



**HAWAI'I RETIREMENT
SAVINGS BOARD February
10, 2026, Meeting Packet**



**Hawai'i Retirement Savings
Board Agenda – February 10,
2026, Meeting**

JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
LIEUTENANT GOVERNOR



JADE T. BUTAY
DIRECTOR

WILLIAM G. KUNSTMAN
DEPUTY DIRECTOR

AHLANI K. QUIOGUE
EXECUTIVE DIRECTOR

STATE OF HAWAII
DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS
830 PUNCHBOWL STREET, ROOM 321
HONOLULU, HAWAII 96813

**HAWAII RETIREMENT
SAVINGS BOARD**

Co-Chairs
Jade T. Butay
Budget & Finance (Vacant)

Members
William G. Kunstman
Derek Shigano
Jessie Keola Dean
Barbara Krieg
Andrew Nomura
Brian Taniguchi
Representative Jackson D. Sayama
Senator Brando J.C. Elefante

**HAWAII RETIREMENT SAVINGS
BOARD MEETING**

AGENDA

Date: February 10, 2026

Time: 10:00 a.m.

In-Person Meeting Location: Princess Ruth Ke'elikolani Building
830 Punchbowl Street, Room 321
Honolulu, Hawaii 96813

Virtual Participation: Virtual Videoconference Meeting – Zoom
Meeting (Link below)

<https://us02web.zoom.us/j/81823999516?pwd=92uarRZpAasbRfCGqCYgrqRI4jknhj.1>

Meeting ID: 818 2399 9516

Passcode: 232395

Phone: +1 808-829-4853

Phone Conference ID: 192 552 999#

Agenda: The agenda was posted to the State electronic calendars as required by §92-7(b), Hawaii Revised Statutes ("HRS").

Board Meeting Materials: Meeting materials are available at <https://labor.hawaii.gov/hrsp/board-meetings/>.

If you wish to submit written testimony on any agenda item, please email your testimony to dlir.hrsp@hawaii.gov or by hard copy mail to: Attn: Hawaii Retirement Savings Program, 830 Punchbowl Street, Room 321, Honolulu, HI 96813. We request submission of testimony at least

24 hours prior to the meeting to ensure that it can be distributed to the Board members.

INTERNET ACCESS:

*To view the meeting and provide live oral testimony, please use the link at the top of the agenda. You will be asked to enter your name. The Board requests that you enter your full name, but you may use a pseudonym or other identifier if you wish to remain anonymous. You will also be asked for an email address. You may fill in this field with any entry in an email format, e.g., ****@***mail.com.*

Your microphone will be automatically muted, and video will be turned off. When the Chairperson asks for public testimony, you may click the Raise Hand button found on your Zoom screen to indicate that you wish to testify about an agenda item. You will individually be enabled to unmute your microphone, turn on your video if you choose to, and testify. When recognized by the Chairperson, please unmute your microphone and turn on your video if you choose to before speaking and mute your microphone and turn off your video after you finish speaking.

PHONE ACCESS:

If you cannot get internet access, you may get audio-only access by calling the Zoom Phone Number listed at the top on the agenda. Upon dialing the number, you will be prompted to enter the Meeting ID which is also listed at the top of the agenda. After entering the Meeting ID, you will be asked to wait until you are admitted into the meeting.

When the Chairperson asks for public testimony, you may indicate you want to testify by entering "" and then "9" on your phone's keypad. After entering "*" and then "9", a voice prompt will let you know that the host of the meeting has been notified. When recognized by the Chairperson, you may unmute yourself by pressing "*" and then "6" on your phone. A voice prompt will let you know that you are unmuted. Once you are finished speaking, please enter "*" and then "6" again to mute yourself.*

For both internet and phone access, when testifying, you will be asked to identify yourself and the organization, if any, that you represent. Each testifier will be limited to five minutes of testimony per agenda item. The Chairperson of the Board has the discretion to provide a member of the public with more or less time according to the agenda item and the number of persons signed up to testify on the agenda item. Pursuant to Hawaii Revised Statutes section 92-3.7(e), the Board may remove or block any person who willfully disrupts or compromises the conduct of the meeting.

If connection to the meeting is lost for more than 30 minutes, the meeting will be continued on a specified date and time. This information will be provided on the Board's website at <https://labor.hawaii.gov/hrsp/board-meetings/>.

Instructions to attend State of Hawaii virtual board meetings may be found online at <https://labor.hawaii.gov/wp-content/uploads/2025/01/State-of-Hawaii-Virtual-Board-Attendee-Instructions.pdf>.

I. Call Meeting to Order

II. Approval of the Minutes

- a. December 15, 2025, Open Session Meeting Minutes

III. Implementation of the Hawai'i Retirement Savings Program

The Hawai'i Retirement Savings Board will evaluate two multistate partnership proposals for implementing the Hawai'i Retirement Savings Program with a focus on cost, governance, scalability, and operational readiness. The two proposals to be considered and decided on are the Partnership for a Dignified Retirement (PDR – Colorado-led) and the Retirement Alliance (Connecticut-led).

IV. 2026 Legislative Session

- a. Delegation to Staff

The Board will deliberate on granting the Executive Director the authority to monitor legislation and prepare testimony on its behalf.

- b. Delegation to Board Members

The Board will deliberate on authorizing two Board members to collaborate with the Executive Director in preparing legislative testimony, engaging with legislators, and attending legislative hearings, in alignment with the Board's adopted position on legislation.

V. 2026 Legislation

- a. H.B. 1290 RELATING TO LABOR

Establishes a Portable Benefits Program under the administration of a board of trustees to provide portable benefits to gig workers. Expands the Hawai'i Retirement Savings Program to gig workers. Appropriates funds.

- b. H.B. 847, H.D. 1, RELATING TO HAWAII RETIREMENT SAVINGS ACT
S.B. 855, S.D. 1, H.D. 1, C.D. 1 (ACT 113, SLH 2025)

Clarifies the definition of "covered employer" under the Hawai'i Retirement Savings Act. Requires covered employers to automatically enroll covered employees into the Hawai'i Retirement Savings Program unless the employee chooses to opt out. Repeals the limit on the total fees and expenses that can be spent for the Program each year. Appropriates funds to the Department of Labor and Industrial Relations for the development and operation of the Program. Effective 7/1/3000. (HD1)

- c. H.B. 1136, RELATING TO THE HAWAII RETIRMENT SAVINGS ACT
S.B. 1455, RELATING TO THE HAWAII RETIREMENT SAVINGS ACT

Clarifies the definition of "covered employer" under the Hawai'i Retirement Savings Act. Requires covered employers to automatically enroll covered employees into the Hawai'i Retirement Savings Program unless the covered employee chooses to opt out. Effective upon approval.

- d. S.B. 1253, RELATING TO BOARDS AND COMMISSIONS

Clarifies that the prohibition against board and commission holdover members from holding office beyond the end of the second regular legislative session following the expiration of the member's term of office takes precedence over any conflicting statutes.

- e. H.B. 724, RELATING TO OPEN MEETINGS

Amends the definition of a "board" under the Sunshine Law to include the Legislature. Clarifies notice period requirements. Repeals the Legislature's exemption from the Sunshine Law. Repeals the exemption for permitted interactions between board members.

- f. S.B. 381, S.D.1, RELATING TO PUBLIC AGENCY MEETINGS

Requires appointments and selections of heads of state divisions and agencies that require a board approval to be made through a publicly established process and timeline. Requires the approval of the process and timeline to appoint or select a new head of a state division or agency to be determined in an open meeting. Requires that votes to appoint or select heads of state divisions and agencies be conducted in an open meeting. Provides that any vote to appoint or select a head of a state division or agency cast in violation of the foregoing shall be invalid. Effective 1/1/2491. (SD1)

- g. S.B. 1617, RELATING TO PUBLIC MEETINGS
H.B. 1453, RELATING TO PUBLIC MEETINGS

Prohibits boards from beginning or continuing meetings after 9:00 p.m., excluding county council meetings.

- h. S.B. 1543, S.D. 2, 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 new 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. (SD2)

i. S.B. 2662, 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 new contracts with external consultants. 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.

VI. Executive Director's Report

a. Update on the Hawai'i Retirement Savings Program Budget

The Executive Director will provide the Board with an update on the Hawai'i Retirement Savings Program's budget as of December 2025.

VII. Next Meeting: Tuesday, March 17, 2025
10:00 a.m.

and

In-Person Meeting Location: Princess Ruth Ke'elikolani Building
830 Punchbowl Street, Room 321
Honolulu, Hawai'i 96813

VIII. Adjournment

Reasonable accommodations for people with disabilities are available upon request. Requests for accommodations should be submitted by email to dlir.hrsp@hawaii.gov or by calling Ahlani Quiogue at (808) 586-8846 (voice) as soon as possible. Such requests should include a detailed description of the accommodation needed. In addition, please include a way for Ms. Quiogue to contact the requester if more information is needed to fulfill the request. Last-minute requests will be accepted but may not be possible to accommodate. Upon request, this notice is available in alternate formats.



**II. Approval of Meeting
Minutes:
A. December 15, 2025, Open
Session Meeting Minutes**

JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
LIEUTENANT GOVERNOR



JADE T. BUTAY
DIRECTOR

WILLIAM G. KUNSTMAN
DEPUTY DIRECTOR

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HONOLULU, HAWAII 96813

**HAWAII RETIREMENT
SAVINGS BOARD**

Co-Chairs
Jade T. Butay
Seth S. Colby, Ph.D.

Members
William G. Kunstman
Derek Shigano
Jessie Keola Dean
Barbara Krieg
Andrew Nomura
Brian Taniguchi
Representative Jackson D. Sayama

**HAWAII RETIREMENT SAVINGS
BOARD**

MINUTES OF THE MEETING

Date: December 15, 2025

Time: 10:00 a.m.

**In-Person
Meeting
Location:** Princess Ruth Ke'elikolani Building
830 Punchbowl Street, Room 321
Honolulu, Hawaii 96813

**Virtual
Participation:** Virtual Videoconference Meeting – Zoom Webinar
<https://us02web.zoom.us/j/86249458947?pwd=CeYTH3TLbpzsTOGvAl8tkQraXrWuJW.1>

**Meeting
Recording:** https://www.youtube.com/watch?v=cKuQ_WwV4Yo

Present: William G. Kunstman, Deputy Director, Department of Labor and Industrial Relations (“DLIR”), Director Designee
Derek Shigano, Special Assistant, Department of Budget and Finance, Director Designee
Jessie “Keola” Dean, Member
Barbara Krieg, Member
Andrew Nomura, Member
Brian Taniguchi, Member
Representative Jackson D. Sayama, Member
Gary K.M. Kam, Deputy Attorney General
Ahlani K. Quiogue, Executive Director
Deborah K. Kuwaye, Executive Assistant to the Deputy Director, DLIR
Forrest J. Schank, WDD-Intern, EDP, DLIR
Tri “Tim” Pham, Information Technology Specialist, DLIR

Excused: None.

Zoom Guests: Angela M. Antonelli, Research Professor, Executive Director, Center for Retirement Initiatives, McCourt School of Public Policy, Georgetown University
Jessica Muirhead, Executive Director, MyCT Savings Program
William "Hunter" Railey, Executive Director, Colorado Secure Savings
Ryley Colle
Grace Sullivan
Addison Spencer
aknecht

In-Person Guest(s): None.

Agenda: The agenda for this meeting was posted to the State electronic calendar as required by Hawai'i Revised Statutes ("HRS") section 92-7(b).

Co-Chairperson Kunstman explained to the members of the public the procedures to participate in the hybrid board meeting, including how a member of the public can participate and interact with the Board during the board meeting.

Call to Order: The meeting was called to order at 10:04 a.m., at which time quorum was established.

Co-Chairperson Kunstman welcomed everyone to the meeting and proceeded with a roll call of the Board members. All Board member(s) attending the meeting virtually confirmed that they were present.

Approval of the October 28, 2025, Open Session Minutes: Co-Chairperson Kunstman asked for public testimony on this agenda item. There were none.

Co-Chairperson Kunstman asked for comments or amendments to the minutes from the Board members. There were none.

There being no comments or revisions to the minutes, the Board approved the October 28, 2025, meeting minutes by unanimous consent.

Implementation of the Hawai'i Retirement Savings Program: Co-Chairperson Kunstman informed the public that the Hawai'i Retirement Savings Board will evaluate two proposals for multistate partnerships aimed at implementing the Hawai'i Retirement Savings Program. The evaluation will focus on cost, governance, scalability, and operational readiness. The proposals under consideration are the Partnership for a Dignified Retirement (PDR, led by Colorado) and the Retirement Alliance (led by Connecticut).

Co-Chairperson Kunstman asked for public testimony. There were none.

Key evaluation criteria considered by the Board included cost structure, governance model, scalability, and operational readiness.

Co-Chairperson Kunstman presented the documents prepared by Ms. Quiogue, which included a PowerPoint presentation comparing the two partnerships and a one-page summary. Subsequently, he invited the participants to engage in discussion.

Ms. Krieg inquired about the current level of assets under management ("AUM") and number of accounts for the two partnerships.

Ms. Muirhead and Mr. Riley were admitted into the virtual meeting room.

The following partnership information was provided by Mr. Riley and Ms. Muirhead:

- AUM:
 - Colorado \$213,000,000
 - Connecticut ~\$55,000,000, projected ~\$70,000,000 in 2026.
- Accounts:
 - Colorado has 94,000 funded accounts, plus approximately 12,000 accounts awaiting payroll contributions.
 - Connecticut has approximately 31,000 funded accounts with 4,472 enrolled employees and an expected 10,000-20,000 additional accounts from Rhode Island in 2026.

In addition to the information requested by Ms. Krieg, Ms. Muirhead and Mr. Riley provided the following additional information:

- Investment Design:
 - Connecticut uses custom portfolios (BNY Melon), which generally have lower fees tailored to specific demographics.
 - Colorado uses off-the-shelf target-date funds (State Street).
- Governance Models:
 - Connecticut
 - Collaboration model with one vote per state.
 - Connecticut and Rhode Island are sole fiduciary states (Comptroller/Treasurer).
 - Advisory board makes recommendations and as the fiduciary state, the state must execute said decisions.
 - Partnerships are governed by an interstate collaboration agreement and a collaboration panel. There is one representative per state who receives one vote each on the panel.
 - Colorado:

- One state, one vote model that prioritizes collaboration and consensus driven innovation within state programs administered under the partnership.

For both partnerships, a \$100,000 startup fee is charged, which is managed by Vestwell.

Further, both partnerships allow for partnering states to participate in all meetings virtually. There is no current requirement to participate in any of the meetings in person.

Mr. Nomura inquired with Ms. Quiogue regarding the responsiveness of the partnership to her requests for information.

Ms. Quiogue informed the members that both partnerships have been prompt and comprehensive in their responses. She further stated that they have personally guided her through many of the steps to reach this point.

The Board members requested to enter executive session to discuss the two partnerships, expressing a preference to deliberate on the matter privately, without the presence of the two executive directors of the partnerships.

Deputy Attorney General Kam informed the Board that it may enter executive session only for specific reasons outlined in [§92-5, Hawaii Revised Statutes](#).

Co-Chairperson Kunstman proposed that, if appropriate, Ms. Muirhead and Mr. Riley be assigned to a breakout room to allow the members to discuss the two partnerships freely.

Deputy Attorney General Kam confirmed that this course of action would be appropriate.

Ms. Muirhead and Mr. Riley expressed their willingness to be assigned to a breakout room for these purposes.

Representative Suyama left the virtual meeting room at 10:53 a.m.

Ms. Muirhead and Mr. Riley were placed in a breakout room at 10:54 a.m.

The Board engaged in a detailed discussion regarding the need for a comprehensive side-by-side analysis of the fee structures and cost implications of the two proposed partnerships.

Mr. Nomura inquired if Ms. Quiogue had a recommendation for the Board regarding which partnership it should consider joining.

Ms. Quiogue indicated that her one-page document outlines the benefits

of each partnership, noting that both partnerships are highly similar and that she does not.

Mr. Nomura emphatically stated that Ms. Quiogue has decided not to recommend a specific partnership to the Board.

Ms. Quiogue clarified that the Board is the sole authorized entity to decide which partnership to engage with, rather than its staff. The materials presented to the Board in the meeting packets, along with information provided by the two partnerships, serve to ensure that the Board can make an informed decision.

Ms. Krieg concurred with Ms. Quiogue's remarks and emphasized that the decision should be made by the Board only.

Mr. Dean inquired whether an analysis was conducted on the fees and the impact on savers. He pointed out that the slide titled "Investment Management" mentioned Connecticut's fees at 0.035% but did not provide any figures for Colorado.

Ms. Quiogue noted that the sole analysis available was derived from the documents provided concerning fees, as highlighted in the slide titled "Cost Structure".

Mr. Dean clarified that his request was misunderstood by Ms. Quiogue. He emphasized that as an executive director, he presents information to his board with a thorough analysis and direct comparisons, enabling members to make informed decisions.

Mr. Dean underscored the necessity of transparency in fee structures, asserting that participants must be adequately informed about all costs related to their investments. He also noted the significant long-term effects that even minor fee variations can have on participants' overall returns. The advocacy included the implementation of clear communication strategies to convey fee structures in an easily comprehensible manner.

Additionally, Mr. Dean emphasized the importance of evaluating the scalability of fees as the program expands, ensuring that economies of scale yield benefits for participants over time.

For example, consider a request for simulations of typical account scenarios, which may include the following: investments of \$1,000 and \$10,000 over periods of 1, 5, and 10 years; a comparison of various fees including investment fees, program administration fees, asset-based fees, and account-based fees; assumptions incorporating participant demographics, such as a 45-year-old contributing \$50 or \$100 monthly; the significance of fiduciary responsibility in ensuring low fees for participants; and acknowledgment that fee structures may affect participants differently depending on account size and contribution levels.

Ms. Muirhead and Mr. Riley were admitted into the virtual meeting room at 11:13 a.m.

By consensus, the Board postponed the decision on this matter and requested Ms. Quiogue to coordinate with the two partnerships to gather the necessary data for a comprehensive analysis.

**Executive
Director's
Report:**

A. Update on the Hawai'i Retirement Savings Program Budget

Ms. Quiogue notified the members that she did not receive the budget information in time to meet the requirement of making it available to the public three days prior to the board meeting. Consequently, the Board will not be able to consider it at this meeting.

B. 2026 Hawai'i Retirement Savings Board Meeting Schedule

Ms. Quiogue informed the members that the January and February 2026 board meetings would need to be rescheduled due to budget briefings and a holiday. She indicated that she would contact them after the meeting to propose alternative dates.

C. News from the OIP: Testimony for Boards Subject to the Sunshine Law

Ms. Quiogue reminded attendees of the Sunshine Law testimony rules. Specifically, the Board previously voted to limit public testimony to five minutes per agenda item. The Chairperson retains the discretion to adjust this time allocation based on the topic of the agenda item and the number of individuals wishing to testify.

Next Meeting: To be determined.

Adjournment: There being no further business, the meeting was adjourned at 11:17 a.m.

Taken and recorded by:

/s/ Ahlani K. Quiogue

Executive Director

() Minutes approved as is.
() Minutes approved with changes:



**III. Implementation of the
Hawai'i Retirement Savings
Program**



**Hawai'i Retirement Savings
Program Request for Information
dated December 16, 2025**

Hi, Jessica and Hunter:

Thank you very much for attending the board meeting yesterday and responding to the members questions.

The Board expressed its need for a for a comprehensive side-by-side analysis of the fee structures and cost implications of the two proposed partnerships—Partnership for a Dignified Retirement (Colorado-led) and Retirement Alliance (Connecticut-led).

More specifically, the Board requests the following additional information:

- Fees
 - Simulations 1 – 3: Individual investment amounts of \$5 per month, \$20 per month for the mid-level number with \$100 per month as the high-level number:
 1. \$5 per month (\$60 per year) for 3 years
 2. \$20 per month (\$240 per year) for 3 years
 3. \$100 per month (\$1,200 per year) for 3 years
 - Aggregate investment amounts of:
 1. Use the study estimates of how much HRSP is anticipated to have under management after year 1, year 3, and year 5
 2. Then, calculate the number of accounts and the average account balance after year 1, year 3, and year 5
 - Fee types
 1. Asset-based
 - Program Management Fees (Retirement Alliance calls these Vestwell Program Management Fees) (%) – based on total assets under management; use the study estimates of how much HRSP is anticipated to have under management after year 1, year 3, and year 5
 - Program Manager Asset Level and Fee
 - Less than \$2B: PDR at 0.15% vs. Retirement Alliance at 0.17%
 - \$2B – 4B: PDR at 0.12% vs. Retirement Alliance at 0.15%
 - Over \$4B: PDR at 0.10% vs. Retirement Alliance at 0.12%
 - State asset-based fee
 - Retirement Alliance at 0.02% (may Hawaii assess similar fee

under PDR?)

- Investment fees - also asset-based fees (%) – based on individual amount invested in different investment types (see below in Investment Assumptions for scenarios)
 - Program administration fees – also asset-based fee (%) – based on individual amount invested across account balances
 - PDR: 0.20%
 - Retirement Alliance: 0.19%
2. Account-based fees (flat per account) – based on total accounts under management; use the study estimates of how much HRSP is anticipated to have under management after year 1, year 3, and year 5
- Account Total and Fee
 - PDR: Less than 200K accounts at \$22 per account per year vs. Retirement Alliance: Less than 75K accounts at \$24 per account per year
 - PDR: 200K – 350K accounts at \$20 per account per year vs. Retirement Alliance: 75K – 350K accounts at \$20 per account per year
 - PDR: Over 350K accounts at \$18 per account per year vs. Retirement Alliance: Over 350K account at \$18 per account per year
 - Note: In Retirement Alliance, there is a CRSP Administrative Fee – Need to confirm this is included in the Account-based fees above.
3. Startup fees
- Retirement Alliance: \$100,000
- Run four scenarios
1. All investments in target retirement funds
 - Assume 47 year old participant (Target Date 2045)
 - Investment Fees: PDR at 0.09% vs. Retirement Alliance at 0.035%
 2. All investments in higher risk funds
 - Domestic Equity (for PDR) at 0.03% vs. Growth (for Retirement Alliance) at 0.032%
 3. All investments in lowest risk funds
 - Money Market (for PDR) at 0.12% vs. Cash Preservation (for Retirement Alliance) at 0.10%
 4. All investment in medium risk funds
 - Fixed Income (for PDR) at 0.025% vs. Income (for Retirement Alliance) at 0.074%

Could you please present the information similar to the format below:

Simulation 1, 2, and 3

	PDR				Retirement Alliance			
	Scen 1	Scen 2	Scen 3	Scen 4	Scen 1	Scen 2	Scen 3	Scen 4
Program Mgmt Fee	Yr 1 Yr 2 Yr 3							
State Asset-Based Fee	Yr 1 Yr 2 Yr 3							
Investment Fee	Yr 1 Yr 2 Yr 3							
Program Administration Fee	Yr 1 Yr 2 Yr 3							
Account-Based Fee	Yr 1 Yr 2 Yr 3							
Total	Yr 1 Yr 2 Yr 3							

Thank you,
Ahlani



**Partnership for a Dignified
Retirement (PDR – Colorado-led)
Response to the HRSB’s Request
for Additional Information**



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Hawai'i Retirement Program: Follow Up Response

Overview:

This memo provides a detailed response to the Hawai'i Retirement Savings Program Board's follow up questions following the submission of the Partnership for a Dignified Retirement's initial response to the Request for Information.

Our response here addresses questions from the Board in the following areas:

1. Cost Comparison:
2. Funded Account Growth and Fee Break Analysis

Please note, our response on the topic of fee breaks relies on a combination of projections and assumptions about program growth that is contingent on numerous variables that are beyond the control of staff in any Partner State. To provide Hawai'i with realistic expectations of growth and, consequently, fee breaks, our analysis relies on existing Partner State programs and general summaries of demonstrated growth and growth expectations. We are confident that our partnership structure will support the successful launch of the Hawai'i Retirement Savings Program and support its expansion. However, we are hesitant to provide analysis on Hawai'i's growth trajectory prior to having access to employer data or board decisions on the implementation structure.

Finally, if the PDR can provide any additional information about its governance structure, fees, decision making processes, or any other items deemed relevant to the Board's evaluation process, please let us know.



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Cost Comparison:

The program administration fee structure for the PDR is as follows:

Asset Based Fees:

According to the terms of the Master Services Agreement, Asset-Based fee reductions are triggered based on total Partner Program Assets.

TABLE 1 Asset-Based Fee	
Asset Level	Fee (%)
\$0.0-2.0B	15 bps (0.15%)
\$2.0-4.0B	12 bps (0.12%)
\$4.0B+	10 bps (0.10%)

Account-Based Fees:

Account-Based Fees fee reductions are triggered based on the total number of Accounts of all Partner States.

TABLE 2 Account-Based Fee	
Account Level	Fee (\$)
1-200K accounts	\$22.00 per account annually
200-350K accounts	\$20.00 per account annually
350K+ accounts	\$18.00 per account annually



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As a reminder, investment fees for the requested asset classes are:

Asset Class	Fee
Target Date 2045	9 bps (0.09%)
Domestic Equity	3 bps (0.03%)
Money Market	12 bps (0.12%)
Fixed Income	2.5 bps (0.025%)

Additionally, the Hawai'i Retirement Program will collect an additional \$4 per funded account, as well as a 5 bps (0.05%) administrative fee.

Please note, all fees are assessed at the current dollar-based fee amount (\$22 per account annually). As the next section will demonstrate, the PDR is likely to reach the first breakpoint soon. Consequently, it is reasonable to assume fees shown here will be \$2 less per account annually.

