



JOSH GREEN, M.D.  
GOVERNOR

SYLVIA LUKE  
LIEUTENANT GOVERNOR

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

LUIS P. SALAVERIA  
DIRECTOR

SABRINA NASIR  
DEPUTY DIRECTOR

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

**WRITTEN ONLY**  
TESTIMONY BY LUIS P. SALAVERIA  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
TO THE SENATE COMMITTEE ON WAYS AND MEANS  
ON  
SENATE BILL NO. 1543, S.D. 1

**February 18, 2025**  
**10:01 a.m.**  
**Room 211 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, S.D. 1, 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; and 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, S.D. 1, also requires the compliance audit unit of the Office of the Auditor to conduct regular audits of consultant contracts. The bill further exempts contracting of external consultants for "highly technical or niche expertise unavailable in the State" and "short-term emergency needs"

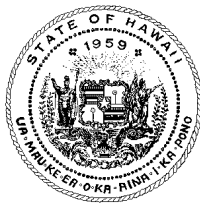
from these requirements, but does not define what those terms mean; and amends Section 103D-205, HRS, to require each chief procurement officer ensures that inherent government functions are not delegated to a contractor.

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.

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



STATE OF HAWAII | KA MOKU'ĀINA 'O HAWAII  
**DEPARTMENT OF CORRECTIONS  
AND REHABILITATION**  
*Ka 'Oihana Ho'omalua Kalaima  
a Ho'oponopono Ola*  
1177 Alakea Street  
Honolulu, Hawaii 96813

**TOMMY JOHNSON**  
DIRECTOR

**Melanie Martin**  
Deputy Director  
Administration

**Pamela J. Sturz**  
Deputy Director  
Correctional Institutions

**Sanna Muñoz**  
Deputy Director  
Rehabilitation Services  
and  
Programs

No. \_\_\_\_\_

## WRITTEN TESTIMONY ONLY

TESTIMONY ON SENATE BILL 1543, SENATE DRAFT 1  
RELATING TO GOVERNMENT ACCOUNTABILITY.

by  
Tommy Johnson

Senate Committee on Ways and Means  
Senator Donovan M. Dela Cruz, Chair  
Senator Sharon Y. Moriwaki, Vice Chair

Tuesday, February 18, 2025, 10:01 a.m.  
State Capitol, Conference Room 211 & via Videoconference

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

The Department of Corrections and Rehabilitation (DCR) **opposes** Senate Bill (SB) 1543, Senate Draft (SD) 1, which seeks to add a new section to Hawai'i Revised Statute (HRS) 103D, to address external consultants, justification, spending caps, reporting requirements, and audits.

DCR, like many other departments and agencies within all three (3) branches of government, uses external consultants to provide services and expertise that we do not have. Often the complexity of the work required for projects far exceeds the knowledge, skills, and abilities of staff. Therefore, specialized skills not readily available internally must be obtained to ensure projects are planned, designed, scoped and carried out efficiently and within budgetary constraints.

As written, this measure does not consider the critically vital role consultants play in government agencies' ability to deliver projects and services to the public. Therefore, it is respectfully recommended that legislature consider conducting an in-depth study to better quantify and analyze this issue before making significant changes to the

SB 1543, SD 1 – Relating to Government Accountability  
Senate Committee on Ways and Means  
February 18, 2025  
Page 2

procurement statute, that may have negative unintended and far-reaching effects on government operations statewide.

Thank you for the opportunity to provide testimony in **strong opposition** to SB 1543, SD1.



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

**Date:** 02/18/2025

**Time:** 10:01 AM

**Location:** CR 211 & Videoconference

**Committee:** Senate Ways and Means

**Department:** Education

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

**Bill Title:** SB 1543, SD1 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. Requires each chief procurement officer to ensure that inherent government functions are not delegated to a contractor. Effective 1/1/2491. (SD1)

**Department's Position:**

The Hawaii State Department of Education (Department) appreciates the opportunity to offer comments on SB 1543, SD 1. 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.

The bill as amended does not contemplate uncertainties that may arise in the provision of services that may conflict with completion of projects. Delays such as unplanned expenditures beyond the expenditure thresholds could jeopardize project completion or lapsing of funds and could incur additional costs. As an example, the discovery of unexploded ordnance on a construction site will

require the contracting of expert services not available via staffing; it is unclear whether this discovery rises to the level of an emergency condition as described in the proposed bill. The lack of definition for highly technical or niche services leads to ambiguity in the applicability of this bill which will add to the difficulty with implementation.

