THOMAS WILLIAMS
EXECUTIVE DIRECTOR, EMPLOYEES' RETIREMENT SYSTEM
STATE OF HAWAII
TO THE SENATE COMMITTEE ON GOVERNMENT OPERATIONS
PROVIDING COMMENT ON
SENATE BILL NO. 1543**

February 4, 2025

3:05 P.M.

Conference Room 225 and VIA Videoconference

RELATING TO GOVERNMENT ACCOUNTABILITY.

Chair McKelvey, Vice Chair Gabbard, and Members of the Committee,

While the ERS Board of Trustees (BOT) has not had the opportunity to review this legislation, ERS staff believes the Board would have concerns and respectfully offers the following comments.

S.B. 1543 proposes to enact additional conditions and restrictions when hiring an external consultant. While the ERS supports the intent of S.B. 1543 to increase government accountability while developing our own workforce capacity and capabilities, we are concerned with the additional administrative and logistical challenges required to comply with the bill.

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



Employees' Retirement System
of the State of Hawaii

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. Requiring additional analysis, reporting, and Legislative approval would augment what is currently 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 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, applicants deferring positions for other (oftentimes 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 on S.B. 1543.



AMERICAN COUNCIL OF ENGINEERING COMPANIES
of Hawaii

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Haley & Aldrich
Ph: (808) 369-0729

Ginny M. Wright
ACECH Executive Director
350 Ward Ave. Ste. #106-83
Honolulu, HI 96814
Ph: (808) 741-4772
Email: gwright@acechawaii.org
Website: www.acechawaii.org

February 3, 2025

Senate Committee on Government Operations
Hearing Date: Tuesday, February 4, 3:05 p.m.

Honorable Chair McKelvey, Vice Chair Gabbard, and Members of the Senate
Committee on Government Operations

Subject: SB 1543, Relating to Government Accountability Testimony in Opposition

Dear Chair McKelvey, Vice Chair Gabbard, and Committee Members:

The American Council of Engineering Companies of Hawaii (ACECH) represents more than 70 member firms with over 1,500 employees throughout Hawaii. Our member firms have worked closely with various state agencies to deliver successful projects. ACECH **OPPOSES this bill.**

While the bill's purpose appears well-intentioned—aiming to build up in-house expertise—the actual provisions raise significant concerns about the potential impact on state agencies' efficiency and effectiveness to execute, manage, and deliver vital projects to the public, such as critical infrastructure improvements. Requiring legislative approval for certain contracts and annual reporting to the Legislature could create additional challenges for state agencies.

Key Concerns:

- Separation of Owner and Designer:** It is essential for the State to maintain a clear separation between the designer and the owner. This separation allows for independent third-party reviews by the agency of the consultant's design, ensuring unbiased assessments and preventing potential conflicts of interest. Additionally, creating a compliance audit team would require personnel with expertise in the area they are auditing, potentially moving expertise to the compliance audit function rather than doing the design. This practice also reduces the risk of added liability to the State if they start stamping or signing off on designs. Moreover, if the work is done in-house, it could open the State to more liability if something goes wrong.
- Misunderstanding Consultant Services:** One of the biggest issues with SB1543 is the misunderstanding that consultant services are a commodity and that any consultant can perform the same level and type of work as another. This is an incorrect assumption, as A-E (Architecture and Engineering) services are not a commodity. Each consultant brings specialized expertise and unique skills that are critical to the success of projects. Outsourcing engineering design allows government agencies to access this specialized knowledge and advanced tools that may not be available in-house, leading to improved design quality, innovation, and adherence to industry standards.
- Increased Bureaucratic Burden:** Mandating a cost-benefit analysis for all projects could significantly lengthen the already time-consuming bureaucratic process. Such analyses require extensive data collection, evaluation, and documentation, which could delay project initiation and completion. The added time and effort may outweigh any potential benefits, leading to inefficiencies and increased administrative costs.
- Delays in Project Approval:** Requiring legislative approval for contracts would introduce further delays in the execution of critical projects. Legislative sessions may not align with project timelines, causing delays in obtaining necessary approvals. These

delays could impede the progress of critical infrastructure improvements and other essential projects, negatively impacting public services and community well-being. Additionally, the subjective nature of the requirements in the bill, such as demonstrating the shortage of in-house capacity or expertise, adds further uncertainty and potential delays. For instance, defining "highly technical expertise" can be ambiguous and lead to prolonged discussions and evaluations.