The following tables show the fees for funded accounts with \$500, \$1,500, \$5,000, and \$7,500:

1. Scenario 1: \$500 Account Balance

	Target Date 2045	Domestic Equity	Money Market	Fixed Income
Vestwell Asset Based Fee	\$0.75	\$0.75	\$0.75	\$0.75
Hawai'i Asset Based Fee	\$0.25	\$0.25	\$0.25	\$0.25
Investment Management Fee	\$0.45	\$0.15	\$0.60	\$0.13
Vestwell Dollar Based Fee	\$22	\$22	\$22	\$22
Hawai'i Dollar Based Fee	\$4	\$4	\$4	\$4
Total Fees	\$27.45	\$27.15	\$27.60	\$27.13



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2. Scenario 2: \$1,500 Account Balance

	Target Date 2045	Domestic Equity	Money Market	Fixed Income
Vestwell Asset Based Fee	\$2.25	\$2.25	\$2.25	\$2.25
Hawai'i Asset Based Fee	\$0.75	\$0.75	\$0.75	\$0.75
Investment Management Fee	\$1.35	\$0.45	\$1.80	\$0.38
Vestwell Dollar Based Fee	\$22	\$22	\$22	\$22
Hawai'i Dollar Based Fee	\$4	\$4	\$4	\$4
Total Fees	\$30.35	\$29.45	\$30.85	\$29.38

3. Scenario 3: \$5,000 Account Balance

	Target Date 2045	Domestic Equity	Money Market	Fixed Income
Vestwell Asset Based Fee	\$7.50	\$7.50	\$7.50	\$7.50
Hawai'i Asset Based Fee	\$2.50	\$2.50	\$2.50	\$2.50
Investment Management Fee	\$4.50	\$1.50	\$6.00	\$1.25
Vestwell Dollar Based Fee	\$22	\$22	\$22	\$22
Hawai'i Dollar Based Fee	\$4	\$4	\$4	\$4
Total Fees	\$40.50	\$37.50	\$42.50	\$37.25



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SecureSavings

4. Scenario 4: \$7,500 Account Balance

	Target Date 2045	Domestic Equity	Money Market	Fixed Income
Vestwell Asset Based Fee	\$11.25	\$11.25	\$11.25	\$11.25
Hawai'i Asset Based Fee	\$3.75	\$3.75	\$3.75	\$3.75
Investment Management Fee	\$6.75	\$2.25	\$9.00	\$1.88
Vestwell Dollar Based Fee	\$22	\$22	\$22	\$22
Hawai'i Dollar Based Fee	\$4	\$4	\$4	\$4
Total Fees	\$47.75	\$43.75	\$50.00	\$42.88



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Funded Account Growth and Fee Break Analysis:

As a reminder, the PDR had the following number of participants and assets under management across all Partner States as of November 28, 2025:

Funded Accounts	Enrolled Employers	Total Assets Under Management
139,134	26,481	\$212,878,626.07

In the two months since we submitted our initial response, the PDR has continued to grow. Our most recent data (January 30, 2026) indicates the following levels of participation:

Funded Accounts	Enrolled Employers	Total Assets Under Management
149,043	26,994	\$239,733,746.66

Importantly, this analysis is solely based on growth assumptions for existing Partner States in the PDR. These assumptions are based on general internal targets for growth that consider population size, growth trajectories, steps towards enforcement activity, and our experience working in each of the Partner States.

We understand that Pew Research has provided estimated projections on behalf of Hawai'i. While we are not discounting Pew's estimates, we felt it better to offer conservative analysis based on existing Partners and known universes of employers and savers as the actual employer universe will be determined using state data. State data may offer differing insights into the potential employer and saver universe that we cannot account for in this analysis.

Initial Fee Break

The PDR anticipates reaching its first dollar-based fee break within the next 12 months regardless of the status of the Hawai'i Retirement Savings Program. Depending on the anticipated start date for Hawai'i, there is a realistic possibility that the first breakpoint may be reached prior to the formal launch of Hawai'i's program. At a minimum, the PDR would expect to reach this breakpoint no later than several months after the official launch of the Hawai'i Retirement Savings Program. This assumption is based on the continued growth in funded accounts across all Partner States.



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Our rationale for this conclusion is based on substantial anticipated growth in funded accounts in Colorado and Nevada. We also foresee modest, but consistent, funded account growth in Delaware, Maine, and Vermont. Further, the PDR has recently launched the Minnesota Secure Choice Program that is expected to closely mirror the SecureSavings' funded account and asset numbers based on the nearly identical population size to Colorado. This assumption is reinforced by Minnesota employer data indicating similar levels of eligible employers and savers.

As further evidence of this growth potential, the PDR would highlight the nearly 10,000 new funded accounts added in the two months since our initial response was submitted to the Hawai'i Retirement Savings Program Board. Importantly, these new accounts were added outside of any major compliance deadlines or enrollment waves across the Partner States and offer some insight into the general growth dynamics across the existing PDR states.

Second Fee Break

As shown in the contractual fee breaks, the PDR will be eligible for a second dollar-based fee break when the PDR reaches 350,000+ funded accounts in total.

While there are numerous variables involved, Hawai'i's participation in the PDR makes reaching an additional dollar-based fee break accessible prior to rebidding the Master Services Agreement contract in 2032.

At this time, it is difficult to assess when the PDR will reach the second dollar-based fee break. However, we do feel this break point is achievable within the term of the PDR's contract with Vestwell. This conclusion is based on the significant growth potential in Colorado, Minnesota, and Nevada in particular. Specifically, we anticipate Minnesota will grow to a similar size in both funded accounts and assets under management as Colorado over the next several years. Additionally, the population size of Nevada suggests that it will mature to approximately half the number of funded accounts expected in the SecureSavings Program.

Additionally, Delaware, Maine, and Vermont will also contribute to growth as all three states are currently working to enroll home health care providers, expanding their employer pools (i.e. lowering the employee count threshold), as well as continuing annual enrollment.

Asset Based Fee Breakpoints

Our contract with Vestwell includes asset-based fee breaks when the PDR collectively reaches \$2 billion+ in assets under management. While there are numerous variables outside the control of the PDR with respect to asset growth – such as investment volatility, macroeconomic growth, saver participation rates, etc. – our scale provides the strongest likelihood that asset-based fees will be reduced during this contract engagement. Moreover, future and long-term cost reductions for savers are directly related to the scale of the asset and saver pool beyond this initial contractual engagement.



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It is too early to estimate if or when the PDR may reach the contractual milestones for an asset-based fee reduction. However, the PDR is confident that given the cost realities for private partners to administer auto IRA programs, participant cost concerns are best mitigated by states by working to reach economies of scale, as is the case with the PDR.

Additional Fee Breaks, Cost Considerations

It is worth noting that additional saver cost reductions are more likely in the context of economies of scale. The fee breaks discussed in this section pertain to the PDR's relationship with Vestwell, but do not discuss other areas of fee reduction, specifically investment management fees. The PDR regularly reviews its investment lineup and would point to recent public procurement outcomes for auto IRA programs as evidence of the opportunities to find investment management cost reductions for savers over time.

Finally, it is worth noting that Hawai'i may see additional cost reductions or, at least, cost containment opportunities for the use of public funds as a member of the PDR. As Lead State, Colorado manages most of the administrative functions with PDR vendors, reducing time and capacity commitments from Partner States. Additionally, we currently benefit from the vast expertise of Partner State directors with deep experience in public investment programs, asset management, law, and public defined contribution program management. These resources will ultimately reduce administrative obligations for Hawai'i staff without sacrificing governance, vendor management, or investment oversight quality.



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This memo provides a visualization of how asset-based fees in the Partnership for a Dignified Retirement change over time for varying contribution rate scenarios. Scenarios provide here supplement fixed account balance fees provided in a separate response.

The scenarios cover the following asset classes and accompanying fees:

Asset Class	Fee
Target Date 2045	9 bps (0.09%)
Domestic Equity	3 bps (0.03%)
Money Market	12 bps (0.12%)
Fixed Income	2.5 bps (0.025%)

As with our previous response, Hawai'i will also receive a 5 bps (0.05%) administrative fee, and Vestwell charges a 15 bps (0.15%) administrative fee.

To simplify the table, Vestwell's dollar-based fee (\$22), and Hawai'i's dollar-based fee (\$4) will be added to the total fees.

Assumptions for all asset classes and contribution rates in the following tables include 6% year-over-year growth beginning after year 1, as well as 1% automatic escalation between year 1 and 2, and automatic escalation between year 2 and 3. Annual growth is compounded annually to illustrate how asset-based fees change with differing account balances. None of the numbers here are meant to provide an accurate representation of anticipated account growth over time, nor do they accurately reflect the dynamics of monthly contributions on a varying pay/contribution schedule, normal fee assessment cadence, or market volatility, among others.

All fee amounts are annualized rates meant to represent total yearly fees associated with the requested account balances.



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1. \$5/month: \$60/year

	Year	Target Date Fund	Domestic Equity Fund	Money Market	Fixed Income
Assumed Account Balance (w/ Fees)	1	\$33.83	\$33.86	\$33.81	\$33.86
	2	\$70.18	\$70.27	\$70.13	\$70.28
	3	\$109.21	\$109.39	\$109.12	\$109.41
Vestwell Asset Based Fee	1	\$0.09	\$0.09	\$0.09	\$0.09
	2	\$0.14	\$0.14	\$0.14	\$0.14
	3	\$0.20	\$0.20	\$0.20	\$0.20
Hawaii Asset Based Fee	1	\$0.03	\$0.03	\$0.03	\$0.03
	2	\$0.05	\$0.05	\$0.05	\$0.05
	3	\$0.07	\$0.07	\$0.07	\$0.07
Investment Management Fee	1	\$0.05	\$0.02	\$0.07	\$0.02
	2	\$0.09	\$0.03	\$0.12	\$0.02
	3	\$0.12	\$0.04	\$0.16	\$0.03
Total Fees (Including dollar-based fees)	1	\$26.17	\$26.14	\$26.19	\$26.14
	2	\$26.28	\$26.22	\$26.31	\$26.21
	3	\$26.39	\$26.29	\$26.43	\$26.30

2. \$20/month: \$240/year

	Year	Target Date Fund	Domestic Equity Fund	Money Market	Fixed Income
Assumed Account Balance	1	\$213.30	\$213.45	\$213.23	\$213.46
	2	\$441.15	\$441.59	\$440.93	\$441.62
	3	\$684.37	\$685.27	\$683.93	\$685.33
Vestwell Asset Based Fee	1	\$0.36	\$0.36	\$0.36	\$0.36
	2	\$0.70	\$0.70	\$0.70	\$0.70
	3	\$1.07	\$1.07	\$1.07	\$1.07
Hawaii Asset Based Fee	1	\$0.12	\$0.12	\$0.12	\$0.12
	2	\$0.23	\$0.23	\$0.23	\$0.23
	3	\$0.36	\$0.36	\$0.36	\$0.36
Investment Management Fee	1	\$0.22	\$0.07	\$0.29	\$0.06
	2	\$0.42	\$0.14	\$0.56	\$0.12
	3	\$0.64	\$0.21	\$0.85	\$0.18
Total Fees (Including dollar-based fees)	1	\$26.70	\$26.55	\$26.77	\$26.54
	2	\$27.35	\$27.07	\$27.49	\$27.05
	3	\$28.07	\$27.64	\$28.28	\$27.61



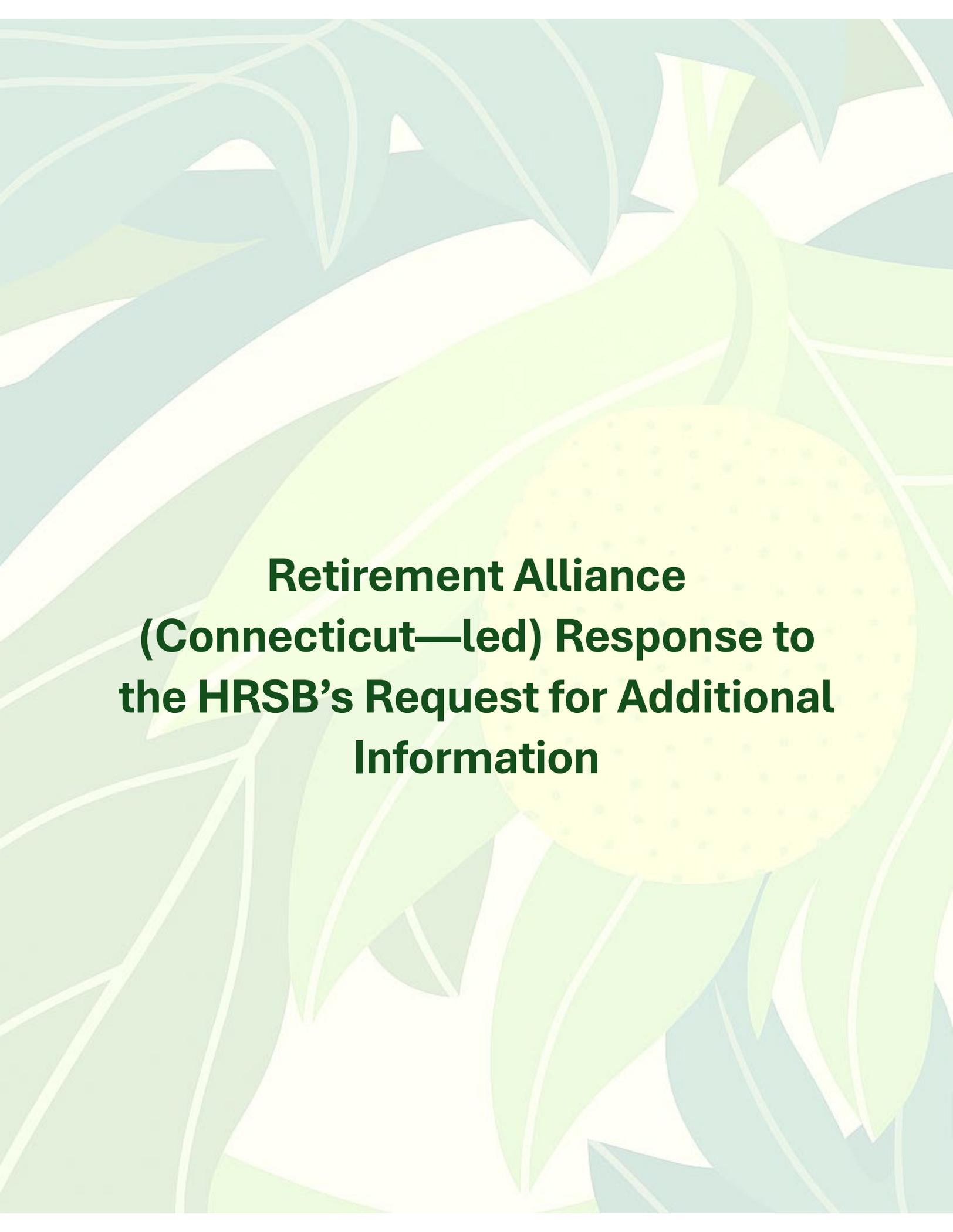
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3. \$100/month: \$1200/year

	Year	Target Date Fund	Domestic Equity Fund	Money Market	Fixed Income
Assumed Account Balance	1	\$1,170.52	\$1,171.24	\$1,170.16	\$1,171.30
	2	\$2,419.07	\$2,421.86	\$2,418.52	\$2,422.06
	3	\$3,751.35	\$3,756.56	\$3,749.63	\$3,782.58
Vestwell Asset Based Fee	1	\$1.80	\$1.80	\$1.80	\$1.80
	2	\$3.68	\$3.68	\$3.68	\$3.68
	3	\$5.68	\$5.69	\$5.68	\$5.69
Hawaii Asset Based Fee	1	\$0.60	\$0.60	\$0.60	\$0.60
	2	\$1.23	\$1.23	\$1.23	\$1.23
	3	\$1.89	\$1.90	\$1.89	\$1.90
Investment Management Fee	1	\$1.08	\$0.36	\$1.44	\$0.30
	2	\$2.21	\$0.74	\$2.94	\$0.61
	3	\$3.41	\$1.14	\$4.55	\$0.95
Total Fees (Including dollar-based fees)	1	\$29.48	\$29.35	\$29.84	\$28.70
	2	\$32.90	\$31.65	\$33.85	\$31.52
	3	\$36.37	\$34.73	\$38.12	\$34.54

4. \$140/month: \$1680/year

	Year	Target Date Fund	Domestic Equity Fund	Money Market	Fixed Income
Assumed Account Balance	1	\$1,649.13	\$1,650.14	\$1,648.62	\$1650.22
	2	\$3,408.89	\$3,412.03	\$3,407.32	\$3,412.28
	3	\$5,285.75	\$5,292.25	\$5,282.49	\$5,292.79
Vestwell Asset Based Fee	1	\$2.52	\$2.52	\$2.52	\$2.52
	2	\$5.17	\$5.17	\$5.17	\$5.17
	3	\$7.99	\$8.00	\$7.99	\$8.00
Hawaii Asset Based Fee	1	\$0.84	\$0.84	\$0.84	\$0.84
	2	\$1.72	\$1.72	\$1.72	\$1.72
	3	\$2.66	\$2.67	\$2.66	\$2.67
Investment Management Fee	1	\$1.51	\$0.50	\$2.02	\$0.42
	2	\$3.10	\$1.03	\$4.13	\$0.86
	3	\$4.79	\$1.60	\$6.39	\$1.33
Total Fees (Including dollar-based fees)	1	\$30.87	\$29.86	\$31.38	\$29.78
	2	\$35.99	\$33.92	\$37.02	\$33.75
	3	\$41.44	\$38.27	\$43.04	\$38.00



**Retirement Alliance
(Connecticut—led) Response to
the HRSB’s Request for Additional
Information**

MyCT Savings

Hawai'i Retirement Savings Board



Response to the Request for Fee Cost Analysis

January 13, 2026

Prepared by the
Connecticut
Office of the
State
Comptroller and
Vestwell State
Savings on
behalf of the
Multistate
Alliance for
Retirement
Security

SECTION 1: EXECUTIVE SUMMARY

OVERVIEW

The Multistate Alliance for Retirement Security (“Retirement Alliance”) is providing the following participant cost analyses at the request of the Hawai’i Retirement Savings Board (the “HRSB” or “Hawai’i”) following its December 15, 2025 meeting. The analysis includes simulations as requested by the HRSB, demonstrating fees on participant accounts at various monthly and annual contribution levels. We have used the fee levels established by the Retirement Alliance’s current contract with Vestwell State Savings and have assumed program growth levels based on both the baseline and conservative estimations of the HRSB program’s growth, as provided by the Pew Charitable Trusts (“Pew Research”)¹. We have also assumed an HRSB program start date of July 1, 2026.

FEE BREAKPOINTS

The Retirement Alliance’s pooled structure ensures exceptionally low fees for all savers regardless of contribution level. With the addition of HRSB accounts, the partnership’s economies of scale will further reduce costs; HRSB’s estimated participation at both the conservative and baseline estimates established by Pew Research would enable the Retirement Alliance to reach its next breakpoint on annual account fees within the first year of HRSB program launch, **reducing fees from \$24 to \$20 per year, per account.**

ILLUSTRATION OF RETIREMENT ALLIANCE FEES TO THE AVERAGE SAVER

We have provided an analysis of the average fees paid by a participant at various contribution levels at the HRSB’s request, including the annual fees that would be taken from account totals at \$500, \$1500, \$5000, and \$7500.

However, we would note that across all current auto-IRA programs, the average participant currently saves between \$150 and \$160 per month, which equates to approximately \$1,800 to \$1,900 annually.² Based on this, Simulation 2, which models a \$1,500 annual contribution, most closely reflects the average annual fees paid by a typical participant in the first year after launch. Additionally, over 90% of participants stay with the default target date fund option, so fees paid under the Target Date Fund 2045 in Simulation 2 most closely reflect the typical saver of HRSB’s program. As the analysis demonstrates, fees are very low: the average saver in Hawai’i would pay just **\$25.67 for an account balance of \$1,500.**

¹ “The Hawai’i Retirement Savings Board: Updated Financial Modeling” slide deck and information sent by HRSB Staff. The Pew Charitable Trusts. August 19, 2025.

² Average contribution over all state programs from “State Auto-IRA Program Data & Trends”, Georgetown University Center for Retirement Initiatives, January 12, 2026. (<https://cri.georgetown.edu/states/state-data/current-year/>)

For your benefit, we have also included the original request from HRSB showing contribution simulations ranging from \$5 to \$140 per month with an assumed average growth of 6% across all investment portfolios (noting that the \$140 per month scenario is the closest to modeling the average saver's behavior). Under these assumptions, the average saver in Simulation 8, contributing \$140/month, is paying similar fees to Simulation 2: only **\$25.92 for a first-year account accumulation of \$1,704**. Over the first three years, the average participant would pay just \$84 total, under these assumptions.

GOVERNANCE STRUCTURE

By joining as an early adopter in the Retirement Alliance, Hawai'i will gain significant influence over the partnership's strategic decisions as one of three member states. With two other partners, Hawai'i's vote will have a large impact on shaping program enhancements, future investment decisions, and partnership innovations. Joining the Retirement Alliance offers a unique opportunity to help define best practices for state-facilitated retirement programs within the Retirement Alliance, positioning Hawai'i as a leader in the interstate partnership space.

We look forward to working with you to ensure a successful program launch in Hawai'i and ensuring long-term benefits among all member states of the Retirement Alliance.

Attachments:

- New Analysis – Simulations at Flat Contribution Levels, and Key Assumptions (Simulations 1 through 4)
- Original Analysis – Simulations at Monthly Contribution Levels over the First Three Years in the Program, and Key Assumptions (Simulations 5 through 8)
- Legal Disclaimer

SECTION 2: KEY ASSUMPTIONS – NEW ANALYSIS

Management and Account Fees	
Vestwell Program Management Fee	0.17%
Hawai'i Asset-based Fee	0.02%
Partnership Fee	N/A
Vestwell Annual Account Fee*	\$20.00
Hawai'i Annual Account Fee	\$4.00

Contribution Simulations	
Simulation 1 Annual Contribution	\$500
Simulation 2 Annual Contribution	\$1,500
Simulation 3 Annual Contribution	\$5,000
Simulation 4 Annual Contribution	\$7,500

General Assumptions	
Program Start Date – July 1, 2026	FY 2027
Annual Contribution Increase	0%
Market Return for Asset Growth	0%

Investment Fees	
Target Date 2045 Fund Fee	0.032%
Growth Fund Fee	0.027%
Cash Preservation Fund Fee	0.100%
Income Fund Fee	0.070%

*Note: Assumes Account Fee Breakpoint achieved in year one of the HRSB program, based upon Conservative and Baseline Growth Scenarios provided by Hawai'i, and a program start date of July 1, 2026.

SECTION 3: SUMMARY TABLES – NEW ANALYSIS

	SIMULATION 1: \$500			
	Target Date Fund 2045	Growth Static Fund	Cash Preservation Static Fund	Income Static Fund
Assumed Account Balance	\$475.45	\$475.46	\$475.28	\$475.35
Vestwell Program Asset Mgmt Fee	\$0.43	\$0.43	\$0.43	\$0.43
HI State Asset-Based Fee	\$0.05	\$0.05	\$0.05	\$0.05
Underlying Investment Fund Fee	\$0.08	\$0.07	\$0.25	\$0.18
Vestwell Annual Dollar Fee	\$20.00	\$20.00	\$20.00	\$20.00
HI Annual Dollar Fee	\$4.00	\$4.00	\$4.00	\$4.00
Total Fees	\$24.56	\$24.54	\$24.73	\$24.65

	SIMULATION 2: \$1,500			
	Target Date Fund 2045	Growth Static Fund	Cash Preservation Static Fund	Income Static Fund
Assumed Account Balance	\$1,474.34	\$1,474.37	\$1,473.83	\$1,474.05
Vestwell Program Asset Mgmt Fee	\$1.28	\$1.28	\$1.28	\$1.28
HI State Asset-Based Fee	\$0.15	\$0.15	\$0.15	\$0.15
Underlying Investment Fund Fee	\$0.24	\$0.20	\$0.75	\$0.53
Vestwell Annual Dollar Fee	\$20.00	\$20.00	\$20.00	\$20.00
HI Annual Dollar Fee	\$4.00	\$4.00	\$4.00	\$4.00
Total Fees	\$25.67	\$25.63	\$26.18	\$25.95

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Retirement Alliance

SIMULATION 3: \$5,000				
	Target Date Fund 2045	Growth Static Fund	Cash Preservation Static Fund	Income Static Fund
Assumed Account Balance	\$4,970.45	\$4,970.58	\$4,968.75	\$4,969.50
Vestwell Program Asset Mgmt Fee	\$4.25	\$4.25	\$4.25	\$4.25
HI State Asset-Based Fee	\$0.50	\$0.50	\$0.50	\$0.50
Underlying Investment Fund Fee	\$0.80	\$0.68	\$2.50	\$1.75
Vestwell Annual Dollar Fee	\$20.00	\$20.00	\$20.00	\$20.00
HI Annual Dollar Fee	\$4.00	\$4.00	\$4.00	\$4.00
Total Fees	\$29.55	\$29.43	\$31.25	\$30.50

SIMULATION 4: \$7,500				
	Target Date Fund 2045	Growth Static Fund	Cash Preservation Static Fund	Income Static Fund
Assumed Account Balance	\$7,467.68	\$7,467.86	\$7,465.13	\$7,466.25
Vestwell Program Asset Mgmt Fee	\$6.38	\$6.38	\$6.38	\$6.38
HI State Asset-Based Fee	\$0.75	\$0.75	\$0.75	\$0.75
Underlying Investment Fund Fee	\$1.20	\$1.01	\$3.75	\$2.63
Vestwell Annual Dollar Fee	\$20.00	\$20.00	\$20.00	\$20.00
HI Annual Dollar Fee	\$4.00	\$4.00	\$4.00	\$4.00
Total Fees	\$32.33	\$32.14	\$34.88	\$33.75

SECTION 4: KEY ASSUMPTIONS – ORIGINAL ANALYSIS

	Year 1	Year 2	Year 3
Management and Account Fees			
Vestwell Program Management Fee	0.17%	0.17%	0.17%
Hawai'i Asset-based Fee	0.02%	0.02%	0.02%
Partnership Fee	N/A	N/A	N/A
Vestwell Annual Account Fee*	\$20.00	\$20.00	\$20.00
Hawai'i Annual Account Fee	\$4.00	\$4.00	\$4.00

Contribution Simulations			
Simulation 1 Annual Contribution (\$5/month)	\$60	\$60	\$60
Simulation 2 Annual Contribution (\$20 p/month)	\$240	\$240	\$240
Simulation 3 Annual Contribution (\$100 p/month)	\$1,200	\$1,200	\$1,200
Simulation 4 Annual Contribution (\$140 p/month)	\$1,680	\$1,680	\$1,680

General Assumptions			
Program Start Date - July 1, 2026	FY 2027	FY 2028	FY 2029
Annual Contribution Increase	0%	1%	1%
Market Return for Asset Growth	6%	6%	6%

Investment Fees			
Target Date 2045 Fund Fee	0.032%	0.032%	0.032%
Growth Fund Fee	0.027%	0.027%	0.027%
Cash Preservation Fund Fee	0.100%	0.100%	0.100%
Income Fund Fee	0.070%	0.070%	0.070%

*Note: Account Fee Breakpoint achieved in Year 1 based upon Conservative and Baseline Growth Scenarios provided by Hawai'i.