Thank you for the opportunity to provide comments on SB 1543, SD 1.



STATE OF HAWAII  
HAWAII STATE PUBLIC LIBRARY SYSTEM  
'OIHANA HALE WAIHONA PUKE AUPUNI O KA MOKU'AINA O HAWAII  
OFFICE OF THE STATE LIBRARIAN  
44 MERCHANT STREET  
HONOLULU, HAWAII 96813

**SENATE COMMITTEE ON WAYS AND MEANS**  
**Tuesday, February 18, 2025**  
**10:01am**  
**Conference Room 211 & Videoconference**

**LATE**

**By Stacey A. Aldrich**  
**State Librarian**

**S.B. 1543 SD1 RELATING TO GOVERNMENT ACCOUNTABILITY**

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

The Hawaii State Public Library System (HSPLS) offers **comments** on S.B.1543 SD1 which 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 the Compliance Audit Unit to conduct regular audits of agency consultant contracts to assess cost-effectiveness and compliance; requires each chief procurement officer to ensure that inherent government functions are not delegated to a contractor.

While we appreciate the Legislature's concern about the use of consultants by all departments and agencies. Paid consultants and/or outside vendors are needed by the HSPLS in order to meet our operational requirements. In general, the HSPLS hires consultant to address work that we have no technical expertise to perform, requires specialized licenses and/or degrees or experience, or assists HSPLS to meet operational needs that cannot otherwise be done due to lack of staffing in HSPLS or other governmental departments and agencies that would normally be tasked with assisting us.

In the case of security guard services, the HSPLS transitioned to hiring private security "guards" for many public libraries statewide after the abolishment of the "security attendant" class of

employees. The abolishment of this class of employees forced HSPLS to move from having permanent HSPLS unarmed security staff to hiring unarmed security “guards” through the State’s procurement processes.

With respect to our buildings, the Department of Accounting and General Services is only able to provide some basic and/or emergency services to our public libraries, as they are not sufficiently staffed to do much more. Bigger more extensive repair projects require us to hire outside vendors who have more personnel, and specialized expertise and equipment. Not being able to hire outside to address some of these types of repairs could result in health and safety issues and require a shutdown of a building until the issue is resolved.

HSPLS has concerns that without outside consultants, we would not be able to provide the level of public services that we currently deliver, particularly with the current staffing shortage. The HSPLS also has concerns if the alternative were to create permanent positions to perform the services, as the existing state employment process is problematic. Instituting a cap on contracts will also artificially impose limits on needed services, most of which are required to be put out for competitive bid.

Finally, we note that information for all HSPLS contracts are submitted to the Senate Committee on Ways and Means and the House Finance Committee prior to the start of each legislative session.

Thank you for the opportunity to provide testimony on S.B. 1543 SD1.





# UNIVERSITY OF HAWAII SYSTEM

## ‘ŌNAEHANA KULANUI O HAWAII

### Legislative Testimony

### Hō'ike Mana'o I Mua O Ka 'Aha'ōlelo

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Testimony Presented Before the  
Senate Committee on Ways and Means  
February 18, 2025 at 10:01 a.m.

By

Kalbert K. Young

Vice President for Budget and Finance/Chief Financial Officer  
University of Hawai'i System

#### SB 1543 SD1 – RELATING TO GOVERNMENT ACCOUNTABILITY

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

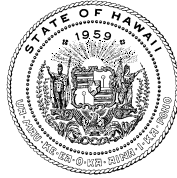
The University of Hawai'i (UH) offers comments on this bill which disincentivizes external consultants assisting with State work. UH recognizes inherently governmental functions as non-transferable to contractors procured to consult on state projects and agree with the State Procurement Office that government personnel have responsibilities that they cannot and should not delegate.

The use of consultants is prevalent across services and construction. Consultants are used to cover the gaps in specialized technical knowledge and grant access to global and highly experienced resources. While there is an exclusionary section for 'highly technical or niche expertise', there may be confusion as to the definition of a consultant and the differentiating line between the two. Whether or not a consultant is hired, they should never take on inherently governmental functions. However, consultants are vital to supplement the State's small number of staff who have more generalized state experience.