5. **Addressing Government Vacancies and In-House Capacity:** The current state of government vacancies is a pressing issue that needs to be addressed. To enhance in-house capacity and expertise, it is crucial to focus on filling vacant positions and fostering a culture of retention within departments. Capping spending on external consultants, especially when there is a shortage of in-house expertise, could result in critical projects being delayed or abandoned. Investing in staff development and retention is key to building a robust in-house workforce.
6. **Impracticality of One-Size-Fits-All Spending Cap:** Different purchasing agencies have unique needs and priorities, making a one-size-fits-all spending cap impractical. Agencies vary in their project scopes, complexities, and resource requirements. Imposing a uniform spending cap could hinder their ability to address specific challenges effectively, leading to suboptimal outcomes and reduced flexibility in managing projects.
7. **Politicization of Contracts and Compliance Audits:** Requiring legislative approval for high-value contracts could politicize the procurement process, introducing biases and external influences. This politicization may lead to delays and inefficiencies, as decisions may be swayed by political agendas rather than project merits. It is crucial to maintain an objective and efficient procurement process to ensure timely and effective project execution. Moreover, performing compliance audits on the cost-effectiveness of consultants would require a complete understanding of the conditions, limitations, requirements, and directions provided by the owner. Creating a compliance audit team would require consultants with expertise in the area they are auditing, potentially moving expertise to the compliance audit function rather than doing in-house design.

Supporting Evidence from Recent Study: A 2016 study by New York University Tandon School of Engineering, titled *Engineering Design Costs: In-House versus Contracting-Out*, highlights the true costs of performing engineering design services in-house by State Departments of Transportation (DOTs) versus contracting out to local firms. Key findings include:

- Average direct salaries: \$69,262 for DOTs and \$75,133 for firms.
- Fringe benefits: 79% for DOTs and 36% for firms.
- Overhead rates: 215% for DOTs and 125% for firms.
- Total average costs: \$272,684 for DOTs and \$217,020 for firms.

The study emphasizes that simple cost comparisons are not the best measure of value in delivering design services to the public. This view is embraced in federal law and in most states, including Hawaii, which require to use of Qualifications-Based Selection (QBS) procurement process for selecting A-E services. The QBS process ensures public agencies receive design services best suited to their needs, through which firms are selected based on experience and technical expertise, before negotiating a fair and reasonable price based on a detailed scope of the project. If an agreement on price cannot be reached with the most qualified firm, negotiations commence with the second most qualified firm.

Beyond cost, additional factors for public agencies to consider include staffing capacity, schedule flexibility, access to special expertise, innovation, risk management, quality

improvement, and overall cost-effectiveness. Contracting out work to the private sector allows agencies to access specialized expertise, meet fast-track deadlines, encourage innovation, and manage risks more effectively.

In conclusion, while SB1543 aims to enhance government accountability, transparency, and cost efficiency, we believe that the measures proposed in the bill may inadvertently hinder the efficiency and effectiveness of state agencies. We urge the Legislature to reconsider SB1543 and its potential implications.

Respectfully submitted,
AMERICAN COUNCIL OF ENGINEERING COMPANIES OF HAWAII



Shannon Holman, P.E.
President



HAWAII HEALTH SYSTEMS
C O R P O R A T I O N

"Quality Healthcare For All"

COMMITTEE ON GOVERNMENT OPERATIONS

Senator Angus L.K. McKelvey, Chair

Senator Mike Gabbard, Vice-Chair

February 4, 2025

3:05 PM

Hawaii State Capitol

Room 225 & Via Videoconference

S.B. 1543

RELATING TO GOVERNMENT ACCOUNTABILITY

Requires each purchasing agency to provide justification for hiring external consultants. Caps the amount each agency can spend on external consultants. Requires each agency to seek approval from the Legislature for consulting contracts exceeding a certain dollar amount. Requires each agency to disclose all contracts with external consultants. Requires annual reports to the Legislature. Requires the Compliance Audit Unit to conduct regular audits of agency consultant contracts to assess cost-effectiveness and compliance.

Edward N. Chu

President & Chief Executive Officer

Hawaii Health Systems Corporation

On behalf of the Hawaii Health Systems Corporation (HHSC) Corporate Board of Directors, thank you for the opportunity to present testimony providing comments on **S.B. 1543, Relating to Government Accountability.**

The complexities of healthcare in areas such as billing and insurance, personnel, medical malpractice, electronic health records, cybersecurity, compliance with federal and state healthcare laws and rules, and licensure are just a few examples that require expertise that the Hawaii Health Systems Corporation has addressed through the use of external resources. The expertise necessary to address these areas in the healthcare environment simply do not exist in the State of Hawaii, and the timing of procurement of these services when it comes to sensitive matters such as cybersecurity and federal healthcare compliance is critical. Should this measure pass, there will be concern that a cap and a notice, review, and approval process will impede on HHSC's capacity to be responsive to the fluctuating demands of the healthcare environment.