SECTION 5: SUMMARY TABLES – ORIGINAL ANALYSIS

SIMULATION 5: \$5 per month contribution (\$60/yr)					
	Year	Target Date Fund 2045	Growth Static Fund	Cash Preservation Static Fund	Income Static Fund
Assumed Account Balance³	1	\$37.73	\$37.73	\$37.71	\$37.72
	2	\$77.13	\$77.13	\$77.06	\$77.09
	3	\$118.24	\$118.25	\$118.09	\$118.16
Vestwell Program Asset Mgmt Fee	1	\$0.05	\$0.05	\$0.05	\$0.05
	2	\$0.12	\$0.12	\$0.12	\$0.12
	3	\$0.19	\$0.19	\$0.19	\$0.19
HI Asset-Based Fee	1	\$0.01	\$0.01	\$0.01	\$0.01
	2	\$0.01	\$0.01	\$0.01	\$0.01
	3	\$0.02	\$0.02	\$0.02	\$0.02
Underlying Investment Fund Fee	1	\$0.01	\$0.01	\$0.03	\$0.02
	2	\$0.02	\$0.02	\$0.07	\$0.05
	3	\$0.04	\$0.03	\$0.11	\$0.08
Vestwell Annual Dollar Fee	1	\$20.00	\$20.00	\$20.00	\$20.00
	2	\$20.00	\$20.00	\$20.00	\$20.00
	3	\$20.00	\$20.00	\$20.00	\$20.00
HI Annual Dollar Fee	1	\$4.00	\$4.00	\$4.00	\$4.00
	2	\$4.00	\$4.00	\$4.00	\$4.00
	3	\$4.00	\$4.00	\$4.00	\$4.00
Total Annual Fees	1	\$24.07	\$24.07	\$24.09	\$24.08
	2	\$24.15	\$24.15	\$24.20	\$24.18
	3	\$24.24	\$24.24	\$24.32	\$24.29
Total 3-Year Fees		\$72.47	\$72.46	\$72.61	\$72.55

³ Represents the calculated ending balance for each projection year, assuming the market return and fees provided on Page 2 of this document

SIMULATION 6: \$20 per month contribution (\$240/yr)

	Year	Target Date Fund 2045	Growth Static Fund	Cash Preservation Static Fund	Income Static Fund
Assumed Account Balance⁴	1	\$222.93	\$222.93	\$222.84	\$222.88
	2	\$454.51	\$454.53	\$454.18	\$454.32
	3	\$695.01	\$695.06	\$694.27	\$694.60
Vestwell Program Asset Mgmt Fee	1	\$0.21	\$0.21	\$0.21	\$0.21
	2	\$0.60	\$0.60	\$0.60	\$0.60
	3	\$1.00	\$1.00	\$1.00	\$1.00
HI Asset-Based Fee	1	\$0.02	\$0.02	\$0.02	\$0.02
	2	\$0.07	\$0.07	\$0.07	\$0.07
	3	\$0.12	\$0.12	\$0.12	\$0.12
Underlying Investment Fund Fee	1	\$0.04	\$0.03	\$0.12	\$0.09
	2	\$0.11	\$0.09	\$0.35	\$0.25
	3	\$0.19	\$0.16	\$0.59	\$0.41
Vestwell Annual Dollar Fee	1	\$20.00	\$20.00	\$20.00	\$20.00
	2	\$20.00	\$20.00	\$20.00	\$20.00
	3	\$20.00	\$20.00	\$20.00	\$20.00
HI Annual Dollar Fee	1	\$4.00	\$4.00	\$4.00	\$4.00
	2	\$4.00	\$4.00	\$4.00	\$4.00
	3	\$4.00	\$4.00	\$4.00	\$4.00
Total Annual Fees	1	\$24.27	\$24.27	\$24.36	\$24.32
	2	\$24.78	\$24.76	\$25.02	\$24.91
	3	\$25.30	\$25.27	\$25.70	\$25.53
Total 3-Year Fees		\$74.36	\$74.30	\$75.08	\$74.76

⁴ Represents the calculated ending balance for each projection year, assuming the market return and fees provided on Page 2 of this document

SIMULATION 7: \$100 per month contribution (\$1200/yr)

	Year	Target Date Fund 2045	Growth Static Fund	Cash Preservation Static Fund	Income Static Fund
Assumed Account Balance⁵	1	\$1,210.63	\$1,210.66	\$1,210.21	\$1,210.39
	2	\$2,467.19	\$2,467.32	\$2,465.50	\$2,466.25
	3	\$3,771.09	\$3,771.38	\$3,767.22	\$3,768.93
Vestwell Program Asset Mgmt Fee	1	\$1.05	\$1.05	\$1.05	\$1.05
	2	\$3.15	\$3.15	\$3.15	\$3.15
	3	\$5.33	\$5.33	\$5.33	\$5.33
HI Asset-Based Fee	1	\$0.12	\$0.12	\$0.12	\$0.12
	2	\$0.37	\$0.37	\$0.37	\$0.37
	3	\$0.63	\$0.63	\$0.63	\$0.63
Underlying Investment Fund Fee	1	\$0.20	\$0.17	\$0.62	\$0.43
	2	\$0.59	\$0.50	\$1.85	\$1.30
	3	\$1.00	\$0.85	\$3.13	\$2.19
Vestwell Annual Dollar Fee	1	\$20.00	\$20.00	\$20.00	\$20.00
	2	\$20.00	\$20.00	\$20.00	\$20.00
	3	\$20.00	\$20.00	\$20.00	\$20.00
HI Annual Dollar Fee	1	\$4.00	\$4.00	\$4.00	\$4.00
	2	\$4.00	\$4.00	\$4.00	\$4.00
	3	\$4.00	\$4.00	\$4.00	\$4.00
Total Annual Fees	1	\$25.37	\$25.34	\$25.79	\$25.61
	2	\$28.11	\$28.02	\$29.37	\$28.82
	3	\$30.96	\$30.80	\$33.09	\$32.15
Total 3-Year Fees		\$84.44	\$84.16	\$88.25	\$86.57

⁵ Represents the calculated ending balance for each projection year, assuming the market return and fees provided on Page 2 of this document

SIMULATION 8: \$140 per month contribution (\$1680/yr)

	Year	Target Date Fund 2045	Growth Static Fund	Cash Preservation Static Fund	Income Static Fund
Assumed Account Balance⁶	1	\$1,704.48	\$1,704.52	\$1,703.89	\$1,704.15
	2	\$3,473.54	\$3,473.71	\$3,471.16	\$3,472.21
	3	\$5,309.14	\$5,309.54	\$5,303.70	\$5,306.10
Vestwell Program Asset Mgmt Fee	1	\$1.47	\$1.47	\$1.47	\$1.47
	2	\$4.43	\$4.43	\$4.43	\$4.43
	3	\$7.49	\$7.49	\$7.49	\$7.49
HI Asset-Based Fee	1	\$0.17	\$0.17	\$0.17	\$0.17
	2	\$0.52	\$0.52	\$0.52	\$0.52
	3	\$0.88	\$0.88	\$0.88	\$0.88
Underlying Investment Fund Fee	1	\$0.28	\$0.23	\$0.87	\$0.61
	2	\$0.83	\$0.70	\$2.60	\$1.82
	3	\$1.41	\$1.19	\$4.41	\$3.08
Vestwell Annual Dollar Fee	1	\$20.00	\$20.00	\$20.00	\$20.00
	2	\$20.00	\$20.00	\$20.00	\$20.00
	3	\$20.00	\$20.00	\$20.00	\$20.00
HI Annual Dollar Fee	1	\$4.00	\$4.00	\$4.00	\$4.00
	2	\$4.00	\$4.00	\$4.00	\$4.00
	3	\$4.00	\$4.00	\$4.00	\$4.00
Total Annual Fees	1	\$25.92	\$25.88	\$26.51	\$26.25
	2	\$29.78	\$29.65	\$31.55	\$30.77
	3	\$33.79	\$33.57	\$36.78	\$35.46
Total 3-Year Fees		\$89.49	\$89.09	\$94.84	\$92.48

⁶ Represents the calculated ending balance for each projection year, assuming the market return and fees provided on Page 2 of this document.

LEGAL DISCLAIMER

The calculations in these analyses are estimates based on inputs as requested by the Hawai'i Retirement Security Board and do not represent actual or guaranteed investment returns, individual account balances, or asset and account growth in state-sponsored retirement programs. Participants assume all investment risk, including the possible loss of principal. Past performance is not a guarantee of future results. Fees are subject to change without notice based on changes in underlying management funds of the investment portfolio, and actual rates of program growth among partner states in the Retirement Alliance. Individual account balances will vary with market conditions and are not guaranteed or insured by the Comptroller, the State of Connecticut, the Federal Deposit Insurance Corporation ("FDIC"), other member states of the Retirement Alliance, or any other organization. Saving through a Roth IRA may not be appropriate for all individuals. Contributing to a Roth IRA through payroll deduction offers some tax benefits and consequences. Program participants should obtain their own appropriate tax or investment professional advice for questions prior to any decisions regarding participation or investment in the program.



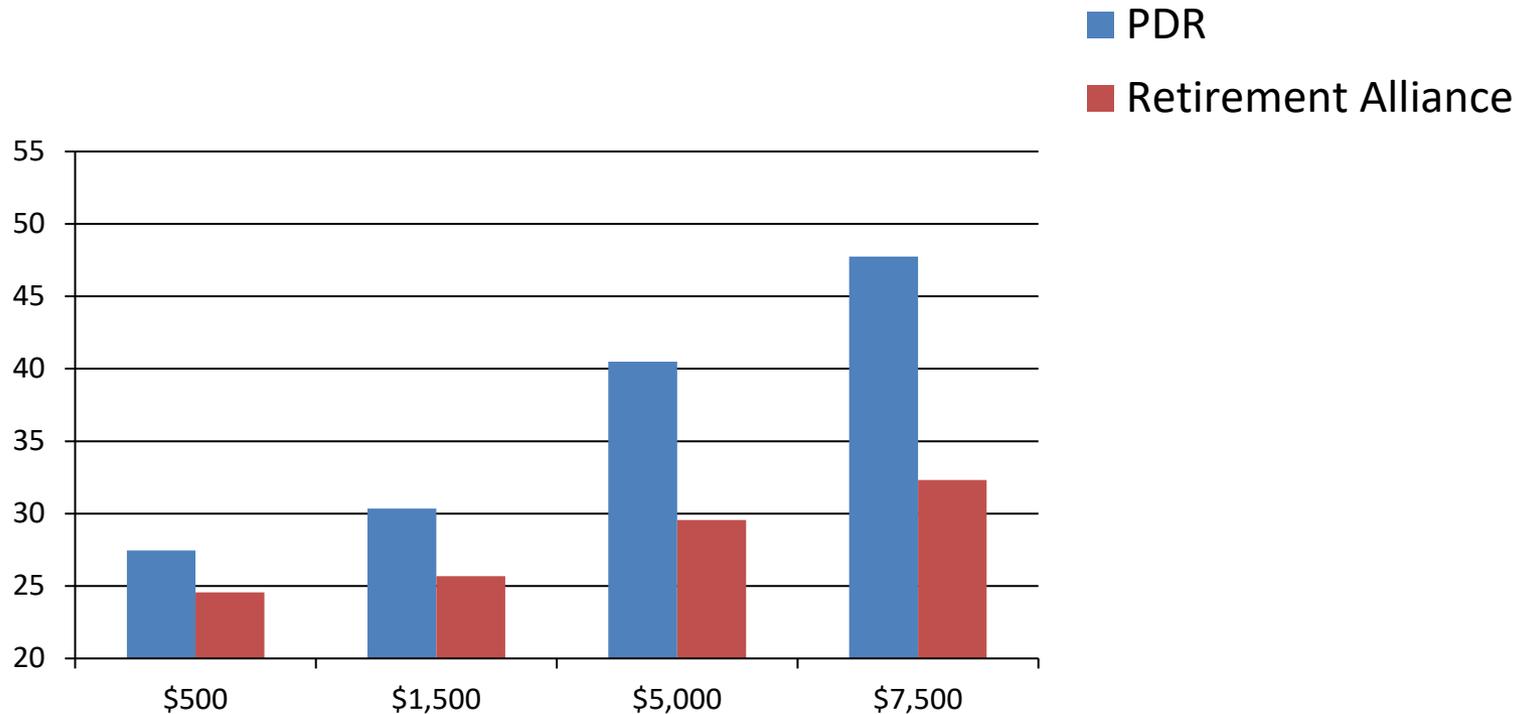
Comparison Slides

Comparison of Key Differences: Fee Analysis Documents

Category	PDR (Colorado)	Retirement Alliance (Connecticut)
Account-Based Fee	\$22 Vestwell + \$4 HI; breakpoints at 200k & 350k accounts → \$20 → \$18	Assumes first breakpoint achieved in Year 1: \$20 Vestwell + \$4 HI
Asset-Based Fee	Vestwell: 15 bps → 12 bps → 10 bps; HI adds 5 bps	Vestwell: 17 bps; HI adds 2 bps
Investment Fund Fees	Target Date: 9 bps; Domestic Equity: 3 bps; Money Market: 12 bps; Fixed Income: 2.5 bps	Target Date: 3.2 bps; Growth: 2.7 bps; Cash Preservation: 10 bps; Income: 7 bps
Fee Illustration (TDF) *Note that \$1500 balance most closely reflects avg. annual fees paid by a typical participant in the 1 st year after launch.	\$1,500 balance → \$30.35 total (higher due to \$22 account fee and bp assumptions)	\$1,500 balance → \$25.67 total (lower due to \$20 account fee and lower bp assumptions)
Growth Assumptions	Conservative; based on existing partner states; expects breakpoint within 12 months	Uses Pew baseline and conservative scenarios; assumes July 1, 2026, start date
Governance Emphasis	Operational efficiencies: shared vendor management, reduced admin burden	Highlights Hawai'i's strategic influence as early adopter with significant voting power

Fee Illustration Highlights

First-Year Total Fees (Target Date Fund)



Lower fees expected after breakpoint; typical saver ~\$25–\$31 in Year 1.

Simulation 1: \$500

- PDR (Colorado)
- Retirement Alliance (Connecticut)

	Target Date 2045	Domestic Equity	Money Market	Fixed Income
Vestwell Asset Based Fee	\$0.75	\$0.75	\$0.75	\$0.75
Hawai'i Asset Based Fee	\$0.25	\$0.25	\$0.25	\$0.25
Investment Management Fee	\$0.45	\$0.15	\$0.60	\$0.13
Vestwell Dollar Based Fee	\$22	\$22	\$22	\$22
Hawai'i Dollar Based Fee	\$4	\$4	\$4	\$4
Total Fees	\$27.45	\$27.15	\$27.60	\$27.13

	SIMULATION 1: \$500			
	Target Date Fund 2045	Growth Static Fund	Cash Preservation Static Fund	Income Static Fund
Assumed Account Balance	\$475.45	\$475.46	\$475.28	\$475.35
Vestwell Program Asset Mgmt Fee	\$0.43	\$0.43	\$0.43	\$0.43
HI State Asset-Based Fee	\$0.05	\$0.05	\$0.05	\$0.05
Underlying Investment Fund Fee	\$0.08	\$0.07	\$0.25	\$0.18
Vestwell Annual Dollar Fee	\$20.00	\$20.00	\$20.00	\$20.00
HI Annual Dollar Fee	\$4.00	\$4.00	\$4.00	\$4.00
Total Fees	\$24.56	\$24.54	\$24.73	\$24.65

Simulation 2: \$1,500

- PDR (Colorado)
- Retirement Alliance (Connecticut)

	Target Date 2045	Domestic Equity	Money Market	Fixed Income
Vestwell Asset Based Fee	\$2.25	\$2.25	\$2.25	\$2.25
Hawai'i Asset Based Fee	\$0.75	\$0.75	\$0.75	\$0.75
Investment Management Fee	\$1.35	\$0.45	\$1.80	\$0.38
Vestwell Dollar Based Fee	\$22	\$22	\$22	\$22
Hawai'i Dollar Based Fee	\$4	\$4	\$4	\$4
Total Fees	\$30.35	\$29.45	\$30.85	\$29.38

SIMULATION 2: \$1,500				
	Target Date Fund 2045	Growth Static Fund	Cash Preservation Static Fund	Income Static Fund
Assumed Account Balance	\$1,474.34	\$1,474.37	\$1,473.83	\$1,474.05
Vestwell Program Asset Mgmt Fee	\$1.28	\$1.28	\$1.28	\$1.28
HI State Asset-Based Fee	\$0.15	\$0.15	\$0.15	\$0.15
Underlying Investment Fund Fee	\$0.24	\$0.20	\$0.75	\$0.53
Vestwell Annual Dollar Fee	\$20.00	\$20.00	\$20.00	\$20.00
HI Annual Dollar Fee	\$4.00	\$4.00	\$4.00	\$4.00
Total Fees	\$25.67	\$25.63	\$26.18	\$25.95

Simulation 3: \$5,000

- PDR (Colorado)

	Target Date 2045	Domestic Equity	Money Market	Fixed Income
Vestwell Asset Based Fee	\$7.50	\$7.50	\$7.50	\$7.50
Hawai'i Asset Based Fee	\$2.50	\$2.50	\$2.50	\$2.50
Investment Management Fee	\$4.50	\$1.50	\$6.00	\$1.25
Vestwell Dollar Based Fee	\$22	\$22	\$22	\$22
Hawai'i Dollar Based Fee	\$4	\$4	\$4	\$4
Total Fees	\$40.50	\$37.50	\$42.50	\$37.25

- Retirement Alliance (Connecticut)

	SIMULATION 3: \$5,000			
	Target Date Fund 2045	Growth Static Fund	Cash Preservation Static Fund	Income Static Fund
Assumed Account Balance	\$4,970.45	\$4,970.58	\$4,968.75	\$4,969.50
Vestwell Program Asset Mgmt Fee	\$4.25	\$4.25	\$4.25	\$4.25
HI State Asset-Based Fee	\$0.50	\$0.50	\$0.50	\$0.50
Underlying Investment Fund Fee	\$0.80	\$0.68	\$2.50	\$1.75
Vestwell Annual Dollar Fee	\$20.00	\$20.00	\$20.00	\$20.00
HI Annual Dollar Fee	\$4.00	\$4.00	\$4.00	\$4.00
Total Fees	\$29.55	\$29.43	\$31.25	\$30.50

Simulation 4: \$7,500

- PDR (Colorado)
- Retirement Alliance (Connecticut)

	Target Date 2045	Domestic Equity	Money Market	Fixed Income
Vestwell Asset Based Fee	\$11.25	\$11.25	\$11.25	\$11.25
Hawai'i Asset Based Fee	\$3.75	\$3.75	\$3.75	\$3.75
Investment Management Fee	\$6.75	\$2.25	\$9.00	\$1.88
Vestwell Dollar Based Fee	\$22	\$22	\$22	\$22
Hawai'i Dollar Based Fee	\$4	\$4	\$4	\$4
Total Fees	\$47.75	\$43.75	\$50.00	\$42.88

	SIMULATION 4: \$7,500			
	Target Date Fund 2045	Growth Static Fund	Cash Preservation Static Fund	Income Static Fund
Assumed Account Balance	\$7,467.68	\$7,467.86	\$7,465.13	\$7,466.25
Vestwell Program Asset Mgmt Fee	\$6.38	\$6.38	\$6.38	\$6.38
HI State Asset-Based Fee	\$0.75	\$0.75	\$0.75	\$0.75
Underlying Investment Fund Fee	\$1.20	\$1.01	\$3.75	\$2.63
Vestwell Annual Dollar Fee	\$20.00	\$20.00	\$20.00	\$20.00
HI Annual Dollar Fee	\$4.00	\$4.00	\$4.00	\$4.00
Total Fees	\$32.33	\$32.14	\$34.88	\$33.75

Simulation 5: Original Analysis

- PDR (Colorado) - \$5/month
- Retirement Alliance (Connecticut) - \$5/month

1. \$5/month: \$60/year

	Year	Target Date Fund	Domestic Equity Fund	Money Market	Fixed Income
Assumed Account Balance (w/ Fees)	1	\$33.83	\$33.86	\$33.81	\$33.86
	2	\$70.18	\$70.27	\$70.13	\$70.28
	3	\$109.21	\$109.39	\$109.12	\$109.41
Vestwell Asset Based Fee	1	\$0.09	\$0.09	\$0.09	\$0.09
	2	\$0.14	\$0.14	\$0.14	\$0.14
	3	\$0.20	\$0.20	\$0.20	\$0.20
Hawaii Asset Based Fee	1	\$0.03	\$0.03	\$0.03	\$0.03
	2	\$0.05	\$0.05	\$0.05	\$0.05
	3	\$0.07	\$0.07	\$0.07	\$0.07
Investment Management Fee	1	\$0.05	\$0.02	\$0.07	\$0.02
	2	\$0.09	\$0.03	\$0.12	\$0.02
	3	\$0.12	\$0.04	\$0.16	\$0.03
Total Fees (Including dollar-based fees)	1	\$26.17	\$26.14	\$26.19	\$26.14
	2	\$26.28	\$26.22	\$26.31	\$26.21
	3	\$26.39	\$26.29	\$26.43	\$26.30

SIMULATION 5: \$5 per month contribution (\$60/yr)

	Year	Target Date Fund 2045	Growth Static Fund	Cash Preservation Static Fund	Income Static Fund
Assumed Account Balance ³	1	\$37.73	\$37.73	\$37.71	\$37.72
	2	\$77.13	\$77.13	\$77.06	\$77.09
	3	\$118.24	\$118.25	\$118.09	\$118.16
Vestwell Program Asset Mgmt Fee	1	\$0.05	\$0.05	\$0.05	\$0.05
	2	\$0.12	\$0.12	\$0.12	\$0.12
	3	\$0.19	\$0.19	\$0.19	\$0.19
HI Asset-Based Fee	1	\$0.01	\$0.01	\$0.01	\$0.01
	2	\$0.01	\$0.01	\$0.01	\$0.01
	3	\$0.02	\$0.02	\$0.02	\$0.02
Underlying Investment Fund Fee	1	\$0.01	\$0.01	\$0.03	\$0.02
	2	\$0.02	\$0.02	\$0.07	\$0.05
	3	\$0.04	\$0.03	\$0.11	\$0.08
Vestwell Annual Dollar Fee	1	\$20.00	\$20.00	\$20.00	\$20.00
	2	\$20.00	\$20.00	\$20.00	\$20.00
	3	\$20.00	\$20.00	\$20.00	\$20.00
HI Annual Dollar Fee	1	\$4.00	\$4.00	\$4.00	\$4.00
	2	\$4.00	\$4.00	\$4.00	\$4.00
	3	\$4.00	\$4.00	\$4.00	\$4.00
Total Annual Fees	1	\$24.07	\$24.07	\$24.09	\$24.08
	2	\$24.15	\$24.15	\$24.20	\$24.18
	3	\$24.24	\$24.24	\$24.32	\$24.29
Total 3-Year Fees		\$72.47	\$72.46	\$72.61	\$72.55

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Simulation 5: Original Analysis

- PDR (Colorado) - \$20/month

- Retirement Alliance (Connecticut) - \$20/month

2. \$20/month: \$240/year

	Year	Target Date Fund	Domestic Equity Fund	Money Market	Fixed Income
Assumed Account Balance	1	\$213.30	\$213.45	\$213.23	\$213.46
	2	\$441.15	\$441.59	\$440.93	\$441.62
	3	\$684.37	\$685.27	\$683.93	\$685.33
Vestwell Asset Based Fee	1	\$0.36	\$0.36	\$0.36	\$0.36
	2	\$0.70	\$0.70	\$0.70	\$0.70
	3	\$1.07	\$1.07	\$1.07	\$1.07
Hawaii Asset Based Fee	1	\$0.12	\$0.12	\$0.12	\$0.12
	2	\$0.23	\$0.23	\$0.23	\$0.23
	3	\$0.36	\$0.36	\$0.36	\$0.36
Investment Management Fee	1	\$0.22	\$0.07	\$0.29	\$0.06
	2	\$0.42	\$0.14	\$0.56	\$0.12
	3	\$0.64	\$0.21	\$0.85	\$0.18
Total Fees (Including dollar-based fees)	1	\$26.70	\$26.55	\$26.77	\$26.54
	2	\$27.35	\$27.07	\$27.49	\$27.05
	3	\$28.07	\$27.64	\$28.28	\$27.61

SIMULATION 6: \$20 per month contribution (\$240/yr)

	Year	Target Date Fund 2045	Growth Static Fund	Cash Preservation Static Fund	Income Static Fund
Assumed Account Balance ⁴	1	\$222.93	\$222.93	\$222.84	\$222.88
	2	\$454.51	\$454.53	\$454.18	\$454.32
	3	\$695.01	\$695.06	\$694.27	\$694.60
Vestwell Program Asset Mgmt Fee	1	\$0.21	\$0.21	\$0.21	\$0.21
	2	\$0.60	\$0.60	\$0.60	\$0.60
	3	\$1.00	\$1.00	\$1.00	\$1.00
HI Asset-Based Fee	1	\$0.02	\$0.02	\$0.02	\$0.02
	2	\$0.07	\$0.07	\$0.07	\$0.07
	3	\$0.12	\$0.12	\$0.12	\$0.12
Underlying Investment Fund Fee	1	\$0.04	\$0.03	\$0.12	\$0.09
	2	\$0.11	\$0.09	\$0.35	\$0.25
	3	\$0.19	\$0.16	\$0.59	\$0.41
Vestwell Annual Dollar Fee	1	\$20.00	\$20.00	\$20.00	\$20.00
	2	\$20.00	\$20.00	\$20.00	\$20.00
	3	\$20.00	\$20.00	\$20.00	\$20.00
HI Annual Dollar Fee	1	\$4.00	\$4.00	\$4.00	\$4.00
	2	\$4.00	\$4.00	\$4.00	\$4.00
	3	\$4.00	\$4.00	\$4.00	\$4.00
Total Annual Fees	1	\$24.27	\$24.27	\$24.36	\$24.32
	2	\$24.78	\$24.76	\$25.02	\$24.91
	3	\$25.30	\$25.27	\$25.70	\$25.53
Total 3-Year Fees		\$74.36	\$74.30	\$75.08	\$74.76