Mandating justifications that include demonstrations, cost-benefit analysis, and spend limits on each action creates onerous documentation that reduces streamlining efforts. If the alternative solution is available; that is, the ability to fund, recruit and hire specialists at market industry salary levels along with their respective fringe and benefits; and these consultants can stay employed during lags; and the state is ready and able to invest in large dollar in-house design and IT systems to supplement consultant resources; then there is a different choice that can be made. But without implementing the aligned infrastructure, there is no choice and the mandate could become a compliance gate with little benefit.

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

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 LAWELAWÉ 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**

FEBRUARY 18, 2025, 10:01A.M.  
CONFERENCE ROOM 211 AND VIA VIDEOCONFERENCE, STATE CAPITOL

S.B. 1543, 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. 1543, S.D. 1.

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 note that the current version of this measure proposes to amend HRS 103D-205 with the addition of subsection (8) to ensure that inherent government functions are not delegated to a contractor. While the department appreciates the intent of this new subsection, we believe the wording of the new language is overly broad and, as such, may be subject to multiple and conflicting interpretations. Therefore, we suggest that the new language be revised to specify that a determination of whether any such delegation has been proposed or implemented shall be made by the administrator, as that term is used in preceding subsections, e.g., "(8) Ensure that inherent government functions, as determined by the administrator, are not delegated to a contractor."

We also 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 B. GREEN, M.D.  
GOVERNOR  
KE KIA'ĀINA



BONNIE KAHAKUI  
ADMINISTRATOR

**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](mailto:state_procurement_office@hawaii.gov)  
<http://spo.hawaii.gov>

**LATE**

TESTIMONY  
OF  
BONNIE KAHAKUI, ADMINISTRATOR  
STATE PROCUREMENT OFFICE

TO THE SENATE COMMITTEE  
ON  
WAYS AND MEANS  
FEBRUARY 18, 2025; 10:01 AM

SENATE BILL 1543, 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 1543, SD1. The State Procurement Office (SPO) provides the following comments.

The SPO appreciates the intent of this bill, to strengthen the role of public employees in performing core government functions and enhance the long-term sustainability and independence of state operations, and to be able to reduce reliance on external consultants. The SPO understands the recruitment challenges faced by many state governments across all sectors, including government procurement. This prompted a white paper published by the National Association of State Procurement Officials (NASPO), which provided guidance that is applicable to all government sectors: "With government retirements on the rise and state government associations identifying recruitment and retention of a qualified workforce as a major concern, it is becoming increasingly crucial to identify solutions that can benefit procurement leaders across the nation." The NASPO white paper quoted Leslie Parker of the National Association of State Personnel Executives (NASPE): "States are experiencing, and will continue to experience over the next several years, a significant change to their government workforce."

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 appreciates the addition its recommended language to Section 103D-205, HRS:

§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;**

The bill as proposed is very burdensome and may cause delays in projects as the agency tries to comply with the statutory requirements and thus ultimately detrimental to the State. Due to the complexity of the work, departments are compelled to procure specialized services not available within the department to ensure projects are carried out efficiently.

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  
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e-mail: [state.procurement.office@hawaii.gov](mailto: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.

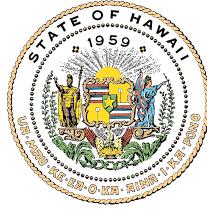
Ultimately, it is the government's responsibility to manage the contracts it procures, to make all final decisions on what they want and how much they will pay for it, with the ever-present goal in mind of achieving a successful outcome whilst safeguarding taxpayer's money.

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



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 WAYS AND MEANS  
PROVIDING COMMENTS ON  
SENATE BILL NO. 1543, S.D.1**

**February 18, 2025**

**10:01 A.M.**

**Conference Room 211 and VIA Videoconference**

RELATING TO GOVERNMENT ACCOUNTABILITY.

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

The ERS Board of Trustees (BOT) has concerns regarding this legislation and respectfully offers the following comments.

S.B. 1543, S.D.1 proposes to enact additional conditions and restrictions when hiring an external consultant. While the ERS supports the intent of S.B. 1543, S.D.1 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.



Employees' Retirement System  
of the State of Hawaii

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, undetermined cap, and Legislative approval requirements 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 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 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, S.D.1.