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



February 3, 2025

TO: Honorable Angus McKelvey, Chair
Senate Committee on Government Operations

Honorable Mike Gabbard, Vice-Chair
Senate Committee on Government Operations

FROM: Legislative Advocacy Committee (LAC)
American Institute of Architects, Hawaii State Council

SUBJECT: **Senate Bill 1543**
Relating to Government Accountability

The American Institute of Architects

AIA Hawaii State Council
828 Fort Street Mall, Suite 100
Honolulu, HI 96813

T (808) 628-7243
contact@aiahonolulu.org
aiahonolulu.org/AIAHawaiiStateCouncil

Dear Chair McKelvey, Vice-Chair Gabbard and Members of the Committee,

My name is Reid Mizue, providing **COMMENTS** on SB 1543 on behalf of the American Institute of Architects (AIA) Hawaii State Council:

Page 2 lines 3 – 7

This language is in direct conflict with §464-3 and §464-4 (Attachment) that require licensed design professional to stamp / sign plans for public construction. There are some licensed design professionals employed by public agencies. However, they would assume personal professional liability for this work; a “life-time liability” because the State is not subject to Hawaii Statute of Repose. Because of this and other important technical factors, private sector architects have received contracts dating back to Territorial days.

Among AIA concerns...

The bill seems redundant because our contracts are already reviewed during typical legislative CIP budgeting. The bill has great potential to create long delays both in design and construction completion of much-needed public works. Estimating about 20% of private sector design services sold to federal / state / county agencies; the bill would transfer large amount of money from private sector to public sector. AIA represents over 800 members Statewide in about 180 architecture businesses in the state. AIA has 100 members in small businesses on the Neighbor Islands; 56 members on Maui.

Amend Page 4 lines 16-20

AIA requests that you specifically exclude “design professional services furnished by licensees under chapter 464”; the exact language of §103D-304.

State Agency staffing shortage

AIA supports annual agency reporting on spending as well as internal state agency audits, however any swift change to reduce consultant spending will result in detriment to thousands of improvement projects and services statewide that utilize consultants to achieve said improvements and programs. All state agencies will suffer based on added workload and lack of funding capability to provide state employment needed to fill the gap created by any cap on dollars spent on professional consultants. One such example is HIDOE’s backlog of “deferred maintenance” project work. In 2023 HIDOE indicated a \$2.4B price tag of schools in critical need of repair due to in part “lack of resources to actively do that.” (KHON2, <https://www.khon2.com/local-news/doe-2-4-billion-repair-deferred-maintenance-backlog/>) All State agencies rely heavily on private sector consultants to fill the gap in State hiring and lack of realistic funding for added positions needed to both lead and manage improvements to our most valuable facilities statewide. Airports, schools for our keiki, healthcare, highways, state recreation areas and so many other facilities will suffer tremendously.

Thank you for this opportunity to present **COMMENTS** on Senate Bill 1543.

Mahalo for your assistance.

Sincerely,



Reid Mizue, AIA
American Institute of Architects, Hawaii State Council

ATTACHMENT to AIA TESTIMONY FOR SENATE BILL 1543

§464-3 Persons exempt from licensure. Persons practicing professional engineering, architecture, land surveying, or landscape architecture solely as officers or employees of the United States shall be exempted from the provisions of this chapter.

§464-4 Public works. (a) Notwithstanding any other provision to the contrary, public works projects involving:

(1) Alteration or new construction shall be required to have:

(A) Plans or specifications prepared by or under the supervision of an appropriately licensed professional engineer, architect, or landscape architect. The licensed professional engineer, architect, or landscape architect, as the case may be, shall stamp the plans or specifications, and indicate that the licensee has prepared or supervised the preparation of the plans or specifications; and

(B) A licensed professional engineer, architect, or landscape architect designated by the State, county, or political subdivision that is undertaking the public works project to observe the alteration or new construction. For the observation of construction of these types of public works projects, the licensed professional engineer, architect, or landscape architect, as the case may be, shall not be required to stamp the plans or specifications.

(2) Maintenance work shall:

(A) Not be required to have plans or specifications prepared by or under the supervision of an appropriately licensed professional engineer, architect, or landscape architect; and

(B) Be required to have a licensed professional engineer, architect, or landscape architect designated by the State, county, or political subdivision that is undertaking the public works project to observe the maintenance work. For the observation of construction of this type of public works project, the licensed professional engineer, architect, or landscape architect, as the case may be, shall not be required to stamp the plans or specifications.

(b) All land surveys involving property boundaries for public purposes or plans thereof shall be made or supervised by a licensed surveyor. The licensed land surveyor shall stamp the land surveys or plans, and indicate that the licensee has prepared or supervised the preparation of the land surveys or plans.

(c) For purposes of this section:

"Maintenance" means minor repairs or replacement work which do not affect or involve the structural integrity of the public works project.

"Public works projects" means projects undertaken by the State, counties, or any political subdivisions thereof.