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Simulation 5: Original Analysis

- PDR (Colorado) - \$100/month

- Retirement Alliance (Connecticut) - \$100/month

3. \$100/month: \$1200/year

	Year	Target Date Fund	Domestic Equity Fund	Money Market	Fixed Income
Assumed Account Balance	1	\$1,170.52	\$1,171.24	\$1,170.16	\$1,171.30
	2	\$2,419.07	\$2,421.86	\$2,418.52	\$2,422.06
	3	\$3,751.35	\$3,756.56	\$3,749.63	\$3,782.58
Vestwell Asset Based Fee	1	\$1.80	\$1.80	\$1.80	\$1.80
	2	\$3.68	\$3.68	\$3.68	\$3.68
	3	\$5.68	\$5.69	\$5.68	\$5.69
Hawaii Asset Based Fee	1	\$0.60	\$0.60	\$0.60	\$0.60
	2	\$1.23	\$1.23	\$1.23	\$1.23
	3	\$1.89	\$1.90	\$1.89	\$1.90
Investment Management Fee	1	\$1.08	\$0.36	\$1.44	\$0.30
	2	\$2.21	\$0.74	\$2.94	\$0.61
	3	\$3.41	\$1.14	\$4.55	\$0.95
Total Fees (Including dollar-based fees)	1	\$29.48	\$29.35	\$29.84	\$28.70
	2	\$32.90	\$31.65	\$33.85	\$31.52
	3	\$36.37	\$34.73	\$38.12	\$34.54

SIMULATION 7: \$100 per month contribution (\$1200/yr)

	Year	Target Date Fund 2045	Growth Static Fund	Cash Preservation Static Fund	Income Static Fund
Assumed Account Balance ⁵	1	\$1,210.63	\$1,210.66	\$1,210.21	\$1,210.39
	2	\$2,467.19	\$2,467.32	\$2,465.50	\$2,466.25
	3	\$3,771.09	\$3,771.38	\$3,767.22	\$3,768.93
Vestwell Program Asset Mgmt Fee	1	\$1.05	\$1.05	\$1.05	\$1.05
	2	\$3.15	\$3.15	\$3.15	\$3.15
	3	\$5.33	\$5.33	\$5.33	\$5.33
HI Asset-Based Fee	1	\$0.12	\$0.12	\$0.12	\$0.12
	2	\$0.37	\$0.37	\$0.37	\$0.37
	3	\$0.63	\$0.63	\$0.63	\$0.63
Underlying Investment Fund Fee	1	\$0.20	\$0.17	\$0.62	\$0.43
	2	\$0.59	\$0.50	\$1.85	\$1.30
	3	\$1.00	\$0.85	\$3.13	\$2.19
Vestwell Annual Dollar Fee	1	\$20.00	\$20.00	\$20.00	\$20.00
	2	\$20.00	\$20.00	\$20.00	\$20.00
	3	\$20.00	\$20.00	\$20.00	\$20.00
HI Annual Dollar Fee	1	\$4.00	\$4.00	\$4.00	\$4.00
	2	\$4.00	\$4.00	\$4.00	\$4.00
	3	\$4.00	\$4.00	\$4.00	\$4.00
Total Annual Fees	1	\$25.37	\$25.34	\$25.79	\$25.61
	2	\$28.11	\$28.02	\$29.37	\$28.82
	3	\$30.96	\$30.80	\$33.09	\$32.15
Total 3-Year Fees		\$84.44	\$84.16	\$88.25	\$86.57

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Simulation 5: Original Analysis

- PDR (Colorado) - \$140/month

- Retirement Alliance (Connecticut) - \$140/month

4. \$140/month: \$1680/year

	Year	Target Date Fund	Domestic Equity Fund	Money Market	Fixed Income
Assumed Account Balance	1	\$1,649.13	\$1,650.14	\$1,648.62	\$1650.22
	2	\$3,408.89	\$3,412.03	\$3,407.32	\$3,412.28
	3	\$5,285.75	\$5,292.25	\$5,282.49	\$5,292.79
Vestwell Asset Based Fee	1	\$2.52	\$2.52	\$2.52	\$2.52
	2	\$5.17	\$5.17	\$5.17	\$5.17
	3	\$7.99	\$8.00	\$7.99	\$8.00
Hawaii Asset Based Fee	1	\$0.84	\$0.84	\$0.84	\$0.84
	2	\$1.72	\$1.72	\$1.72	\$1.72
	3	\$2.66	\$2.67	\$2.66	\$2.67
Investment Management Fee	1	\$1.51	\$0.50	\$2.02	\$0.42
	2	\$3.10	\$1.03	\$4.13	\$0.86
	3	\$4.79	\$1.60	\$6.39	\$1.33
Total Fees (Including dollar-based fees)	1	\$30.87	\$29.86	\$31.38	\$29.78
	2	\$35.99	\$33.92	\$37.02	\$33.75
	3	\$41.44	\$38.27	\$43.04	\$38.00

SIMULATION 8: \$140 per month contribution (\$1680/yr)

	Year	Target Date Fund 2045	Growth Static Fund	Cash Preservation Static Fund	Income Static Fund
Assumed Account Balance ⁶	1	\$1,704.48	\$1,704.52	\$1,703.89	\$1,704.15
	2	\$3,473.54	\$3,473.71	\$3,471.16	\$3,472.21
	3	\$5,309.14	\$5,309.54	\$5,303.70	\$5,306.10
Vestwell Program Asset Mgmt Fee	1	\$1.47	\$1.47	\$1.47	\$1.47
	2	\$4.43	\$4.43	\$4.43	\$4.43
	3	\$7.49	\$7.49	\$7.49	\$7.49
HI Asset-Based Fee	1	\$0.17	\$0.17	\$0.17	\$0.17
	2	\$0.52	\$0.52	\$0.52	\$0.52
	3	\$0.88	\$0.88	\$0.88	\$0.88
Underlying Investment Fund Fee	1	\$0.28	\$0.23	\$0.87	\$0.61
	2	\$0.83	\$0.70	\$2.60	\$1.82
	3	\$1.41	\$1.19	\$4.41	\$3.08
Vestwell Annual Dollar Fee	1	\$20.00	\$20.00	\$20.00	\$20.00
	2	\$20.00	\$20.00	\$20.00	\$20.00
	3	\$20.00	\$20.00	\$20.00	\$20.00
HI Annual Dollar Fee	1	\$4.00	\$4.00	\$4.00	\$4.00
	2	\$4.00	\$4.00	\$4.00	\$4.00
	3	\$4.00	\$4.00	\$4.00	\$4.00
Total Annual Fees	1	\$25.92	\$25.88	\$26.51	\$26.25
	2	\$29.78	\$29.65	\$31.55	\$30.77
	3	\$33.79	\$33.57	\$36.78	\$35.46
Total 3-Year Fees		\$89.49	\$89.09	\$92.84	\$92.48

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Proposals & Rationale

- **Option 1: PDR (Colorado)**
 - **Rationale:**
 - Established governance and operational efficiencies via lead state Colorado
 - Proven growth trajectory across multiple state partners
 - Reduced administrative burden for Hawaii staff through shared vendor management
 - Strong economies of scale already in motion (as of 1/2026, nearly 150k funded accounts, \$240M AUM)
- **Option 2: Retirement Alliance (Connecticut)**
 - **Rationale:**
 - Lower projected participant fees (assumes breakpoint achieved early)
 - Strong governance influence for Hawaii as an early adopter
 - Based on Pew-Informed assumptions and multi-year projections, there may be quicker opportunities for economies of scale with fee reductions



IV. 2026 Legislative Session



V. 2026 Legislation

Measure Tracking Report_ HRSB BILLS_2-10-26

BILL NO.	REPORT TITLE	MEASURE TITLE	DESCRIPTION	LEGISLATIVE NOTES	STATUS	INTRODUCERS	CURRENT REFERRAL	COMPANION	BOARD NOTES
HRSB-SPECIFIC LEGISLATION									
HB1290	Labor; Portable Benefits; Gig Workers; Independent Contractors; DLIR; Appropriation	RELATING TO LABOR.	Establishes a Portable Benefits Program under the administration of a board of trustees to provide portable benefits to gig workers. Expands the Hawaii Retirement Savings Program to gig workers. Appropriates funds.	GIG WORKER - PARTICIPATION IN HRSB	H 1/27/2025: Referred to LAB, FIN, referral sheet 4	TEMPO	LAB, FIN		Carry over from 2025. See attached bill briefing sheet.
HB847 HD1	DLIR; Hawaii Retirement Savings Act; Hawaii Retirement Savings Program; Covered Employer; Definition; Automatic Enrollment; Opt-Out Option; Appropriations	RELATING TO HAWAII RETIREMENT SAVINGS ACT.	Clarifies the definition of "covered employer" under the Hawaii Retirement Savings Act. Requires covered employers to automatically enroll covered employees into the Hawaii Retirement Savings Program unless the employee chooses to opt out. Repeals the limit on the total fees and expenses that can be spent for the Program each year. Appropriates funds to the Department of Labor and Industrial Relations for the development and operation of the Program. Effective 7/1/3000. (HD1)	AARP MEASURE	H 2/12/2025: Passed Second Reading as amended in HD 1 and referred to the committee(s) on FIN with none voting aye with reservations; none voting no (0) and Representative(s) Cochran, Sayama, Ward excused (3).	SAYAMA, CHUN, GARRETT, GRANDINETTI, ICHIYAMA, KEOHOKAPU-LEE LOY, KILA, KUSCH, LAMOSAO, LEE, M., LOWEN, MARTEN, MATAYOSHI, MIYAKE, OLDS, QUINLAN, TAKAYAMA, TAM, TODD	LAB, FIN	SB855	Carry over from 2025. Board supported these bills. SB855 (companion) enacted as Act 113, SLH 2025.
HB1136	Hawaii Retirement Savings Act; Hawaii Retirement Savings Program; Covered Employer; Definition; Automatic Enrollment; Opt-out Option	RELATING TO HAWAII RETIREMENT SAVINGS ACT.	Clarifies the definition of "covered employer" under the Hawaii Retirement Savings Act. Requires covered employers to automatically enroll covered employees into the Hawaii Retirement Savings Program unless the covered employee chooses to opt out. Effective upon approval.	ADMIN BILL	H 1/23/2025: Referred to LAB, FIN, referral sheet 3	NAKAMURA (Introduced by request of another party)	LAB, FIN	SB1455	Carry over from 2025. Board supported these bills.
BOARDS & COMMISSIONS-RELATED LEGISLATION									
SB1253	Boards; Commissions; Holdover Member; Limitation	RELATING TO BOARDS AND COMMISSIONS.	Clarifies that the prohibition against board and commission holdover members from holding office beyond the end of the second regular legislative session following the expiration of the member's term of office takes precedence over any conflicting statutes.	BOARDS & COMMISSIONS; HOLDOVER/LIMITATION	S 2/6/2025: The committee on GVO deferred the measure.	KIM, CHANG, DECOITE, FEVELLA, HASHIMOTO, INOUE, WAKAI, Dela Cruz, Moriwaki	GVO, JDC		Carry over from 2025. Recommendation: monitor bill.
SUNSHINE/OPEN MEETINGS - RELATED LEGISLATION									
HB724	Sunshine Law; Open Meetings; Legislature; Exemption; Notice Requirement; Permitted Interactions; Boards and Commissions; Executive Branch Departments; Good Government; Transparency	RELATING TO OPEN MEETINGS.	Amends the definition of a "board" under the Sunshine Law to include the Legislature. Clarifies notice period requirements. Repeals the Legislature's exemption from the Sunshine Law. Repeals the exemption for permitted interactions between board members.	Sunshine Law; Open Meetings; Legislature; Exemption; Notice Requirement; Permitted Interactions; Boards and Commissions; Executive Branch Departments; Good Government; Transparency	H 1/21/2025: Referred to LMG, JHA, FIN, referral sheet 2	HUSSEY, IWAMOTO, MATSUMOTO, PERRUSO	LMG, JHA, FIN		Carry over from 2025.
SB381 SD1	Public Agency Meetings and Records; Sunshine Law; Open Deliberation; Open Meeting; Appointment; Selection; Head of a State Division or Agency; Voting	RELATING TO PUBLIC AGENCY MEETINGS.	Requires appointments and selections of heads of state divisions and agencies that require a board approval to be made through a publicly established process and timeline. Requires the approval of the process and timeline to appoint or select a new head of a state division or agency to be determined in an open meeting. Requires that votes to appoint or select heads of state divisions and agencies be conducted in an open meeting. Provides that any vote to appoint or select a head of a state division or agency cast in violation of the foregoing shall be invalid. Effective 1/1/2491. (SD1)	PUBLIC AGENCY MEETINGS; SUNSHINE	S 2/12/2025: Report adopted; Passed Second Reading, as amended (SD 1) and referred to JDC.	MCKELVEY, CHANG, DECORTE, GABBARD, Fevela	GVO, JDC		Carry over from 2025.
SB1617	Meeting Times; Boards; Limitations	RELATING TO PUBLIC MEETINGS.	Prohibits boards from beginning or continuing meetings after 9:00 p.m., excluding county council meetings.	BOARD MTG. TIME LIMITS	S 2/6/2025: The committee on GVO deferred the measure.	CHANG	GVO, JDC	HB1453	Carry over from 2025.

<p>OTHER SB1543 SD2</p>	<p>External Consultants; Purchasing Agencies; Disclosure Requirements; Spending Caps; Audit; Reports</p>	<p>RELATING TO GOVERNMENT ACCOUNTABILITY.</p>	<p>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 new 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. (SD2)</p>	<p>RELATING TO GOVERNMENT ACCOUNTABILITY.</p>	<p>H 3/6/2025; Referred to LAB, FIN, referral sheet 19</p>	<p>KIM, CHANG, DECOITE, FEVELLA, GABBARD, KIDANI, MCKELVEY, SAN BUENAVENTURA, Dela Cruz, Richards, Wakai</p>	<p>LAB, FIN</p>	<p>Carry over from 2025.</p>
<p>SB2662</p>	<p>Auditor; External Consultants; Purchasing Agencies; Disclosure Requirements; Spending Caps; Audit; Exceptions; Reports</p>	<p>RELATING TO GOVERNMENT ACCOUNTABILITY.</p>	<p>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 new contracts with external consultants. 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.</p>	<p>RELATING TO GOVERNMENT ACCOUNTABILITY.</p>	<p>S 1/26/2026: Passed First Reading.</p>	<p>KIM, DECORTE, HASHIMOTO, KIDANI, MCKELVEY, Chang, Lamosao, Wakai</p>	<p>GVO, WAM</p>	<p>Note that this measure is very similar to SB1543 (carry over from 2025).</p>

The background features a stylized illustration of an orange and its leaves. The orange is a bright yellow-orange color with small dark spots, positioned on the right side of the frame. The leaves are various shades of green, with some darker green outlines and lighter green fill. The overall style is clean and modern, with a focus on natural elements.

**a. H.B. 1290 RELATING TO
LABOR**



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HB1290

Measure Title: RELATING TO LABOR.

Report Title: Labor; Portable Benefits; Gig Workers; Independent Contractors; DLIR; Appropriation (\$)

Description: Establishes a Portable Benefits Program under the administration of a board of trustees to provide portable benefits to gig workers. Expands the Hawai'i Retirement Savings Program to gig workers. Appropriates funds.

Companion:



Package: None

Current Referral: LAB, FIN

Introducer(s): TEMPLO

Sort by Date

Status Text

12/8/2025	D	Carried over to 2026 Regular Session.
1/27/2025	H	Referred to LAB, FIN, referral sheet 4
1/23/2025	H	Introduced and Pass First Reading.
1/22/2025	H	Pending introduction.

S = Senate | H = House | D = Data Systems | \$ = Appropriation measure | ConAm = Constitutional Amendment

Some of the above items require Adobe Acrobat Reader. Please visit [Adobe's download page](#) for detailed instructions.



HOUSE OF REPRESENTATIVES
THIRTY-THIRD LEGISLATURE, 2025
STATE OF HAWAII

H.B. NO. 1290

A BILL FOR AN ACT

RELATING TO LABOR.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The legislature finds that gig workers are
2 independent contractors or freelancers who typically do short-
3 term work for multiple clients. The gig work may be project-
4 based, hourly or part-time, and can either be an ongoing
5 contract or a temporary position.

6 Due to new labor market dynamics and technological
7 innovations, the enlistment of gig workers is increasingly more
8 popular. By some estimates, over one-third of United States
9 workers now participate in the gig economy. In Hawaii, reports
10 have estimated that there are more than one hundred ten thousand
11 gig workers in the State. Of these gig workers, the highest
12 proportion are between the ages of eighteen and twenty-nine.

13 The legislature further finds that due to their
14 classification as independent contractors, gig workers are
15 generally excluded from a litany of employee benefits and
16 protections, ranging from paid leave and retirement plans to
17 workers' compensation and health insurance. These benefits are



1 critical to individual and household financial security and, in
2 their absence, workers and their families are at greater risk of
3 income and expense volatility.

4 The legislature finds that it is in the best interests of
5 the people of the State to ensure that these benefits are
6 extended to gig workers to ensure economic stability. In
7 devising the new provision of benefits, the benefits should be
8 independent of the employers and connected to the individual
9 worker. Furthermore, the benefits would be portable, taken from
10 job to job without interruption in coverage or loss of funding.

11 Accordingly, the purpose of this Act is to establish a
12 program of portable benefits for gig workers.

13 SECTION 2. The Hawaii Revised Statutes is amended by
14 adding a new chapter to be appropriately designated and to read
15 as follows:

16 "CHAPTER

17 PORTABLE BENEFITS PROGRAM

18 § -1 **Definitions.** As used in this chapter, unless the
19 context otherwise requires:

20 "Board" means the board of trustees of the portable
21 benefits program established under section -2.



1 "Contracting agent" means a business, organization,
2 corporation, limited liability company, partnership, sole
3 proprietor, or any other entity that facilitates the provision
4 of services by workers to consumers seeking the services and
5 makes payments to workers, where the provision of services is
6 taxed as an independent contractor, using federal Internal
7 Revenue Service form 1099.

8 "Department" means the department of labor and industrial
9 relations.

10 "Principal" means a person or company engaged in the
11 business of manufacturing, who:

- 12 (1) Manufactures, produces, imports, or distributes a
13 product for wholesale;
- 14 (2) Contracts with a sales representative to solicit
15 orders for the product; and
- 16 (3) Compensates the sales representative in whole or in
17 part by commission.

18 "Qualified benefit provider" means a benefit provider that
19 is eligible to provide benefits to workers of contracting agents
20 pursuant to this act.



1 "Worker" means a person who provides services to consumers
 2 through a contracting agent. "Worker" does not include:

- 3 (1) Any person who contracts to solicit orders in the
 4 State as the sales representative of a principal; or
- 5 (2) Any person subject to a collective bargaining
 6 agreement that specifies wages, terms, and conditions
 7 of employment.

8 § -2 **Portable benefits program board of trustees;**
 9 **establishment.** (a) There is established within the department
 10 for administrative purposes only, a portable benefits program
 11 board of trustees to implement and administer a portable
 12 benefits program for workers.

13 (b) The board shall consist of nine trustees appointed by
 14 the governor in accordance with section 26-34. The trustees
 15 shall elect from among the members a chair, vice-chair, and
 16 secretary-treasurer.

17 (c) A simple majority of trustees shall constitute quorum
 18 to do business. Any action taken by the board shall be approved
 19 by a simple majority of the trustees present. Any vacancy on
 20 the board shall not impair the authority of the remaining
 21 trustees to exercise all the powers of the board. All decisions



H.B. NO. 1290

1 of the board shall be reduced into writing and shall state
2 separately the board's findings of fact and conclusions.

3 (d) Each trustee shall serve without compensation, but the
4 trustees may be reimbursed for any reasonable expenses incurred
5 in carrying out the purposes of the chapter.

6 (e) The board, or its co-chairs with the approval of the
7 board, may employ an executive director exempt from chapters 76
8 and 89, and other staff necessary to perform its duties.

9 § -3 **Portable benefits program.** There is established
10 within the department for administrative purposes only, a
11 portable benefits program. The program shall be administered by
12 the board, in consultation with the department. The board may
13 determine the time frame for the development and implementation
14 of the program.

15 § -4 **Selection of qualified benefit providers.** The
16 board shall adopt rules for organizations to become qualified
17 benefit providers. At a minimum, the rules governing qualified
18 benefit providers shall require that the following criteria are
19 met:

20 (1) The organization shall be a credit union chartered
21 under article 10 of chapter 412;



1 (2) The organization shall be independent from all
2 business entities, organizations, corporations, or
3 individuals that would pursue any financial interest
4 in conflict with that of the workers;

5 (3) All action of the organization regarding provision of
6 benefits shall be for the sole purpose of maximizing
7 benefits to the covered workers; and

8 (4) The board of directors of the organization shall hold
9 a fiduciary duty to the workers with respect to
10 provision of benefits.

11 § -5 Rules. The board shall establish rules pursuant to
12 chapter 91 to implement and administer this chapter, including:

13 (1) If appropriate, modifying any provision of this
14 chapter, including any modification to the minimum
15 contribution amount;

16 (2) Monitoring compliance of contracting agents;

17 (3) Monitoring qualified benefit providers, including the
18 ability to remove providers that are out of compliance
19 with the criteria established under this chapter;

20 (4) Establishing a fee on contracting agents to fund the
21 board's compliance efforts;



1 (5) Administering workers' compensation coverage for
2 workers under this chapter; and

3 (6) Providing procedures for workers to select qualified
4 benefit providers, to change their selections
5 annually, and to receive notices of the right to
6 select different qualified benefit providers.

7 § -6 Contributions. (a) Contracting agents that have
8 facilitated the provision of services by at

9 least individual workers in a consecutive twelve-
10 month period shall contribute funds to qualified benefit

11 providers to provide benefits to the workers of the contracting
12 agents. The requirement to contribute funds under this chapter
13 shall only apply when the services are provided to consumers
14 located in the State.

15 (b) The contribution amount shall be the lesser
16 of per cent of the total fee collected from the consumer
17 for each transaction of services provided or \$ for
18 every hour that the worker provided services to the consumer.

19 If determined per hour, then the determination shall be prorated
20 per minute.



H.B. NO. 1290

1 (c) The contribution amount required under this section
 2 may be added to the invoice or bill submitted to the consumer
 3 for the services.

4 (d) Contributions shall be made to the qualified benefit
 5 provider on no less than a monthly basis and no later than
 6 fifteen days after the end of the month in which the services
 7 were provided.

8 (e) Contributions shall indicate the assigned amount per
 9 worker per transaction, according to the following:

10 (1) If a single worker provided services for a
 11 transaction, the entire contribution is assigned to
 12 that worker; or

13 (2) If multiple workers provided services for a
 14 transaction, the contribution is assigned
 15 proportionately to those workers.

16 § -7 **Qualified benefit providers.** (a) Based on the
 17 contributions received under section -6, qualified benefit
 18 providers shall ensure that benefits are provided to workers as
 19 set forth in this section.

20 (b) Qualified benefit providers shall provide workers'
 21 compensation insurance pursuant to chapter 386 to those workers



1 entitled to benefits based on contributions made under
2 section -6.

3 (c) In addition to workers' compensation insurance,
4 qualified benefit providers shall provide some or all of the
5 benefits set forth in this subsection. Qualified benefit
6 providers shall solicit input from workers on their benefits,
7 and shall allow workers to choose from available benefits or
8 allocate the contributions among the following benefits:

9 (1) Health insurance, including but not limited to
10 subsidies to purchase health insurance;

11 (2) Paid time off;

12 (3) Retirement benefits; and

13 (4) Other benefits determined by the qualified benefit
14 providers, on behalf of the workers.

15 (d) Qualified benefit providers shall negotiate with labor
16 organizations that have workers as associate members. Any
17 public or private labor organization may establish an associate
18 member program allowing for the enrollment of workers for the
19 purposes of negotiating portable benefits under this chapter.



H.B. NO. 1290

1 (e) Qualified benefit providers may use up to per
2 cent of the contribution funds received for administration of
3 benefits.

4 § -8 **Enrollment.** A worker entitled to benefits under
5 this chapter shall select a qualified benefit provider and shall
6 be given the option to change that selected qualified benefit
7 provider once per year. Workers shall be provided information
8 regarding available qualified benefit providers in a format that
9 allows them to easily select their chosen qualified benefit
10 provider.

11 § -9 **Private cause of action.** In addition to remedies
12 provided by the board to a worker for a contracting agent's
13 noncompliance, a worker may bring a private cause of action
14 against a contracting agent for the contracting agent's failure
15 to comply with the contribution requirements under
16 section -6.

17 § -10 **Relation to chapter 383.** The requirements on
18 contracting agents and the benefits provided to workers under
19 this chapter shall not be considered in determinations of a
20 worker's employment status or a contracting agent's employment
21 relationship to the worker under chapter 383."



H.B. NO. 1290

1 SECTION 3. Chapter 389, Hawaii Revised Statutes, is
2 amended by adding a new section to be appropriately designated
3 and to read as follows:

4 "§389- Contracted workers. (a) Contracted workers
5 shall be permitted to participate in the program pursuant to
6 rules adopted by the board determining the contribution rates
7 for contracted workers and the procedures for contracted workers
8 to participate in the program.

9 (b) As used in this section:

10 "Contracting agent" means a business, organization,
11 corporation, limited liability company, partnership, sole
12 proprietor, or any other entity that facilitates the provision
13 of services by contracted workers to consumers seeking the
14 services and makes payments to contracted workers, where the
15 provision of services is taxed as an independent contractor,
16 using federal Internal Revenue Service form 1099.