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

*"Quality Healthcare For All"*

**COMMITTEE ON WAYS AND MEANS**  
**Senator Donovan M. Dela Cruz, Chair**  
**Senator Sharon Y. Moriwaki, Vice-Chair**

February 18, 2025  
10:01 AM  
Hawaii State Capitol  
Room 211 & Via Videoconference

**S.B. 1543, SD1**  
**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. Requires each chief procurement officer to ensure that inherent government functions are not delegated to a contractor. Effective 1/1/2491.  
(SD1)

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 on **S.B. 1543, S.D. 1, Relating to Government Accountability.**

The complexities of healthcare in areas such as billing and insurance, personnel, medical malpractice, electronic health records, and licensure are just a few examples that require expertise that the Hawaii Health Systems Corporation has historically sought external services. Should this measure pass, there will be concern that 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.

**SB-1543-SD-1**

Submitted on: 2/14/2025 4:49:29 PM

Testimony for WAM on 2/18/2025 10:01:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Nimr Tamimi	Individual	Oppose	Written Testimony Only

Comments:

I am writing to express my strong opposition to SB1543. As a licensed professional engineer practicing in Hawaii for over 37 years, I have serious concerns about the impact this bill will have on the state's ability to address critical infrastructure challenges effectively.

SB1543 would significantly limit the government's ability to hire outside consulting firms for staff augmentation by imposing new justification requirements, spending caps, and legislative approval for certain contracts. While oversight and accountability in government spending are important, these restrictions would severely hinder public agencies from accessing the specialized expertise necessary to address Hawaii's pressing infrastructure needs.

The state is already facing a severe shortage of engineers, and further limiting the ability to supplement government staff with external consultants will exacerbate delays in maintaining and improving essential infrastructure—such as water, wastewater, solid waste, and transportation systems. By restricting private sector collaboration, the bill will likely increase project costs, slow down permitting processes, and ultimately diminish the quality of life for residents while impeding economic growth.

Instead of restricting access to external expertise, Hawaii should focus on strengthening workforce development, investing in engineering education, and streamlining the hiring of qualified professionals within government agencies. Public-private collaboration has long been a key strategy in delivering timely and cost-effective infrastructure solutions, and SB1543 threatens to undermine this well-established approach.

I urge you to oppose SB1543 and consider alternative measures that enhance efficiency without compromising the state's ability to deliver critical infrastructure projects. Thank you for your time and consideration.



AMERICAN COUNCIL OF ENGINEERING COMPANIES  
of Hawaii



**2024–2025 Board of Directors**

February 17, 2025

**President**

Shannon Holman, P.E.  
Orion Engineers & Associates  
Ph: (808) 282-7986

Senate Committee on Ways and Means  
Hearing Date: Tuesday, February 18, 2025, 10:01 a.m.

**President-Elect**

Charles Jury, P.E.  
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Honorable Chair Dela Cruz, Vice Chair Moriwaki, and Members of the Senate Committee on Ways and Means

**Subject: SB 1543 HD1, Relating to Government Accountability  
Testimony in Opposition**

**Treasurer**

Kealohi Sandefur, P.E.  
Yogi Kwong Engineers  
Ph: (808) 942-0001

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

**Secretary**

Tim Goshi, P.E.  
KAI Hawaii, Inc.  
Ph: (808) 791-3966

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.**

**Past President**

Kyle Kaneshiro, P.E.  
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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.

**National Director**

Nimr Tamimi, P.E.  
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**Key Concerns:**

**Directors**

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- 1. 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.
- 2. 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.
- 3. 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.
- 4. 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 the 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

**LATE**

**SB-1543-SD-1**

Submitted on: 2/17/2025 1:08:04 PM

Testimony for WAM on 2/18/2025 10:01:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Tasman Kekai Mattox	Individual	Support	Written Testimony Only

Comments:

I support full transparency with how and why agencies use external consultants.



**LATE**

**SB-1543-SD-1**

Submitted on: 2/18/2025 2:09:40 PM

Testimony for WAM on 2/18/2025 10:01:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Ellen Awai	Individual	Support	Written Testimony Only

Comments:

I support SB1543 SD1. Hawaii is too dependent on outside "professionals" when the state should already have all the expertise they need within their own employment. We should not have to rely on outside advise when they know little about our culture and the people to understand how things work in the islands. Others do not understand the island thinking, the spiritual/cultural aspects of why we do things, the communication or "coconut wireless" and assistance available from our own ohana or "village". Even different islands can assist each other, because each one is unique in its own cultural differences. Outsiders are siphoning our resources, just to benefit from Hawaii's aloha spirit, but do little to contribute to what is needed except to doubt our own experts! Mahalo for supporting SB1543 SD1!