17 "Contracted worker" means a person who provides services to
18 consumers through a contracting agent. "Contracted worker" does
19 not include:

20 (1) Any person who contracts to solicit orders in the
21 State as the sales representative of a principal; or



H.B. NO. 1290

1 (2) Any person subject to a collective bargaining
 2 agreement that specifies wages, terms, and conditions
 3 of employment.

4 "Principal" means a person or company engaged in the
 5 business of manufacturing, who:

6 (1) Manufactures, produces, imports, or distributes a
 7 product for wholesale;

8 (2) Contracts with a sales representative to solicit
 9 orders for the product; and

10 (3) Compensates the sales representative in whole or in
 11 part by commission."

12 SECTION 4. There is appropriated out of the general
 13 revenues of the State of Hawaii the sum of \$ or so
 14 much thereof as may be necessary for fiscal year 2025-2026 and
 15 the same sum or so much thereof as may be necessary for fiscal
 16 year 2026-2027 for the purpose of this Act.

17 The sums appropriated shall be expended by the department
 18 of labor and industrial relations for the purposes of this Act.

19 SECTION 5. This Act shall take effect on January 1, 2026;
 20 provided that section 4 shall take effect on July 1, 2025.

21



H.B. NO. 1290

INTRODUCED BY:

A. J. Engle

JAN 22 2025



H.B. NO. 1290

Report Title:

Labor; Portable Benefits; Gig Workers; Independent Contractors;
DLIR; Appropriation

Description:

Establishes a Portable Benefits Program under the administration of a board of trustees to provide portable benefits to gig workers. Expands the Hawaii Retirement Savings Program to gig workers. Appropriates funds.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.



HB1290 vs State Auto-IRA Programs

Board Briefing: Statutory Comparison & Key Differences

Snapshot: Gig Worker Treatment in Leading State Programs

State	Program Type	Gig Worker Access	Statutory Citation
California (CalSavers)	Auto-IRA (Roth)	Voluntary self-enrollment for self-employed/gig workers; mandatory facilitation applies to W-2 employers	Cal. Gov't Code §§100000–100050
Oregon (OregonSaves)	Auto-IRA (Roth)	Voluntary self-enrollment for self-employed/gig workers; employers must facilitate for employees	ORS §§178.200–178.255
Colorado (SecureSavings)	Auto-IRA (Roth & Traditional)	Voluntary self-enrollment permitted; employer mandate covers W-2 employees	C.R.S. §§24-54.3-101–111
Maryland (MarylandSaves)	Auto-IRA (WorkLife Account)	Voluntary self-enrollment; employer requirement with SDAT fee waiver	Md. Corps & Ass'ns §1-203
New York (Secure Choice)	Auto-IRA (Roth)	No explicit gig mandate ; applies to W-2 employees of covered employers	N.Y. Gen. Bus. Law §§1300–1316
Washington (Washington Saves)	Auto-IRA	Employee-focused mandate; marketplace	RCW ch.19.05

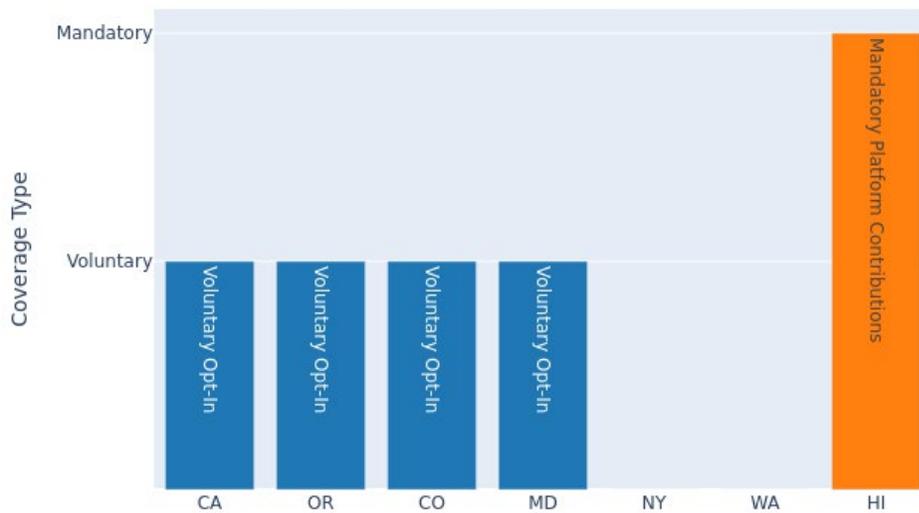
		modernized; launch 2027	
Hawaii (HB1290)	Portable Benefits Program	Gig workers covered; contracting agents must contribute; worker-selected providers	HB1290 (2025–26)

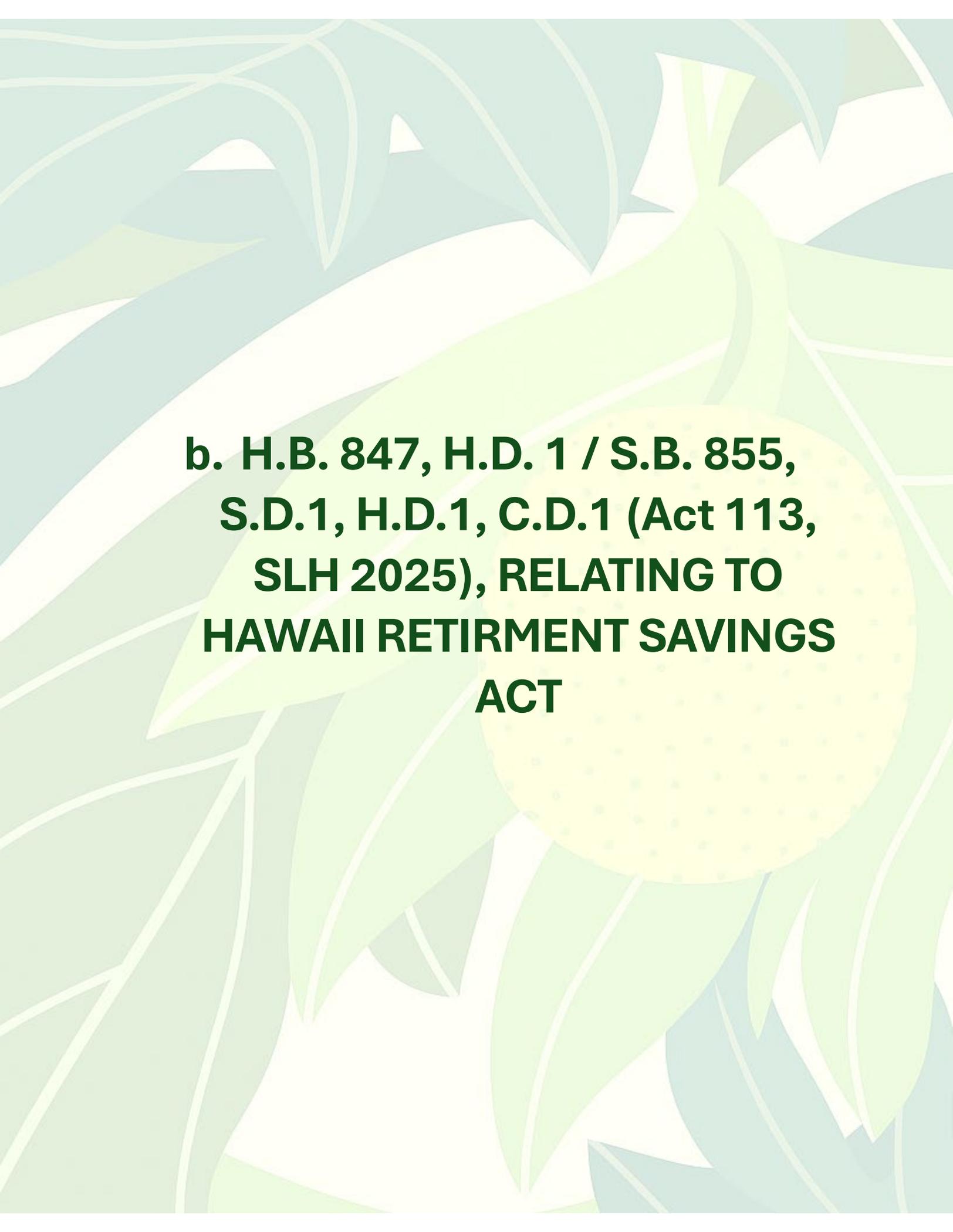
Key Differences of HB1290

- Mandatory contributions from gig platforms (contracting agents)
- Portable benefits menu (retirement + health + PTO)
- Worker choice and portability across gigs
- Compliance tools and private right of action
- Gig worker coverage is core, not optional

Visual: Gig Worker Coverage Model

Gig Worker Coverage Model by State





**b. H.B. 847, H.D. 1 / S.B. 855,
S.D.1, H.D.1, C.D.1 (Act 113,
SLH 2025), RELATING TO
HAWAII RETIRMENT SAVINGS
ACT**



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HB847 HD1

Measure Title: RELATING TO HAWAII RETIREMENT SAVINGS ACT.

Report Title: DLIR; Hawai'i Retirement Savings Act; Hawai'i Retirement Savings Program; Covered Employer; Definition; Automatic Enrollment; Opt-Out Option; Appropriations (\$)

Description: Clarifies the definition of "covered employer" under the Hawai'i Retirement Savings Act. Requires covered employers to automatically enroll covered employees into the Hawai'i Retirement Savings Program unless the employee chooses to opt out. Repeals the limit on the total fees and expenses that can be spent for the Program each year. Appropriates funds to the Department of Labor and Industrial Relations for the development and operation of the Program. Effective 7/1/3000. (HDI)



Companion: [SB855](#)

Package: None

Current Referral: LAB, FIN

Introducer(s): SAYAMA, CHUN, GARRETT, GRANDINETTI, ICHIYAMA, KEOHOKAPU-LEE LOY, KILA, KUSCH, LAMOSAO, LEE, M., LOWEN, MARTEN, MATAYOSHI, MIYAKE, OLDS, QUINLAN, TAKAYAMA, TAM, TODD

Sort by Date		Status Text
12/8/2025	D	Carried over to 2026 Regular Session.
2/12/2025	H	Passed Second Reading as amended in HD 1 and referred to the committee(s) on FIN with none voting aye with reservations; none voting no (0) and Representative(s) Cochran, Sayama, Ward excused (3).
2/12/2025	H	Reported from LAB (Stand. Com. Rep. No. 479) as amended in HD 1, recommending passage on Second Reading and referral to FIN. 000001

2/6/2025	H	The committee on LAB recommend that the measure be passed with the following AMENDMENTS. The votes were as follows: 5 Ayes: Representative(s) Sayama, Lee, M., Kapela, Kong, Reyes Oda; Ayes with reservations: none; Noes: none; and 1 Excused: Representative(s) Garrett.
2/3/2025	H	Bill scheduled to be heard by LAB on Thursday, 02-06-25 9:00AM in House conference room 309 VIA VIDEOCONFERENCE.
1/23/2025	H	Referred to LAB, FIN, referral sheet 3
1/23/2025	H	Introduced and Pass First Reading.
1/21/2025	H	Pending introduction.

S = Senate | **H** = House | **D** = Data Systems | **\$** = Appropriation measure | **ConAm** = Constitutional Amendment

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HB847 HDI



STAND. COM. REP. NO.

479

Honolulu, Hawaii

FEB 12 , 2025

RE: H.B. No. 847
H.D. 1

Honorable Nadine K. Nakamura
Speaker, House of Representatives
Thirty-Third State Legislature
Regular Session of 2025
State of Hawaii

Madame:

Your Committee on Labor, to which was referred H.B. No. 847
entitled:

"A BILL FOR AN ACT RELATING TO HAWAII RETIREMENT SAVINGS
ACT,"

begs leave to report as follows:

The purpose of this measure is to:

- (1) Clarify the definition of "covered employer" in the
Hawaii Retirement Savings Act;
- (2) Require automatic enrollment of employees into the
Hawaii Retirement Savings Program unless the employee
opts out;
- (3) Repeal the limit on the total fees and expenses that can
be spent for the program each year; and
- (4) Appropriate funds for the Hawaii Retirement Savings
Program's development and operations.

Your Committee received testimony in support of this measure
from the Executive Office on Aging; Hawai'i Retirement Savings
Board; 604 Hospitality Group LLC; Hawai'i Family Caregiver
Coalition; Hawai'i Restaurant Association; and one individual.

2025-1541 HB847 HD1 HSCR HMSO



000003

479

Your Committee received comments on this measure from the Retail Merchants of Hawaii and Tax Foundation of Hawaii.

Your Committee finds that employers with retirement savings programs auto-enrollment policies have higher overall contribution rates by their employees than employers with only voluntary enrollment. Your Committee believes that this measure encourages employees to engage with their retirement plans and make proactive and informed decisions about their financial future.

Your Committee has amended this measure by:

- (1) Replacing the term "program administrator" with "covered employer" with regard to who is to provide employees written notice of employees' right to opt out of automatic enrollment;
- (2) Changing the appropriation to an unspecified amount;
- (3) Changing the effective date to July 1, 3000, to encourage further discussion.

Your Committee respectfully requests your Committee on Finance, should it deliberate on this measure, to consider an appropriation amount of \$720,000.

As affirmed by the record of votes of the members of your Committee on Labor that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 847, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 847, H.D. 1, and be referred to your Committee on Finance.

Respectfully submitted on
behalf of the members of the
Committee on Labor,


JACKSON D. SAYAMA, Chair



HOUSE OF REPRESENTATIVES
THIRTY-THIRD LEGISLATURE, 2025
STATE OF HAWAII

H.B. NO. 847
H.D. 1

A BILL FOR AN ACT

RELATING TO HAWAII RETIREMENT SAVINGS ACT.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The purpose of this Act is to:

2 (1) Clarify the definition of "covered employer" in the
3 Hawaii Retirement Savings Act;

4 (2) Amend and align provisions of the Hawaii retirement
5 savings program, the state-facilitated
6 payroll-deduction retirement savings plan for private
7 sector employees in Hawaii who do not have access to
8 employer-sponsored retirement plans, to require
9 automatic enrollment unless the employee opts out;

10 (3) Repeal the limit on the total fees and expenses that
11 can be spent for the program each year; and

12 (4) Appropriate funds for the Hawaii retirement savings
13 program's development and operations.

14 SECTION 2. Section 389-2, Hawaii Revised Statutes, is
15 amended by amending the definition of "covered employer" to read
16 as follows:



1 ""Covered employer" means any person who is in business in
2 the State and has one or more individuals in employment.

3 "Covered employer" does not include:

- 4 (1) The United States;
- 5 (2) The State or any of its political subdivisions; or
- 6 (3) [~~A person~~] Any employer that has [~~been maintaining~~]
7 offered or maintained a retirement plan for some or
8 all employees [~~during~~] at any time in the preceding
9 two years [~~a retirement plan~~] that is tax-qualified
10 under or is described in and satisfies the
11 requirements of section 401(a), 401(k), 403(a),
12 403(b), 408(k), or 408(p) of the Internal Revenue
13 Code."

14 SECTION 3. Section 389-4, Hawaii Revised Statutes, is
15 amended by amending subsections (a) and (b) to read as follows:

16 "(a) The board shall have powers and duties in accordance
17 with law to:

- 18 (1) Establish, implement, and maintain the program;
- 19 (2) Cause the program and arrangements and accounts
20 established under the program to be designed,
21 established, and operated:



- 1 (A) In accordance with best practices for retirement
- 2 savings vehicles;
- 3 (B) To encourage participation, saving, sound
- 4 investment practices, and appropriate selection
- 5 of default investments;
- 6 (C) To maximize simplicity and ease of administration
- 7 for employers;
- 8 (D) To minimize costs, including by collective
- 9 investment and other measures to achieve
- 10 economies of scale and other efficiencies in
- 11 program design and administration;
- 12 (E) To promote portability of benefits; and
- 13 (F) To avoid preemption of the program by federal
- 14 law;
- 15 (3) Arrange for collective, common, and pooled investment
- 16 of assets of the program;
- 17 (4) Determine the eligibility of an employer, employee, or
- 18 other individual to participate in the program;
- 19 (5) Ensure the program's compliance with all applicable
- 20 laws and regulations;



- 1 (6) Establish procedures for the timely and fair
- 2 resolution of participant and other disputes related
- 3 to accounts or program operation;
- 4 (7) Develop and implement:
- 5 (A) An investment policy that defines the program's
- 6 investment objectives and that is consistent with
- 7 the objectives of the program; and
- 8 (B) Other policies and procedures consistent with
- 9 those investment objectives;
- 10 (8) Cause expenses incurred to initiate, implement,
- 11 maintain, and administer the program to be paid from
- 12 the program and other available sources;
- 13 (9) Establish and collect application, account, and
- 14 administrative fees;
- 15 (10) Accept grants, gifts, donations, legislative
- 16 appropriations, loans, and other moneys from the
- 17 State, any unit of federal, state, or local
- 18 government, or any other person to defray the costs of
- 19 administering and operating the program;



- 1 (11) Enter into contracts pursuant to chapter 103D for
 2 services that the board deems necessary to carry out
 3 the purposes of this chapter, including:
- 4 (A) Services of private and public financial
 5 institutions, depositories, consultants,
 6 actuaries, counsel, auditors, investment
 7 advisors, investment administrators, investment
 8 management firms, other investment firms, third-
 9 party administrators, other professionals and
 10 service providers;
- 11 (B) Research, technical, financial, administrative,
 12 and other services; and
- 13 (C) Services of other state agencies to assist the
 14 board in the exercise of its powers and duties;
- 15 (12) Develop and implement an outreach plan to gain input
 16 and disseminate information regarding the program and
 17 retirement savings in general;
- 18 (13) Cause moneys to be held and invested and reinvested
 19 under the program;
- 20 (14) Ensure that all contributions to individual retirement
 21 accounts under the program may be used only to:



- 1 (A) Pay benefits to participants under the program;
- 2 (B) Pay the cost of administering the program; and
- 3 (C) Make investments for the benefit of the program;
- 4 provided that no assets of the program shall be
- 5 transferred to the general fund of the State or
- 6 to any other fund of the State or otherwise
- 7 encumbered or used for any purpose other than
- 8 those specified in this paragraph;
- 9 (15) Provide for the payment of costs of administration and
- 10 operation of the program;
- 11 (16) Evaluate the need for and, if the board deems
- 12 necessary, procure:
- 13 (A) Insurance against any and all loss in connection
- 14 with the property, assets, or activities of the
- 15 program; and
- 16 (B) Pooled private insurance;
- 17 (17) Indemnify, including procurement of insurance if and
- 18 as needed for this purpose, each board member from
- 19 personal loss or liability resulting from the member's
- 20 action or inaction as a board member;



1 (18) Collaborate with and evaluate the role of financial
2 advisors or other financial professionals, including
3 in assisting and providing guidance for covered
4 employees; [and]

5 (19) Reimburse, when appropriate, the general fund of the
6 State of Hawaii for the initial expenses incurred for
7 initiating, implementing, maintaining, and
8 administering the program; and

9 (20) Take any other action the board deems reasonably
10 necessary to carry out the purpose of this chapter.

11 (b) The board may develop and disseminate information
12 designed to educate covered employees about the impacts of
13 [~~opting in to~~] the program on take-home pay, savings strategies,
14 and the benefits of planning and saving for retirement to help
15 covered employees in deciding whether to participate and at what
16 level participation may be appropriate."

17 SECTION 4. Section 389-5, Hawaii Revised Statutes, is
18 amended as follows:

19 1. By amending its title to read:



1 "~~[+]§389-5[+]~~ Hawaii retirement savings program; due
2 diligence; establishment; payroll deduction [~~upon election to~~
3 ~~contribute~~]."

4 2. By amending subsections (d) through (f) to read:

5 "(d) [~~Any covered employee may elect to contribute a~~
6 ~~portion of the employee's salary or wages to an individual~~
7 ~~retirement account provided by the program through payroll~~
8 ~~deduction.~~] Each covered employer shall enroll its covered
9 employees in the program and withhold and remit payroll
10 deduction contributions from each covered employee's paycheck
11 unless the covered employee has elected not to participate.

12 (e) Beginning on a date to be determined by the board
13 pursuant to subsection (a), a covered employer shall:

14 (1) [~~Allow a~~] Automatically enroll covered [~~employee to~~
15 ~~enroll~~] employees into the program after [~~providing~~]
16 the covered employer provides the [~~covered employee~~]
17 employees with a written notice of the [~~employee's~~]
18 right of the employees to opt [~~in+~~] out; and

19 (2) For any covered employee who [~~has opted in to~~] is
20 enrolled into the program[+] and has not opted out, a
21 covered employer shall:



- 1 (A) Withhold the covered employee's contribution
 2 amount from the employee's salary or wages; and
 3 (B) Transmit the covered employee's payroll deduction
 4 contribution to the program on the earliest date
 5 the amount withheld can reasonably be segregated
 6 from the covered employer's assets, but no later
 7 than the fifteenth day of the calendar month
 8 following the month in which the covered
 9 employee's contribution amounts are withheld.

10 (f) The program shall establish for each enrolled employee
 11 a Roth IRA, into which the contributions deducted from ~~[an]~~ the
 12 employee's payroll shall be deposited. The board may add an
 13 option for all participants to affirmatively elect to contribute
 14 to a traditional IRA in addition to or in lieu of a Roth IRA."

15 SECTION 5. Section 389-7, Hawaii Revised Statutes, is
 16 amended by amending subsection (b) to read as follows:

17 "(b) The program manager shall keep total fees and
 18 expenses as low as practicable~~[/; provided that the total fees~~
 19 ~~and expenses of the program each year shall not exceed seventy-~~
 20 ~~five basis points of the total assets of the program; provided~~



1 ~~further that this limit shall not apply during the initial~~
 2 ~~three-year period following the establishment of the program]."~~

3 SECTION 6. Section 389-14, Hawaii Revised Statutes, is
 4 amended by amending subsection (a) to read as follows:

5 "(a) Any covered employer who fails to enroll a covered
 6 employee into the program in accordance with section 389-5(e)(1)
 7 without equitable justification shall be liable:

8 (1) To the covered employee, in an amount equal to the
 9 contribution amount that would have been made by the
 10 employee into the program and interest at a rate of
 11 six per cent per year on the contribution amount,
 12 beginning from the date the contribution would have
 13 been made into the account; provided that the sum of
 14 the contribution amount and interest thereto shall be
 15 transmitted by the covered employer to the program to
 16 be paid into the covered employee's IRA; and

17 (2) A penalty of:
 18 (A) \$25 for each month the covered employee was not
 19 enrolled in the program; and
 20 (B) \$50 for each month the covered employee continues
 21 to be unenrolled in the program after the date on



1 which a penalty has been assessed with respect to
2 the covered employee who [~~had elected to~~
3 ~~participate~~] should have been enrolled in the
4 program."

5 SECTION 7. There is appropriated out of the general
6 revenues of the State of Hawaii the sum of \$ or so
7 much thereof as may be necessary for fiscal year 2025-2026 and
8 the same sum or so much thereof as may be necessary for fiscal
9 year 2026-2027 for the development and operation of the Hawaii
10 retirement savings program, including but not limited to
11 expenses for legal, outreach, communication, and marketing
12 services, and consultants, audits, and insurance.

13 The sums appropriated shall be expended by the department
14 of labor and industrial relations for the purposes of this Act.

15 SECTION 8. Statutory material to be repealed is bracketed
16 and stricken. New statutory material is underscored.

17 SECTION 9. This Act shall take effect on July 1, 3000.



H.B. NO. 847
H.D. 1

Report Title:

DLIR; Hawaii Retirement Savings Act; Hawaii Retirement Savings Program; Covered Employer; Definition; Automatic Enrollment; Opt-Out Option; Appropriations

Description:

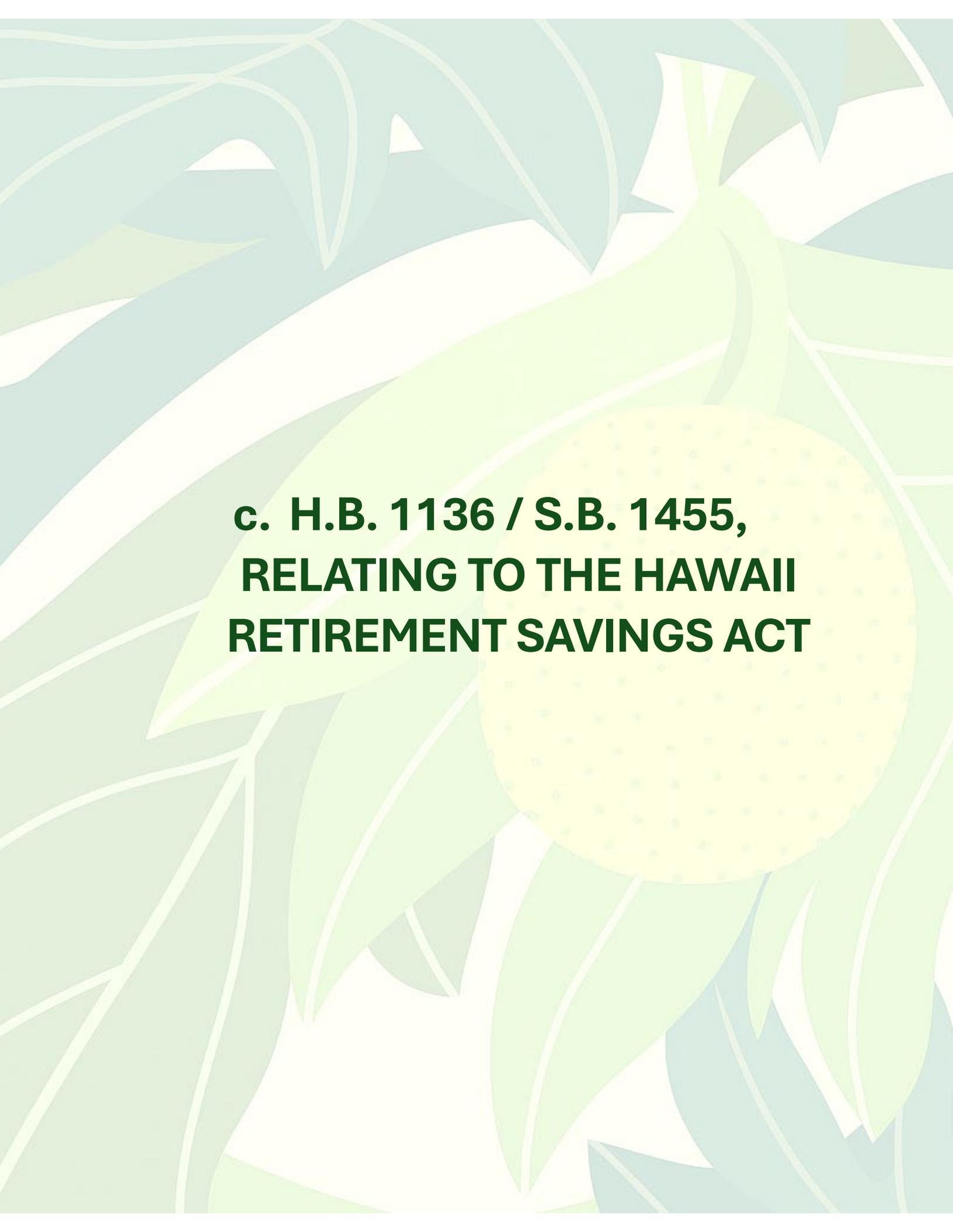
Clarifies the definition of "covered employer" under the Hawaii Retirement Savings Act. Requires covered employers to automatically enroll covered employees into the Hawaii Retirement Savings Program unless the employee chooses to opt out. Repeals the limit on the total fees and expenses that can be spent for the Program each year. Appropriates funds to the Department of Labor and Industrial Relations for the development and operation of the Program. Effective 7/1/3000. (HD1)

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

2025-1541 HB847 HD1 HMSO



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**c. H.B. 1136 / S.B. 1455,
RELATING TO THE HAWAII
RETIREMENT SAVINGS ACT**



Hawai'i State Legislature

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HB1136

Measure Title: RELATING TO HAWAII RETIREMENT SAVINGS ACT.

Report Title: Hawai'i Retirement Savings Act; Hawai'i Retirement Savings Program; Covered Employer; Definition; Automatic Enrollment; Opt-out Option

Description: Clarifies the definition of "covered employer" under the Hawai'i Retirement Savings Act. Requires covered employers to automatically enroll covered employees into the Hawai'i Retirement Savings Program unless the covered employee chooses to opt out. Effective upon approval.

Companion: [SB1455](#)



Package: Governor

Current Referral: LAB, FIN

Introducer(s): NAKAMURA (Introduced by request of another party)

Sort by Date		Status Text
12/8/2025	D	Carried over to 2026 Regular Session.
1/23/2025	H	Referred to LAB, FIN, referral sheet 3
1/23/2025	H	Introduced and Pass First Reading.
1/21/2025	H	Pending introduction.

S = Senate | **H** = House | **D** = Data Systems | **\$** = Appropriation measure | **ConAm** = Constitutional Amendment

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H.B. NO. 1136

A BILL FOR AN ACT

RELATING TO HAWAII RETIREMENT SAVINGS ACT.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The purposes of this Act are to:

2 (1) Clarify the definition of "covered employer" in the
3 Hawaii Retirement Savings Act; and

4 (2) Amend and align provisions of the Hawaii retirement
5 savings program, the state-facilitated payroll-
6 deduction retirement savings plan for private sector
7 employees in Hawaii who do not have access to
8 employer-sponsored retirement plans, to require
9 automatic enrollment unless the employee opts out.

10 SECTION 2. Section 389-2, Hawaii Revised Statutes, is
11 amended by amending the definition of "covered employer" to read
12 as follows:

13 "Covered employer" means any person who is in business in
14 the State and has one or more individuals in employment.

15 "Covered employer" does not include:

16 (1) The United States;

17 (2) The State or any of its political subdivisions; or

H.B. NO. 1136

1 (3) A person that has [~~been maintaining~~] offered or
2 maintained for some or all employees at any time
3 during the preceding two years a retirement plan that
4 is tax-qualified under or is described in and
5 satisfies the requirements of section 401(a), 401(k),
6 403(a), 403(b), 408(k), or 408(p) of the Internal
7 Revenue Code."

8 SECTION 3. Section 389-4, Hawaii Revised Statutes, is
9 amended by amending subsections (a) and (b) to read as follows:

10 "(a) The board shall have powers and duties in accordance
11 with law to:

12 (1) Establish, implement, and maintain the program;

13 (2) Cause the program and arrangements and accounts
14 established under the program to be designed,
15 established, and operated:

16 (A) In accordance with best practices for retirement
17 savings vehicles;

18 (B) To encourage participation, saving, sound
19 investment practices, and appropriate selection
20 of default investments;

21 (C) To maximize simplicity and ease of administration
22 for employers;

H.B. NO. 1136

- 1 (D) To minimize costs, including by collective
2 investment and other measures to achieve
3 economies of scale and other efficiencies in
4 program design and administration;
- 5 (E) To promote portability of benefits; and
- 6 (F) To avoid preemption of the program by federal
7 law;
- 8 (3) Arrange for collective, common, and pooled investment
9 of assets of the program;
- 10 (4) Determine the eligibility of an employer, employee, or
11 other individual to participate in the program;
- 12 (5) Ensure the program's compliance with all applicable
13 laws and regulations;
- 14 (6) Establish procedures for the timely and fair
15 resolution of participant and other disputes related
16 to accounts or program operation;
- 17 (7) Develop and Implement:
- 18 (A) An investment policy that defines the program's
19 investment objectives and that is consistent with
20 the objectives of the program; and
- 21 (B) Other policies and procedures consistent with
22 those investment objectives;

H.B. NO. 1136

- 1 (8) Cause expenses incurred to initiate, implement,
2 maintain, and administer the program to be paid from
3 the program and other available sources;
- 4 (9) Establish and collect application, account, and
5 administrative fees;
- 6 (10) Accept grants, gifts, donations, legislative
7 appropriations, loans, and other moneys from the
8 State, any unit of federal, state, or local
9 government, or any other person to defray the costs of
10 administering and operating the program;
- 11 (11) Enter into contracts pursuant to chapter 103D for
12 services that the board deems necessary to carry out
13 the purposes of this chapter, including:
 - 14 (A) Services of private and public financial
15 institutions, depositories, consultants,
16 actuaries, counsel, auditors, investment
17 advisors, investment administrators, investment
18 management firms, other investment firms, third-
19 party administrators, other professionals and
20 service providers;
 - 21 (B) Research, technical, financial, administrative,
22 and other services; and

H.B. NO. 1136

- 1 (C) Services of other state agencies to assist the
2 board in the exercise of its powers and duties;
- 3 (12) Develop and implement an outreach plan to gain input
4 and disseminate information regarding the program and
5 retirement savings in general;
- 6 (13) Cause moneys to be held and invested and reinvested
7 under the program;
- 8 (14) Ensure that all contributions to individual retirement
9 accounts under the program may be used only to:
- 10 (A) Pay benefits to participants under the program;
11 (B) Pay the cost of administering the program; and
12 (C) Make investments for the benefit of the program;
13 provided that no assets of the program shall be
14 transferred to the general fund of the State or
15 to any other fund of the State or otherwise
16 encumbered or used for any purpose other than
17 those specified in this paragraph;
- 18 (15) Provide for the payment of costs of administration and
19 operation of the program;
- 20 (16) Evaluate the need for and, if the board deems
21 necessary, procure:

H.B. NO. 1136

- 1 (A) Insurance against any and all loss in connection
2 with the property, assets, or activities of the
3 program; and
- 4 (B) Pooled private insurance;
- 5 (17) Indemnify, including procurement of insurance if and
6 as needed for this purpose, each board member from
7 personal loss or liability resulting from the member's
8 action or inaction as a board member;
- 9 (18) Collaborate with and evaluate the role of financial
10 advisors or other financial professionals, including
11 in assisting and providing guidance for covered
12 employees; [and]
- 13 (19) Reimburse, when appropriate, the general fund of the
14 State of Hawaii for the initial expenses incurred for
15 initiating, implementing, maintaining, and
16 administering the program; and
- 17 (20) Take any other action the board deems reasonably
18 necessary to carry out the purpose of this chapter.
- 19 (b) The board may develop and disseminate information
20 designed to educate covered employees about the impacts of
21 ~~[opting in to]~~ the program on take-home pay, savings strategies,
22 and the benefits of planning and saving for retirement to help

H.B. NO. 1136

1 covered employees in deciding whether to participate and at what
2 level participation may be appropriate."

3 SECTION 4. Section 389-5, Hawaii Revised Statutes, is
4 amended by amending its title to read as follows:

5 "[~~+~~] §389-5 [~~+~~] Hawaii retirement savings program; due
6 diligence; establishment; payroll deduction [~~upon election to~~
7 ~~contribute~~]."

8 SECTION 5. Section 389-5, Hawaii Revised Statutes, is
9 amended by amending subsections (d), (e), and (f) to read as
10 follows:

11 "(d) [~~Any covered employee may elect to contribute a~~
12 ~~portion of the employee's salary or wages to an individual~~
13 ~~retirement account provided by the program through payroll~~
14 ~~deduction.] Each covered employer shall enroll its covered
15 employees in the program and withhold payroll deduction
16 contributions from each covered employee's paycheck unless the
17 covered employee has elected not to contribute.~~

18 (e) Beginning on a date to be determined by the board
19 pursuant to subsection (a), a covered employer shall:

20 (1) [~~Allow a~~] Automatically enroll covered [~~employee to~~
21 ~~enroll~~] employees into the program after [~~providing~~]
22 the program administrator provides the covered

H.B. NO. 1136

1 ~~[employee]~~ employees with a written notice of the
2 ~~[employees']~~ right to opt ~~[in]~~ out; and
3 (2) For any covered employee who ~~[has opted in to]~~ is
4 enrolled into the program~~[+]~~, a covered employer
5 shall:
6 (A) Withhold the covered employee's contribution
7 amount from the employee's salary or wages; and
8 (B) Transmit the covered employee's payroll deduction
9 contribution to the program on the earliest date
10 the amount withheld can reasonably be segregated
11 from the covered employer's assets, but no later
12 than the fifteenth day of the calendar month
13 following the month in which the covered
14 employee's contribution amounts are withheld.
15 (f) The program shall establish for each enrolled employee
16 a Roth ~~[IRA]~~ individual retirement account, into which the
17 contributions deducted from ~~[an]~~ the employee's payroll shall be
18 deposited. The board may add an option for all participants to
19 affirmatively elect to contribute to a traditional ~~[IRA]~~
20 individual retirement account in addition to or in lieu of a
21 Roth ~~[IRA]~~ individual retirement account."

H.B. NO. 1136

1 SECTION 6. Section 389-14, Hawaii Revised Statutes, is
2 amended by amending subsection (a) to read as follows:

3 "(a) Any covered employer who fails to enroll a covered
4 employee into the program in accordance with section 389-5(e)(1)
5 without equitable justification shall be liable:

6 (1) To the covered employee, in an amount equal to the
7 contribution amount that would have been made by the
8 employee into the program and interest at a rate of
9 six per cent per year on the contribution amount,
10 beginning from the date the contribution would have
11 been made into the account; provided that the sum of
12 the contribution amount and interest thereto shall be
13 transmitted by the covered employer to the program to
14 be paid into the covered employee's IRA; and

15 (2) A penalty of:

16 (A) \$25 for each month the covered employee was not
17 enrolled in the program; and

18 (B) \$50 for each month the covered employee continues
19 to be unenrolled in the program after the date on
20 which a penalty has been assessed with respect to
21 the covered employee who [~~had elected to~~

H.B. NO. 1136

1 ~~participate]~~ should have been enrolled in the
2 program."

3 SECTION 7. Statutory material to be repealed is bracketed
4 and stricken. New statutory material is underscored.

5 SECTION 8. This Act shall take effect upon its approval.

6

7

8

INTRODUCED BY: *Nashua K. Nelson*

9

BY REQUEST

JAN 21 2025

H.B. NO. 1136

Report Title:

Hawaii Retirement Savings Act; Hawaii Retirement Savings Program; Covered Employer; Definition; Automatic Enrollment; Opt-out Option

Description:

Clarifies the definition of "covered employer" under the Hawaii Retirement Savings Act. Requires covered employers to automatically enroll covered employees into the Hawaii Retirement Savings Program unless the covered employee chooses to opt out. Effective upon approval.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

JUSTIFICATION SHEET

DEPARTMENT: Labor and Industrial Relations

TITLE: A BILL FOR AN ACT RELATING TO HAWAII RETIREMENT SAVINGS ACT.

PURPOSE: To require employers to automatically enroll covered employees in the Hawaii Retirement Savings Program; allow covered employees to opt-out instead of opt-in; and clarify the definition of "covered employer".

MEANS: Amend sections 389-2, 389-4(a) and (b), and 389-5(d), (e), and (f), the title of section 389-5, and section 389-14(a), Hawaii Revised Statutes.

JUSTIFICATION: The Hawaii Retirement Savings Board (HRSB) believes that the current program design that requires employees to opt-in adversely impacts the viability of the Hawaii Retirement Savings Program. Automatically requiring employee enrollment with an option to opt-out is a best practice for retirement savings programs and would align Hawaii's program with most of the other states' programs.

Aligning Hawaii's program design with most of the other states' automatic enrollment provisions facilitates the potential for Hawaii to engage in an interstate compact agreement, which the HRSB believes is critical to the feasibility of the program.

This bill also (1) clarifies the definition of "covered employer" to exclude an employer that has offered or maintained for some or all employees at any time during the preceding two years a tax-qualified retirement plan; and (2) amends the penalty provision to include employer liability for a penalty for covered employees who should be enrolled in the program but are not enrolled. This bill also includes a

housekeeping provision that spells out "IRA" and "Roth IRA" as "individual retirement account" and "Roth individual retirement account."

Impact on the public: This proposal will facilitate the feasibility of the program and help enable business owners to offer a voluntary, portable retirement savings program to help them attract and retain employees and stay competitive.

Impact on the department and other agencies: This bill will positively affect agencies providing support to Hawaii's aging population as it will facilitate the establishment of private sector savings plans.

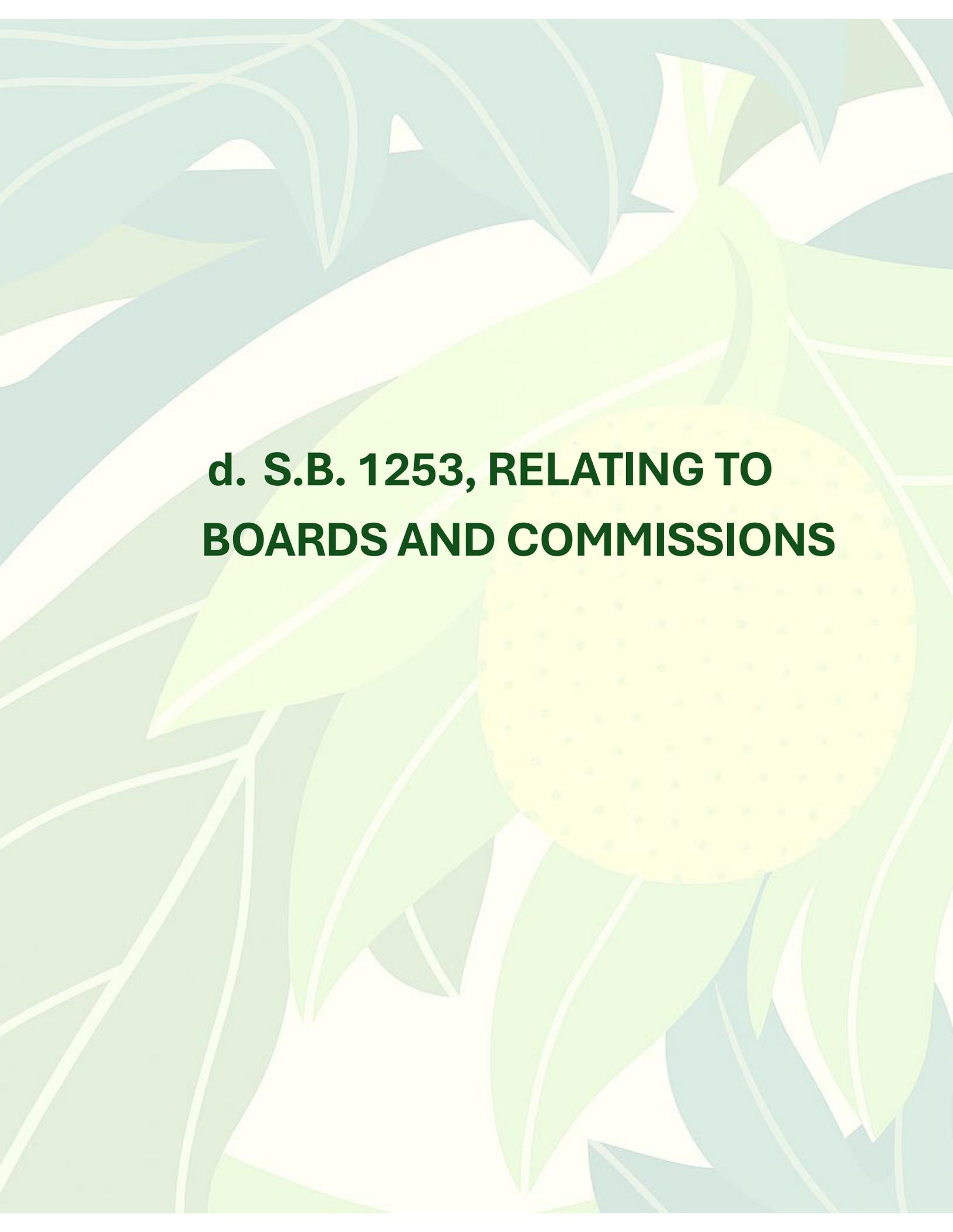
GENERAL FUND: None.

OTHER FUNDS: Hawaii retirement savings special fund.

PPBS PROGRAM
DESIGNATION: LBR 902.

OTHER AFFECTED
AGENCIES: Department of Budget and Finance.

EFFECTIVE DATE: Upon approval.



**d. S.B. 1253, RELATING TO
BOARDS AND COMMISSIONS**



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SBI253

Measure Title: RELATING TO BOARDS AND COMMISSIONS.

Report Title: Boards; Commissions; Holdover Member; Limitation

Description: Clarifies that the prohibition against board and commission holdover members from holding office beyond the end of the second regular legislative session following the expiration of the member's term of office takes precedence over any conflicting statutes.

Companion:



Package: None

Current Referral: GVO, JDC

Introducer(s): KIM, CHANG, DECOITE, FEVELLA, HASHIMOTO, INOUYE, WAKAI, Dela Cruz, Moriwaki

<u>Sort by Date</u>		Status Text
12/8/2025	D	Carried over to 2026 Regular Session.
2/6/2025	S	The committee on GVO deferred the measure.
2/4/2025	S	The committee(s) on GVO deferred the measure until 02-06-25 3:00PM; Conference Room 225.
1/31/2025	S	The committee(s) on GVO has scheduled a public hearing on 02-04-25 3:05PM; Conference Room 225 & Videoconference.
1/27/2025	S	Referred to GVO, JDC.
1/23/2025	S	Introduced and passed First Reading.
1/21/2025	S	Pending Introduction.

S = Senate | H = House | D = Data Systems | \$ = Appropriation measure | Agenda Item V.e.
Constitutional Amendment

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SBI253



THE SENATE
THIRTY-THIRD LEGISLATURE, 2025
STATE OF HAWAII

S.B. NO. 1253

JAN 23 2025

A BILL FOR AN ACT

RELATING TO BOARDS AND COMMISSIONS.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. Section 26-34, Hawaii Revised Statutes, is
2 amended by amending subsection (b) to read as follows:
3 "(b) Any member of a board or commission whose term has
4 expired and who is not disqualified for membership under
5 subsection (a) may continue in office as a holdover member until
6 a successor is nominated and appointed; provided that a holdover
7 member shall not hold office beyond the end of the second
8 regular legislative session following the expiration of the
9 member's term of office. This subsection shall take precedence
10 over all conflicting statutes concerning holdover members."

11 SECTION 2. New statutory material is underscored.

12 SECTION 3. This Act shall take effect upon its approval.

13

INTRODUCED BY: 



Report Title:

Boards; Commissions; Holdover Member; Limitation

Description:

Clarifies that the prohibition against board and commission holdover members from holding office beyond the end of the second regular legislative session following the expiration of the member's term of office takes precedence over any conflicting statutes.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.





**e. H.B. 724, RELATING TO OPEN
MEETINGS**



Hawai'i State Legislature

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HB724

Measure Title: RELATING TO OPEN MEETINGS.

Report Title: Sunshine Law; Open Meetings; Legislature; Exemption; Notice Requirement; Permitted Interactions; Boards and Commissions; Executive Branch Departments; Good Government; Transparency

Description: Amends the definition of a "board" under the Sunshine Law to include the Legislature. Clarifies notice period requirements. Repeals the Legislature's exemption from the Sunshine Law. Repeals the exemption for permitted interactions between board members.



Companion:

Package: None

Current Referral: LMG, JHA, FIN

Introducer(s): HUSSEY, IWAMOTO, MATSUMOTO, PERRUSO

Sort by Date		Status Text
12/8/2025	D	Carried over to 2026 Regular Session.
1/21/2025	H	Referred to LMG, JHA, FIN, referral sheet 2
1/21/2025	H	Introduced and Pass First Reading.
1/17/2025	H	Pending introduction.

S = Senate | **H** = House | **D** = Data Systems | **\$** = Appropriation measure | **ConAm** = Constitutional Amendment

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HB724



HOUSE OF REPRESENTATIVES
THIRTY-THIRD LEGISLATURE, 2025
STATE OF HAWAII

H.B. NO. 724

A BILL FOR AN ACT

RELATING TO OPEN MEETINGS.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The legislature finds that in a democracy, the
2 people are vested with the ultimate decision-making power. The
3 legislature exists to represent the people and aid the people in
4 the formation of public policy. Opening up the governmental
5 processes to public scrutiny and participation is the only
6 viable and reasonable method of protecting the public's
7 interests. The legislature, therefore, recognizes that it is
8 the policy of this State that the formation and conduct of
9 public policy--the discussions, deliberations, decisions, and
10 actions of governmental agencies--shall be conducted as openly
11 as possible, pursuant to section 92-1, Hawaii Revised Statutes.

12 The legislature further finds that chapter 92, Hawaii
13 Revised Statutes, was enacted to protect the peoples' right to
14 be informed of their government's actions, deliberations, and
15 decision-making on their behalf by requiring open meetings and
16 transparency in the decision-making process.



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1 The legislature notes, however, that section 92-10, Hawaii
2 Revised Statutes, specifically exempts the legislature from the
3 open meeting requirements of the sunshine law, as chapter 92,
4 Hawaii Revised Statutes, is commonly known. Specifically,
5 provisions relating to notice, agenda and minutes of meetings,
6 and other sunshine law requirements do not apply to the
7 legislature or any of its members, except as provided by the
8 legislature's internal rules and procedures.

9 The legislature also finds that section 92-2.5, Hawaii
10 Revised Statutes, allows for permitted private interactions
11 between members of a board, subject to certain limitations and
12 restrictions, providing another exemption from the sunshine law.

13 Accordingly, the purpose of this Act is to increase
14 transparency and accountability in government operations by:

- 15 (1) Repealing the legislature's exemption from the
16 sunshine law;
17 (2) Clarifying notice requirements; and
18 (3) Repealing the permitted private interactions between
19 members of a board.

20 SECTION 2. Section 92-2, Hawaii Revised Statutes, is
21 amended to read as follows:



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1 "§92-2 Definitions. As used in this part:

2 "Board" means the legislature, including any of its
3 committees or decision-making bodies, and any agency, board,
4 commission, authority, or committee of the State or its
5 political subdivisions which is created by constitution,
6 statute, rule, or executive order, to have supervision, control,
7 jurisdiction, or advisory power over specific matters and which
8 is required to conduct meetings and to take official actions.

9 "Board business" means specific matters over which a board
10 has supervision, control, jurisdiction, or advisory power, that
11 are actually pending before the board, or that can be reasonably
12 anticipated to arise before the board in the foreseeable future.

13 "Informal gathering" means a social or informal assemblage
14 of two or more board members at which matters relating to board
15 business are not discussed.

16 "Interactive conference technology" means any form of audio
17 and visual conference technology, or audio conference technology
18 where permitted under this part, including teleconference,
19 videoconference, and voice over internet protocol, that
20 facilitates interaction between the public and board members.



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1 "Meeting" means the convening of a board for which a quorum
2 is required in order to make a decision or interactions between
3 board members to deliberate toward a decision upon a matter over
4 which the board has supervision, control, jurisdiction, or
5 advisory power.

6 "Notice period" means:

- 7 (1) For boards with a fixed session duration, the notice
8 period shall be equal to one-thirtieth (1/30) of the
9 total session duration, including not less than two
10 calendar days before a meeting of the legislature
11 during a sixty-day regular session pursuant to
12 article III, section 10, of the state constitution;
13 and
- 14 (2) For boards without a fixed session duration, the
15 notice period shall be not less than six calendar days
16 before the meeting."

17 SECTION 3. Section 92-5, Hawaii Revised Statutes, is
18 amended by amending subsection (b) to read as follows:

19 "(b) In no instance shall the board make a decision or
20 deliberate toward a decision in an executive meeting on matters
21 not directly related to the purposes specified in subsection



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1 (a). No informal gathering[~~, permitted interaction,~~] or
2 electronic communication shall be used to circumvent the spirit
3 or requirements of this part to make a decision or to deliberate
4 toward a decision upon a matter over which the board has
5 supervision, control, jurisdiction, or advisory power."

6 SECTION 4. Section 92-7, Hawaii Revised Statutes, is
7 amended to read as follows:

8 "**§92-7 Notice.** (a) The board shall give written public
9 notice of any regular, special, emergency, or rescheduled
10 meeting, or any executive meeting when anticipated in advance.
11 The notice shall include an agenda that lists all of the items
12 to be considered at the forthcoming meeting; the date, time, and
13 place of the meeting; the board's electronic and postal contact
14 information for submission of testimony before the meeting;
15 instructions on how to request an auxiliary aid or service or an
16 accommodation due to a disability, including a response
17 deadline, if one is provided, that is reasonable; and in the
18 case of an executive meeting, the purpose shall be stated. If
19 an item to be considered is the proposed adoption, amendment, or
20 repeal of administrative rules, an agenda meets the requirements
21 for public notice pursuant to this section if it contains a



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1 statement on the topic of the proposed rules or a general
2 description of the subjects involved, as described in
3 section 91-3(a)(1)(A), and a statement of when and where the
4 proposed rules may be viewed in person and on the Internet as
5 provided in section 91-2.6. The means specified by this section
6 shall be the only means required for giving notice under this
7 part notwithstanding any law to the contrary.

8 (b) [~~No less than six calendar days before the meeting,~~]
9 Within the notice period, the board shall post the notice on an
10 electronic calendar on a website maintained by the State or the
11 appropriate county and post a notice in the board's office for
12 public inspection. The notice shall also be posted at the site
13 of the meeting whenever feasible. The board shall file a copy
14 of the notice with the office of the lieutenant governor or the
15 appropriate county clerk's office and retain a copy of proof of
16 filing the notice, and the office of the lieutenant governor or
17 the appropriate clerk's office shall ensure access to paper or
18 electronic copies of all meeting notices; provided that a
19 failure to do so by the board, the office of the lieutenant
20 governor, or the appropriate county clerk's office shall not
21 require cancellation of the meeting. The copy of the notice to



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1 be provided to the office of the lieutenant governor or the
2 appropriate county clerk's office may be provided via electronic
3 mail to an electronic mail address designated by the office of
4 the lieutenant governor or the appropriate county clerk's
5 office, as applicable.

6 (c) If the written public notice is electronically posted
7 on an electronic calendar [~~less than six calendar days before~~
8 ~~the meeting,~~] with less notice than is required by the notice
9 period, the meeting shall be canceled as a matter of law and
10 shall not be held. The chairperson or the director shall ensure
11 that a notice canceling the meeting is posted at the place of
12 the meeting. If there is a dispute as to whether a notice was
13 timely posted on an electronic calendar maintained by the State
14 or appropriate county, a printout of the electronic time-stamped
15 agenda shall be conclusive evidence of the electronic posting
16 date. The board shall provide a copy of the time-stamped record
17 upon request.

18 (d) No board shall change the agenda [~~, less than six~~
19 ~~calendar days prior to the meeting,~~] of a validly posted public
20 notice within the notice period by adding items thereto without
21 a two-thirds recorded vote of all members to which the board is



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1 entitled; provided that no item shall be added to the agenda if
2 it is of reasonably major importance and action thereon by the
3 board will affect a significant number of persons. Items of
4 reasonably major importance not decided at a scheduled meeting
5 shall be considered only at a meeting continued to a reasonable
6 day and time.

7 (e) The board shall maintain a list of names and postal or
8 electronic mail addresses of persons who request notification of
9 meetings and shall mail or electronically mail a copy of the
10 notice to the persons by the means chosen by the persons at
11 their last recorded postal or electronic mail address no later
12 than the time the agenda is required to be electronically posted
13 under subsection (b)."

14 SECTION 5. Section 92-12, Hawaii Revised Statutes, is
15 amended by amending subsection (a) to read as follows:

16 "(a) The attorney general and the prosecuting attorney
17 shall enforce this part[-]; provided that the president of the
18 senate and speaker of the house of representatives shall enforce
19 this part for each house of the legislature, respectively."

20 SECTION 6. Section 92-2.5, Hawaii Revised Statutes, is
21 repealed.



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1 ~~["§92-2.5 Permitted interactions of members. (a) Two~~
2 ~~members of a board may discuss between themselves matters~~
3 ~~relating to board business to enable them to perform their~~
4 ~~duties faithfully, as long as no commitment to vote is made or~~
5 ~~sought and the two members do not constitute a quorum of their~~
6 ~~board.~~

7 ~~(b) Two or more members of a board, but less than the~~
8 ~~number of members that would constitute a quorum for the board,~~
9 ~~may be assigned to:~~

10 ~~(1) Investigate a matter relating to board business;~~
11 ~~provided that:~~

12 ~~(A) The scope of the investigation and the scope of~~
13 ~~each member's authority are defined at a meeting~~
14 ~~of the board;~~

15 ~~(B) All resulting findings and recommendations are~~
16 ~~presented to the board at a meeting of the board;~~
17 ~~and~~

18 ~~(C) Deliberation and decision-making on the matter~~
19 ~~investigated, if any, occurs only at a duly~~
20 ~~noticed meeting of the board held no less than~~
21 ~~six business days after the meeting at which the~~



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1 ~~findings and recommendations of the investigation~~
2 ~~were presented to the board; or~~

3 ~~(2) Present, discuss, or negotiate any position that the~~
4 ~~board has adopted at a meeting of the board; provided~~
5 ~~that the assignment is made and the scope of each~~
6 ~~member's authority is defined at a meeting of the~~
7 ~~board before the presentation, discussion, or~~
8 ~~negotiation.~~

9 ~~(c) Discussions between two or more members of a board,~~
10 ~~but less than the number of members that would constitute a~~
11 ~~quorum for the board, concerning the selection of the board's~~
12 ~~officers may be conducted in private without limitation or~~
13 ~~subsequent reporting.~~

14 ~~(d) Board members present at a meeting that must be~~
15 ~~canceled for lack of quorum or terminated pursuant to~~
16 ~~section 92-3.5(c) may nonetheless receive testimony and~~
17 ~~presentations on items on the agenda and question the testifiers~~
18 ~~or presenters; provided that:~~

19 ~~(1) Deliberation or decisionmaking on any item, for which~~
20 ~~testimony or presentations are received, occurs only~~
21 ~~at a duly noticed meeting of the board held subsequent~~



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- 1 ~~to the meeting at which the testimony and~~
2 ~~presentations were received;~~
- 3 ~~(2) The members present shall create a record of the oral~~
4 ~~testimony or presentations in the same manner as would~~
5 ~~be required by section 92-9 for testimony or~~
6 ~~presentations heard during a meeting of the board; and~~
- 7 ~~(3) Before its deliberation or decisionmaking at a~~
8 ~~subsequent meeting, the board shall:~~
- 9 ~~(A) Provide copies of the testimony and presentations~~
10 ~~received at the canceled meeting to all members~~
11 ~~of the board; and~~
- 12 ~~(B) Receive a report by the members who were present~~
13 ~~at the canceled or terminated meeting about the~~
14 ~~testimony and presentations received.~~
- 15 ~~(c) Two or more members of a board, but less than the~~
16 ~~number of members that would constitute a quorum for the board,~~
17 ~~may attend an informational meeting or presentation on matters~~
18 ~~relating to board business, including a meeting of another~~
19 ~~entity, legislative hearing, convention, seminar, or community~~
20 ~~meeting; provided that the meeting or presentation is not~~
21 ~~specifically and exclusively organized for or directed toward~~



1 ~~members of the board. The board members in attendance may~~
2 ~~participate in discussions, including discussions among~~
3 ~~themselves; provided that the discussions occur during and as~~
4 ~~part of the informational meeting or presentation; provided~~
5 ~~further that no commitment relating to a vote on the matter is~~
6 ~~made or sought.~~

7 ~~At the next duly noticed meeting of the board, the board~~
8 ~~members shall report their attendance and the matters presented~~
9 ~~and discussed that related to board business at the~~
10 ~~informational meeting or presentation.~~

11 ~~(f) Discussions between the governor and one or more~~
12 ~~members of a board may be conducted in private without~~
13 ~~limitation or subsequent reporting; provided that the discussion~~
14 ~~does not relate to a matter over which a board is exercising its~~
15 ~~adjudicatory function.~~

16 ~~(g) Discussions between two or more members of a board and~~
17 ~~the head of a department to which the board is administratively~~
18 ~~assigned may be conducted in private without limitation;~~
19 ~~provided that the discussion is limited to matters specified in~~
20 ~~section 26-35.~~



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1 ~~(h) Where notice of the deadline to submit testimony to~~
2 ~~the legislature is less than the notice requirements in this~~
3 ~~section, a board may circulate for approval a statement~~
4 ~~regarding a position previously adopted by the board; provided~~
5 ~~that the position previously adopted by the board, the statement~~
6 ~~to be submitted as testimony, and communications among board~~
7 ~~members about the statement, including drafts, shall be in~~
8 ~~writing and accessible to the public, within forty-eight hours~~
9 ~~of the statement's circulation to the board, on the board's~~
10 ~~website, or, if the board does not have a website, on an~~
11 ~~appropriate state or county website.~~

12 ~~(i) Communications, interactions, discussions,~~
13 ~~investigations, and presentations described in this section are~~
14 ~~not meetings for purposes of this part."]~~

15 SECTION 7. Section 92-10, Hawaii Revised Statutes, is
16 repealed.

17 ~~["§92-10 Legislative branch; applicability.~~
18 ~~Notwithstanding any provisions contained in this chapter to the~~
19 ~~contrary, open meeting requirements, and provisions regarding~~
20 ~~enforcement, penalties and sanctions, as they are to relate to~~
21 ~~the state legislature or to any of its members shall be such as~~



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1 ~~shall be from time to time prescribed by the respective rules~~
 2 ~~and procedures of the senate and the house of representatives,~~
 3 ~~which rules and procedures shall take precedence over this part.~~
 4 ~~Similarly, provisions relating to notice, agenda and minutes of~~
 5 ~~meetings, and such other requirements as may be necessary, shall~~
 6 ~~also be governed by the respective rules and procedures of the~~
 7 ~~senate and the house of representatives."]~~

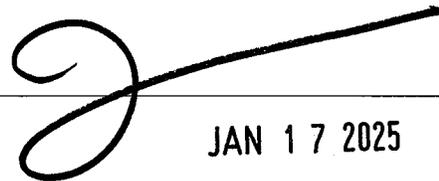
8 SECTION 8. If any provision of this Act, or the
 9 application thereof to any person or circumstance, is held
 10 invalid, the invalidity does not affect other provisions or
 11 applications of the Act that can be given effect without the
 12 invalid provision or application, and to this end the provisions
 13 of this Act are severable.

14 SECTION 9. Statutory material to be repealed is bracketed
 15 and stricken. New statutory material is underscored.

16 SECTION 10. This Act shall take effect upon its approval.

17

INTRODUCED BY: _____



JAN 17 2025



H.B. NO. 724

Report Title:

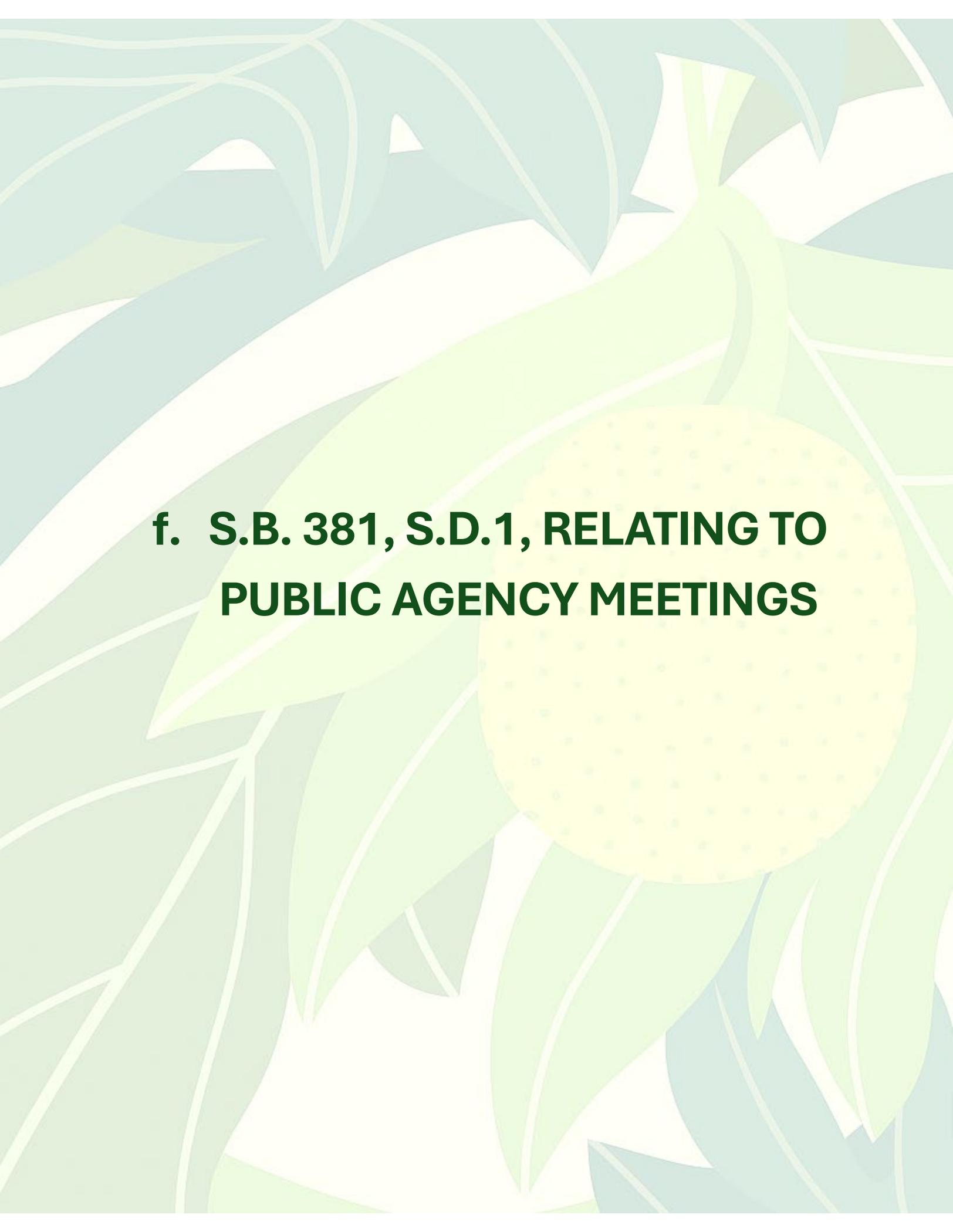
Sunshine Law; Open Meetings; Legislature; Exemption; Notice Requirement; Permitted Interactions; Boards and Commissions; Executive Branch Departments; Good Government; Transparency

Description:

Amends the definition of a "board" under the Sunshine Law to include the Legislature. Clarifies notice period requirements. Repeals the Legislature's exemption from the Sunshine Law. Repeals the exemption for permitted interactions between board members.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.





**f. S.B. 381, S.D.1, RELATING TO
PUBLIC AGENCY MEETINGS**



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SB381 SD1

Measure Title: RELATING TO PUBLIC AGENCY MEETINGS.

Report Title: Public Agency Meetings and Records; Sunshine Law; Open Deliberation; Open Meeting; Appointment; Selection; Head of a State Division or Agency; Voting

Description: Requires appointments and selections of heads of state divisions and agencies that require a board approval to be made through a publicly established process and timeline. Requires the approval of the process and timeline to appoint or select a new head of a state division or agency to be determined in an open meeting. Requires that votes to appoint or select heads of state divisions and agencies be conducted in an open meeting. Provides that any vote to appoint or select a head of a state division or agency cast in violation of the foregoing shall be invalid. Effective 1/1/2491. (SD1)

Companion:

Package: None

Current Referral: GVO, JDC

Introducer(s): MCKELVEY, CHANG, DECORTE, GABBARD, Fevella

<u>Sort by Date</u>		Status Text
12/8/2025	D	Carried over to 2026 Regular Session.
2/12/2025	S	Report adopted; Passed Second Reading, as amended (SD 1) and referred to JDC.
2/12/2025	S	Reported from GVO (Stand. Com. Rep. No. 314) with recommendation of passage on Second Reading, as amended (SD 1) and referral to JDC.

000001

2/4/2025	S	The committee(s) on GVO recommend(s) that the measure be passed, f. WITH AMENDMENTS. The votes in GVO were as follows: 3 Aye(s): Senator(s) McKelvey, Moriwaki, San Buenaventura; Aye(s) with reservations: none ; 0 No(es): none; and 2 Excused: Senator(s) Gabbard, Fevella.
1/30/2025	S	The committee(s) on GVO deferred the measure until 02-04-25 3:00PM; CR 225.
1/28/2025	S	The committee(s) on GVO deferred the measure until 01-30-25 3:01PM; Conference Room 225.
1/24/2025	S	The committee(s) on GVO has scheduled a public hearing on 01-28-25 3:00PM; Conference Room 225 & Videoconference.
1/21/2025	S	Referred to GVO, JDC.
1/15/2025	S	Introduced and passed First Reading.
1/14/2025	S	Pending Introduction.

S = Senate | H = House | D = Data Systems | \$ = Appropriation measure | ConAm = Constitutional Amendment

Some of the above items require Adobe Acrobat Reader. Please visit [Adobe's download page](#) for detailed instructions.

SB381 SD1



STAND. COM. REP. NO.

314

Honolulu, Hawaii

FEB 12 2025

RE: S.B. No. 381
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Thirty-Third State Legislature
Regular Session of 2025
State of Hawaii

Sir:

Your Committee on Government Operations, to which was referred S.B. No. 381 entitled:

"A BILL FOR AN ACT RELATING TO PUBLIC AGENCY MEETINGS,"

begs leave to report as follows:

The purpose and intent of this measure is to:

- (1) Require appointments and selections of heads of state divisions and agencies that require a board approval to be made through a publicly established process and timeline;
- (2) Require the approval of the process and timeline to appoint or select a new head of a state division or agency to be determined in an open meeting;
- (3) Require that votes to appoint or select heads of state divisions and agencies be conducted in an open meeting; and
- (4) Establish that any vote to appoint or select a head of a state division or agency cast in violation of the foregoing shall be invalid.



Your Committee received comments on this measure from the Office of Information Practices, League of Women Voters of Hawaii, and Public First Law Center.

Your Committee finds that transparency in government is central to preventing corruption and maintaining public trust. This transparency is of particular importance in relation to the selection of heads of state divisions and agencies as the decisions of these executives directly impact the lives of residents. This measure protects the public interest and ensures good governance by establishing a clear statutory framework mandating transparency, accountability, and public participation in the selection processes for board-approved heads of state divisions and agencies.

Your Committee acknowledges the concerns raised in testimony regarding the scope of this measure and whether it sufficiently shines light on the correct steps of the selection process to achieve its goals of transparency. Your Committee finds that this issue raises concerns that merit further consideration and requests further examination by your Committee on Judiciary.

Accordingly, your Committee has amended this measure by inserting an effective date of January 1, 2491, to encourage further discussion.

As affirmed by the record of votes of the members of your Committee on Government Operations that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 381, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 381, S.D. 1, and be referred to your Committee on Judiciary.

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



ANGUS L.K. MCKELVEY, Chair

The Senate
Thirty-Third Legislature
State of Hawai'i

Record of Votes
Committee on Government Operations
GVO

Bill / Resolution No.:* SB381	Committee Referral: GVO, JDC	Date: 2.4.25		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
MCKELVEY, Angus L.K. (C)	X			
GABBARD, Mike (VC)				X
MORIWAKI, Sharon Y.	X			
SAN BUENAVENTURA, Joy A.	X			
FEVELLA, Kurt				X
TOTAL	2	0	0	2
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: 				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

*Only one measure per Record of Votes

A BILL FOR AN ACT

RELATING TO PUBLIC AGENCY MEETINGS.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The legislature finds that ensuring
2 transparency and openness in the appointment of leadership
3 positions within state divisions and agencies is essential to
4 fostering public trust, accountability, and effective
5 governance. In recent years, public discourse and media
6 coverage have underscored the importance of transparency,
7 particularly in the context of decisions that shape the
8 operational priorities and policies of government entities.

9 Transparency in the selection of board-appointed leadership
10 has a direct impact on public confidence in the integrity and
11 fairness of governmental operations. Lack of openness in these
12 processes may lead to perceptions of favoritism, conflicts of
13 interest, or decisions that do not reflect the best interests of
14 the public. This perception undermines the democratic
15 principles that are the foundation of public governance.

16 The legislature recognizes the following critical concerns:



- 1 (1) Public interest and stakeholder engagement. Public
 2 boards often oversee critical areas such as education,
 3 health care, public safety, and infrastructure.
 4 Decisions affecting the leadership of state divisions
 5 or agencies responsible for these areas can
 6 significantly influence the quality of services
 7 provided to residents;
- 8 (2) Media reports and investigative findings.
 9 Investigative reports have highlighted instances where
 10 opaque or inconsistent processes in appointing or
 11 selecting heads of divisions or agencies have led to
 12 controversies, eroding public trust and creating legal
 13 or operational challenges for state agencies;
- 14 (3) National standards and best practices. Across the
 15 United States, many states have moved towards
 16 codifying open and transparent selection processes for
 17 public appointments to ensure equity, merit-based
 18 decisions, and public confidence; and
- 19 (4) Economic and social implications. Leadership
 20 transitions often involve policy shifts that affect
 21 local economies, vulnerable populations, and resource



1 allocation. Transparent processes ensure that all
2 stakeholders understand and can contribute to these
3 decisions.

4 The legislature believes that it is critical for the State
5 to affirm its commitment to integrity, equity, and transparency,
6 and ensure that board decisions concerning the appointment and
7 selection of heads of state divisions and agencies are made
8 openly and in alignment with the public's best interest.

9 Accordingly, the purpose of this Act is to establish a
10 clear statutory framework mandating transparency,
11 accountability, and public participation in the selection
12 processes for board-appointed positions. This framework will
13 ensure that all deliberations and votes related to the selection
14 of heads of state divisions and agencies occur in public
15 meetings; processes and timelines for appointments are
16 predetermined and disclosed to the public; and amendments to
17 selection processes are made transparently and openly.

18 SECTION 2. Chapter 92, Hawaii Revised Statutes, is amended
19 by adding a new section to part I to be appropriately designated
20 and to read as follows:



1 "§92- Appointment; selection; head of a division or
2 agency. (a) Upon the vacancy or anticipated vacancy of the
3 head of any division or agency of the State that requires a
4 board to appoint or otherwise select the new head, the board
5 shall use open deliberation in an open meeting to establish a
6 process and timeline for the appointment or selection of the new
7 head. Approval of the process and timeline shall be determined
8 in an open meeting.

9 (b) The board shall follow the process and timeline
10 established under subsection (a). If, during the selection
11 process, the board determines that the process or timeline
12 requires amendment, the amendment shall be made through open
13 deliberation in an open meeting and approval of the amendment
14 shall be determined in an open meeting.

15 (c) Any appointment or selection of a head of any division
16 or agency of the State by a board that is made in violation of
17 this section shall be invalid."

18 SECTION 3. Section 92-5, Hawaii Revised Statutes, is
19 amended by amending subsection (a) to read as follows:



1 "(a) A board may hold a meeting closed to the public
2 pursuant to section 92-4 for one or more of the following
3 purposes:

4 (1) To consider and evaluate personal information relating
5 to individuals applying for professional or vocational
6 licenses cited in section 26-9 or both;

7 (2) To consider the hire, evaluation, dismissal, or
8 discipline of an officer or employee or of charges
9 brought against the officer or employee, where
10 consideration of matters affecting privacy will be
11 involved; provided that if the individual concerned
12 requests an open meeting, an open meeting shall be
13 held; provided further that any vote to appoint or
14 select a head of a division or agency pursuant to
15 section 92- shall be conducted in an open meeting;

16 (3) To deliberate concerning the authority of persons
17 designated by the board to conduct labor negotiations
18 or to negotiate the acquisition of public property, or
19 during the conduct of such negotiations;



- 1 (4) To consult with the board's attorney on questions and
- 2 issues pertaining to the board's powers, duties,
- 3 privileges, immunities, and liabilities;
- 4 (5) To investigate proceedings regarding criminal
- 5 misconduct;
- 6 (6) To consider sensitive matters related to public safety
- 7 or security;
- 8 (7) To consider matters relating to the solicitation and
- 9 acceptance of private donations; and
- 10 (8) To deliberate or make a decision upon a matter that
- 11 requires the consideration of information that must be
- 12 kept confidential pursuant to a state or federal law,
- 13 or a court order."

14 SECTION 4. This Act does not affect rights and duties that
15 matured, penalties that were incurred, and proceedings that were
16 begun before its effective date.

17 SECTION 5. New statutory material is underscored.

18 SECTION 6. This Act shall take effect January 1, 2491.

19



Report Title:

Public Agency Meetings and Records; Sunshine Law; Open
Deliberation; Open Meeting; Appointment; Selection; Head of a
State Division or Agency; Voting

Description:

Requires appointments and selections of heads of state divisions and agencies that require a board approval to be made through a publicly established process and timeline. Requires the approval of the process and timeline to appoint or select a new head of a state division or agency to be determined in an open meeting. Requires that votes to appoint or select heads of state divisions and agencies be conducted in an open meeting. Provides that any vote to appoint or select a head of a state division or agency cast in violation of the foregoing shall be invalid. Effective 1/1/2491. (SD1)

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.



OFFICE OF INFORMATION PRACTICES

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HONOLULU, HAWAII 96813
TELEPHONE: 808-586-1400 FAX: 808-586-1412
EMAIL: oip@hawaii.gov

To: Senate Committee on Government Operations

From: Carlotta Amerino, Director

Date: January 28, 2025, 3:00 p.m.
State Capitol, Conference Room 225

Re: Testimony on S.B. No. 381
Relating to Public Agency Meetings

Thank you for the opportunity to submit testimony on this bill, which would add a new section to the Sunshine Law, part I of chapter 92, HRS, requiring a board hiring a division head to adopt a process and timeline for the hiring in an open meeting and then follow it; and would bar a board from voting in closed session to hire a division head. The Office of Information Practices (OIP) offers **comments**.

Under the Sunshine Law, boards are required to hold meetings open to the public but may enter an executive session closed to the public for one or more of the purposes set forth in section 92-5(a), HRS. One of the limited purposes for which a Sunshine Law board can hold a closed executive session is “[t]o consider the hire . . . of an officer or employee . . . where consideration of matters affecting privacy will be involved[.]” There has been an ongoing dispute, and there is ongoing litigation, over how this executive session purpose applies to a Sunshine Law board hiring for an executive director or similar leadership position. This bill would resolve some part of that dispute, and OIP leaves it for this Committee to decide whether the proposed

Senate Committee on Government Operations
January 28, 2025
Page 2 of 3

requirements for a Sunshine Law board's hiring process align with the Legislature's intent.

The requirement in the new section 92-___, HRS, for a board to publicly discuss its process and timeline for hiring is consistent with the Sunshine Law's current requirements. While the Sunshine Law does not actually require a board to adopt a process and timeline in advance, it is fairly typical for a board to do so and such a process-focused discussion, which by its nature does not involve specific candidates, could not be held in a closed executive session since it would not involve consideration of matters affecting privacy. The effect of the new section would thus primarily be to specifically require a board hiring a division head to always take the additional step of developing a process and timeline for the hiring, and to follow that process and timeline or formally amend it if necessary. This would all be done in an open meeting, but again, the Sunshine Law already requires an open meeting for such a discussion.

The bill's amendment to subsection 92-5(a)(2), HRS, would require a board to hold any vote on the question of hiring a candidate as a division head in open session. This open session requirement would be a change, since OIP's opinions under current law have said that such a vote can be taken in a closed executive session because of the possibility that the motion to hire could fail and the individual concerned would thus be identified as an unsuccessful candidate for government employment. See OIP Op. Ltr. No. F24-03 starting at page 24, available at oip.hawaii.gov. Although the amendment would have the effect of statutorily overruling at least one OIP opinion, OIP would welcome the Legislature's clarification of its intent if the amendment better reflects the Legislature's wishes. When considering an individual's privacy interest in the fact that he or she has applied for a government position, the fact that someone was a top candidate for a division head position, but not ultimately hired, is not highly

Senate Committee on Government Operations
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embarrassing information: he or she was clearly a strong candidate for the board to have taken a vote in the first place. However, it is likely that some qualified candidates would not consider applying for government positions if the fact that they applied would be known to their current employers even if they were not selected. This could put unselected candidates in an uncomfortable position where they are currently employed if it is known that they have been looking for employment elsewhere.

Finally, OIP notes that this bill does not address a board's ability to discuss and interview individual candidates, and thus apparently leaves boards able to do so in a closed executive session where individual privacy is concerned. Thank you for considering OIP's testimony.



Senate Committee on Government Operations

Tuesday, January 28, 2025 3 PM Hearing in Conference Room 225 on
SB 381, Relating to Public Agency Meetings

TESTIMONY

Douglas Meller, Legislative Committee, League of Women Voters of Hawaii

Chair McKelvey, Vice Chair Gabbard, and Committee Members:

The League of Women Voters of Hawaii has the following comments on SB 381.

Rather than amending Section 92-5(a)(2), Hawaii Revised Statutes to create an “exception to an exception”, the League recommends total repeal of Section 92-5(a)(2), Hawaii Revised Statutes.

Most agency decisions are made by a public official rather than by a board. In general, unless public comments are solicited, State law does not give the public the right to participate in such decisions. The primary purpose is timely government decisions.

When state law authorizes a board to make decisions, the board usually has the option to adopt rules which delegate decisions to public officials. But when board decisions have not been delegated, the purpose of the Sunshine Law is to allow the public to monitor board deliberations and submit oral and written comments prior to board decisions. Boards should not engage in secretive deliberations and decisions on any subject. That is why the League believes it is totally inappropriate for Section 92-5(a)(2), Hawaii Revised Statutes, to authorize boards to exclude the public from board deliberations and decisions which concern hiring, evaluation, dismissal, or disciplinary matters.

Thank you for the opportunity to submit testimony.



Senate Committee on Government Operations
Honorable Angus L.K. McKelvey, Chair
Honorable Mike Gabbard, Vice Chair

RE: Comments on S.B. 381, Relating to Public Agency Meetings
Hearing: January 28, 2025 at 3:00 p.m.

Dear Chair and Members of the Committee:

My name is Ben Creps. I am a staff attorney at the Public First Law Center, a nonprofit organization that promotes government transparency.

Thank you for the opportunity to submit testimony **with comments** on S.B. 381. This bill represents a good idea, but we have concerns about its limited scope. It would require boards and commissions to openly decide the hiring process and timeline for high-level government officials and vote openly. As written, however, this measure does not address the *heart* of the hiring process – candidate interviews and board deliberations about the candidates.

To promote public oversight and participation, S.B. 381 should be broadened to make the *entire* hiring process open. Although this is largely what existing law requires – *see, e.g., Civil Beat Law Ctr. for the Pub. Interest, Inc. v. City & Cty. of Honolulu* (CBLC), 144 Hawai`i 466, 478-480, 445 P.3d 47, 58-61 (2019) – clarifying this law in statute may promote compliance.

Under existing law, board discussions about “personnel matters” – which includes hiring high-level government employees – “should presumptively be discussed in an open meeting.” *Id.* Openness is the default rule. There is a limited exception under HRS § 92-5(a)(2) for personnel discussions that “directly relate” to information that is subject to constitutional privacy protection – like a medical condition. *Id.* Government boards must engage in a case-by-case analysis of whether the information at issue is subject to constitutional protection and consider a variety of factors, including the nature of the position, level of fiscal discretion, existence of other laws requiring disclosure of the information, and the degree to which information is already public. *Id.*

Despite the plain language of HRS § 92-5(a)(2) and Hawai`i Supreme Court guidance, many boards flip presumption of openness on its head – conducting substantive portions, if not all, of the hiring process for high-level government employees behind closed doors. Our lawsuit challenging this widespread practice against two boards



Senate Committee on Government Operations
January 28, 2025
Page 2

remains pending. The Board of Regents' recent secretive hiring of the next University of Hawai'i President confirms that the practice continues.

The high-level employees at issue here are agency heads. They include Police and Fire Chiefs, the UH President, and a multitude of Executive Directors. These officials exercise significant government power. They are entrusted with keeping our community safe, vibrant, and productive. And they control significant amounts of taxpayer funds. Without doubt, the public has a legitimate interest in understanding how and why boards and commissions make their high-level hiring decisions.

Maui Police Chief John Pelletier is proof that openness works in this context. He was hired in late 2021 by the Maui Police Commission in a completely open process—final candidates were interviewed openly and at the same time. (Candidates were all asked the same questions and rotated who answered first.) The Commission deliberated in public, voted to hire Mr. Pelletier, and shared why he was selected. *See, e.g.,* <https://mauinow.com/2021/10/05/breaking-john-pelletier-selected-as-final-candidate-for-maui-police-chief/>; <https://www.mauinews.com/news/local-news/2021/11/commission-confirms-pelletier-as-new-police-chief/>.

Excessive secrecy contributes to the public's distrust of government and erodes the public's right to participate in important government processes. Openness builds trust and encourages participation. If this Committee is inclined to move S.B. 381 forward, Public First respectfully asks that it be **amended** to extend the openness requirement to cover the **entire hiring process** for high-level government officials.

Thank you again for the opportunity to testify with comments on S.B. 381.



**g. S.B. 1617 / H.B. 1453,
RELATING TO PUBLIC
MEETINGS**



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SB1617

Measure Title: RELATING TO PUBLIC MEETINGS.

Report Title: Meeting Times; Boards; Limitations

Description: Prohibits boards from beginning or continuing meetings after 9:00 p.m., excluding county council meetings.

Companion: [HB1453](#)

Package: None



Current Referral: GVO, JDC

Introducer(s): CHANG

Sort by Date		Status Text
12/8/2025	D	Carried over to 2026 Regular Session.
2/6/2025	S	The committee on GVO deferred the measure.
2/4/2025	S	The committee(s) on GVO deferred the measure until 02-06-25 3:00PM; Conference Room 225.
1/31/2025	S	The committee(s) on GVO has scheduled a public hearing on 02-04-25 3:05PM; Conference Room 225 & Videoconference.
1/27/2025	S	Referred to GVO, JDC.
1/27/2025	S	Passed First Reading.
1/23/2025	S	Introduced.

S = Senate | H = House | D = Data Systems | \$ = Appropriation measure | ConAm = Constitutional Amendment

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SBI617



THE SENATE
THIRTY-THIRD LEGISLATURE, 2025
STATE OF HAWAII

S.B. NO. 1617

JAN 23 2025

A BILL FOR AN ACT

RELATING TO PUBLIC MEETINGS.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The legislature finds that public meetings
2 should be conducted at times that are accessible to the general
3 public. The legislature further finds that public meetings
4 conducted after 9:00 p.m. disadvantage those with work, school,
5 or caregiving obligations the following day.

6 Accordingly, the purpose of this Act is to prohibit boards
7 from beginning or continuing meetings after 9:00 p.m., excluding
8 county council meetings.

9 SECTION 2. Chapter 92, Hawaii Revised Statutes, is amended
10 by adding a new section to be appropriately designated and to
11 read as follows:

12 "§92- Meeting times; limitations. No board shall begin
13 or continue a meeting after 9:00 p.m.; provided that this
14 section shall not apply to county council meetings."

15 SECTION 3. New statutory material is underscored.

16 SECTION 4. This Act shall take effect upon its approval.

17



S.B. NO. 1617

Report Title:

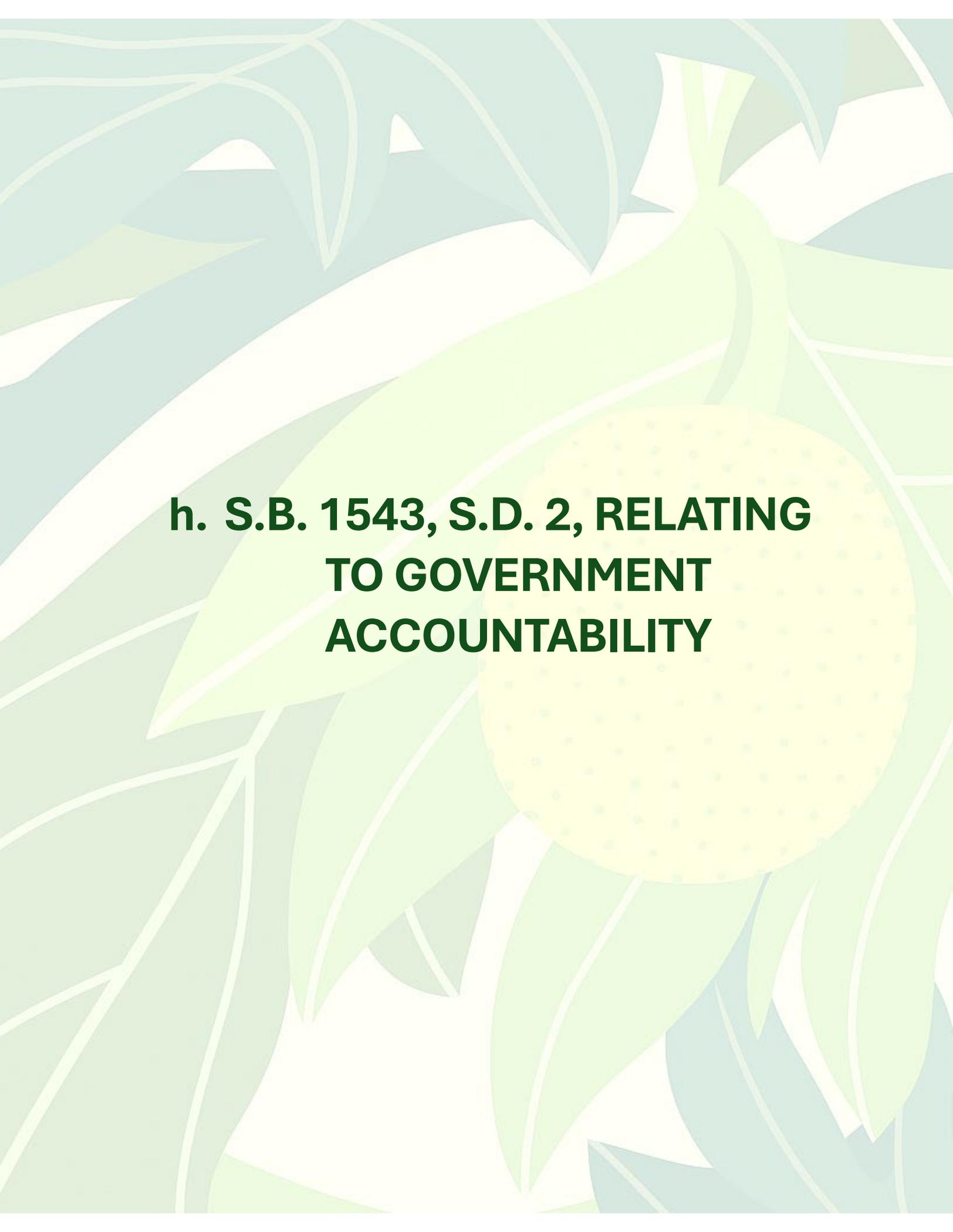
Meeting Times; Boards; Limitations

Description:

Prohibits boards from beginning or continuing meetings after 9:00 p.m., excluding county council meetings.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.





**h. S.B. 1543, S.D. 2, RELATING
TO GOVERNMENT
ACCOUNTABILITY**



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SB1543 SD2

Measure Title: RELATING TO GOVERNMENT ACCOUNTABILITY.

Report Title: External Consultants; Purchasing Agencies; Disclosure Requirements; Spending Caps; Audit; Reports

Description: 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 new 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. (SD2)



Companion:

Package: None

Current Referral: LAB, FIN

Introducer(s): KIM, CHANG, DECOITE, FEVELLA, GABBARD, KIDANI, MCKELVEY, SAN BUENAVENTURA, Dela Cruz, Richards, Wakai

<u>Sort by Date</u>		Status Text
12/8/2025	D	Carried over to 2026 Regular Session.
3/6/2025	H	Referred to LAB, FIN, referral sheet 19
3/6/2025	H	Pass First Reading
3/4/2025	H	Received from Senate (Sen. Com. No. 367) in amended form (SD 2).

000001

3/4/2025	S	Report adopted; Passed Third Reading, as amended (SD 2) Aye(s), 25; Noes, 0 (none). Excused, 0 (none). Transmitted to House.
2/27/2025	S	48 Hrs. Notice 03-04-25.
2/27/2025	S	Reported from WAM (Stand. Com. Rep. No. 751) with recommendation of passage on Third Reading, as amended (SD 2).
2/18/2025	S	The committee(s) on WAM recommend(s) that the measure be PASSED, WITH AMENDMENTS. The votes in WAM were as follows: 12 Aye(s): Senator(s) Dela Cruz, Moriwaki, Aquino, Elefante, Hashimoto, Inouye, Kanuha, Kidani, Kim, Lee, C., Wakai, Fevella; Aye(s) with reservations: none ; 0 No(es): none; and 1 Excused: Senator(s) DeCoite.
2/14/2025	S	The committee(s) on WAM will hold a public decision making on 02-18-25 10:01AM; Conference Room 211 & Videoconference.
2/12/2025	S	Report adopted; Passed Second Reading, as amended (SD 1) and referred to WAM.
2/12/2025	S	Reported from GVO (Stand. Com. Rep. No. 323) with recommendation of passage on Second Reading, as amended (SD 1) and referral to WAM.
2/6/2025	S	The committee(s) on GVO recommend(s) that the measure be PASSED, WITH AMENDMENTS. The votes in GVO were as follows: 5 Aye(s): Senator(s) McKelvey, Gabbard, Moriwaki, San Buenaventura, Fevella; Aye(s) with reservations: none ; 0 No(es): none; and 0 Excused: none.
2/4/2025	S	The committee(s) on GVO deferred the measure until 02-06-25 3:00PM; Conference Room 225. 
1/31/2025	S	The committee(s) on GVO has scheduled a public hearing on 02-04-25 3:05PM; Conference Room 225 & Videoconference.
1/27/2025	S	Referred to GVO, WAM.
1/23/2025	S	Introduced and passed First Reading.
1/22/2025	S	Pending Introduction.

S = Senate | H = House | D = Data Systems | \$ = Appropriation measure | ConAm = Constitutional Amendment

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SBI543 SD2

THE SENATE
THIRTY-THIRD LEGISLATURE, 2025
STATE OF HAWAII

S.B. NO. 1543
S.D. 2

A BILL FOR AN ACT

RELATING TO GOVERNMENT ACCOUNTABILITY.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The legislature finds that there is a pressing
2 need to reduce the reliance on external consultants for work
3 that can or should be performed by qualified government
4 employees. Excessive outsourcing of government functions often
5 leads to increased costs, diminished accountability, and a loss
6 of institutional knowledge within public agencies. By
7 prioritizing the use of in-house expertise, the State can foster
8 greater transparency in its operations, ensuring that decisions
9 about the allocation of public funds are clear, justifiable, and
10 aligned with the best interests of taxpayers. Moreover,
11 reducing dependence on external consultants will promote cost
12 efficiency, enabling government agencies to allocate resources
13 more effectively while building and retaining institutional
14 capacity. Strengthening the role of public employees in
15 performing core government functions will also enhance the
16 long-term sustainability and independence of state operations.
17 Through these efforts, the legislature seeks to ensure that



1 public agencies are equipped to meet the evolving needs of the
2 State in a manner that is both responsible and effective.

3 Accordingly, the purpose of this Act is to reduce reliance
4 on external consultants for work that can be performed by
5 qualified government employees and ensure transparency, cost
6 efficiency, and the development of in-house expertise within
7 government agencies by:

- 8 (1) Requiring each purchasing agency to provide
9 justification for hiring external consultants;
- 10 (2) Capping the amount each agency can spend on external
11 consultants;
- 12 (3) Requiring each agency to seek approval from the
13 legislature for consulting contracts exceeding a
14 certain dollar amount;
- 15 (4) Requiring each agency to disclose all contracts with
16 external consultants;
- 17 (5) Requiring annual reports to the legislature;
- 18 (6) Requiring the compliance audit unit to conduct regular
19 audits of agency consultant contracts to assess
20 cost-effectiveness and compliance; and



1 (7) Requiring each chief procurement officer to ensure
2 that inherent government functions are not delegated
3 to a contractor.

4 SECTION 2. Chapter 103D, Hawaii Revised Statutes, is
5 amended by adding a new section to part III to be appropriately
6 designated and to read as follows:

7 "§103D- External consultants; justification; spending
8 caps; reporting requirements; audits. (a) Notwithstanding
9 section 103D-301, each purchasing agency shall:

10 (1) Provide detailed justification for hiring external
11 consultants by:

12 (A) Demonstrating the lack of in-house capacity or
13 expertise;

14 (B) Conducting a cost-benefit analysis that compares
15 consultant costs with the expenses of hiring or
16 training state employees; and

17 (C) Publishing justification reports for public and
18 legislative review;

19 (2) Spend no more than _____ per cent of the purchasing
20 agency's budget on consulting services;



- 1 (3) Seek approval from the legislature for any contract
2 for consulting services exceeding \$ _____ ;
- 3 (4) Disclose all contracts the purchasing agency awards to
4 external consultants after the effective date of this
5 Act, including:
- 6 (A) The total costs of each contract, broken down by
7 service and duration;
- 8 (B) The names of consultants and firms; and
- 9 (C) The work scope and deliverables; and
- 10 (5) Submit an annual report to the legislature no later
11 than twenty days prior to the convening of each
12 regular session on its contracts with external
13 consultants, which shall include:
- 14 (A) The number of external consultants used; and
- 15 (B) The percentage of the purchasing agency's budget
16 spent on consulting.
- 17 (b) The compliance audit unit shall conduct regular audits
18 of each purchasing agency's external consultant contracts to
19 assess the cost-effectiveness of the contracts and compliance
20 with this section.



1 (c) This section shall not apply to the contracting of
2 external consultants for:

3 (1) Highly technical or niche expertise unavailable in the
4 State; and

5 (2) Short-term emergency needs, including disaster
6 response or urgent technical projects."

7 SECTION 3. Section 103D-205, Hawaii Revised Statutes, is
8 amended by amending subsection (a) to read as follows:

9 "(a) For their respective jurisdictions and unless
10 otherwise specifically provided in this chapter, each chief
11 procurement officer shall serve as the central procurement
12 officer for the officer's respective jurisdiction and:

13 (1) Procure or supervise the procurement of all goods,
14 services, and construction;

15 (2) Exercise general supervision and control over all
16 inventories of goods;

17 (3) Sell, trade, or otherwise dispose of surplus goods;

18 (4) Establish and maintain programs for the inspection,
19 testing, and acceptance of goods, services, and
20 construction;



- 1 (5) Coordinate with the administrator regarding
2 procurement policies, opportunities for statewide
3 innovation implementation, and concerns;
- 4 (6) Report procurement contract data pursuant to
5 requirements established by the administrator, in the
6 form and manner prescribed by the state procurement
7 office; [~~and~~]
- 8 (7) Assist and cooperate with the administrator regarding
9 any compliance review by the administrator pursuant to
10 section 103D-206[~~-~~]; and
- 11 (8) Ensure that inherent government functions are not
12 delegated to a contractor."

13 SECTION 4. Statutory material to be repealed is bracketed
14 and stricken. New statutory material is underscored.

15 SECTION 5. This Act shall take effect January 1, 2491.



S.B. NO. 1543
S.D. 2

Report Title:

External Consultants; Purchasing Agencies; Disclosure Requirements; Spending Caps; Audit; Reports

Description:

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 new 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. (SD2)

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.





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

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.

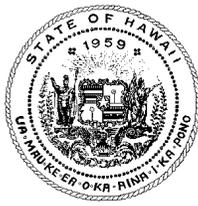
Senate Bill (S.B.) No. 1543, S.D. 1, adds a new section to Chapter 103D requiring all purchasing agencies to: 1) provide justification for hiring external consultants in the form of a public report demonstrating lack of in-house capacity and a cost-benefit analysis; 2) limiting agencies by capping the 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.



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

Agenda Item V.h.

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.

JOSH GREEN, M.D.
GOVERNOR



KEITH T. HAYASHI
SUPERINTENDENT

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.



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
<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;

Testimony of the State Procurement Office
Senate Bill 1543
Senate Committee on Ways and Means
February 18, 2025
Page 3

(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.

NEIL ABERCROMBIE
GOVERNOR



SARAH ALLEN
ADMINISTRATOR

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?

PROCUREMENT CIRCULAR NO. 2014-14

September 11, 2014

Page 2

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.

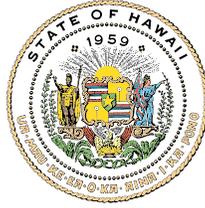
Federal Procurement Law defines inherent functions and personal services to be performed only by government employees. The SPO recommends this guidance as a good procurement policy and a preventative measure for procurement violations.

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

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

Submitted By	Organization	Testifier Position	Testify
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.

LATE

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.
Okahara and Associates, Inc.
Ph: (808) 524-1224

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.
The Limtiaco Consulting Group
Ph: (808) 586-7790

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.
Engineering Partners
Ph: (808) 930-7823

Key Concerns:**Directors**

George Takase, P.E.
Ronald N.S. Ho & Associates
Ph: (808) 941-0577

Dayna Nemoto-Shima, P.E.
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ACECH Executive Director
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Email: gwright@acechawaii.org
Website: www.acechawaii.org

- 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

Submitted By	Organization	Testifier Position	Testify
Tasman Kekai Mattox	Individual	Support	Written Testimony Only

Comments:

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

LATE

7.h.

SB-1543-SD-1

Submitted on: 2/18/2025 2:09:40 PM
Testimony for WAM on 2/18/2025 10:01:00 AM

Submitted By	Organization	Testifier Position	Testify
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!



**i. S.B. 2662, RELATING TO
GOVERNMENT
ACCOUNTABILITY**



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SB2662

Measure Title: RELATING TO GOVERNMENT ACCOUNTABILITY.

Report Title: Auditor; External Consultants; Purchasing Agencies; Disclosure Requirements; Spending Caps; Audit; Exceptions; Reports

Description: 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 new contracts with external consultants. 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.



Companion:

Package: None

Current Referral: GVO, WAM

Introducer(s): KIM, DECORTE, HASHIMOTO, KIDANI, MCKELVEY, Chang, Lamosao, Wakai

<u>Sort by Date</u>		Status Text
1/30/2026	S	The committee(s) on GVO has scheduled a public hearing on 02-03-26 3:00PM; Conference Room 225 & Videoconference.
1/28/2026	S	Referred to GVO, WAM.
1/26/2026	S	Passed First Reading.
1/23/2026	S	Introduced.

000001

S = Senate | **H** = House | **D** = Data Systems | **\$** = Appropriation measure | **ConAm** =
Constitutional Amendment

Some of the above items require Adobe Acrobat Reader. Please visit [Adobe's download page](#) for detailed instructions.

SB2662



THE SENATE
THIRTY-THIRD LEGISLATURE, 2026
STATE OF HAWAII

S.B. NO. 2662

JAN 23 2026

A BILL FOR AN ACT

RELATING TO GOVERNMENT ACCOUNTABILITY.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The legislature finds that there is a pressing
2 need to reduce the reliance on external consultants for work
3 that can or should be performed by qualified government
4 employees. Excessive outsourcing of government functions often
5 leads to increased costs, diminished accountability, and a loss
6 of institutional knowledge within public agencies. By
7 prioritizing the use of in-house expertise, the State can foster
8 greater transparency in its operations, ensuring that decisions
9 about the allocation of public funds are clear, justifiable, and
10 aligned with the best interests of taxpayers. Moreover,
11 reducing dependence on external consultants will promote cost
12 efficiency, enabling government agencies to allocate resources
13 more effectively while building and retaining institutional
14 capacity. Strengthening the role of public employees in
15 performing core government functions will also enhance the
16 long-term sustainability and independence of state operations.
17 Through these efforts, the legislature seeks to ensure that



S.B. NO. 2662

1 public agencies are equipped to meet the evolving needs of the
 2 State in a manner that is both responsible and effective.

3 Accordingly, the purpose of this Act is to reduce reliance
 4 on external consultants for work that can be performed by
 5 qualified government employees and ensure transparency, cost
 6 efficiency, and the development of in-house expertise within
 7 government agencies by:

- 8 (1) Requiring each purchasing agency to provide
 9 justification for hiring external consultants;
- 10 (2) Capping the amount each agency can spend on external
 11 consultants;
- 12 (3) Requiring each agency to seek approval from the
 13 legislature for consulting contracts exceeding a
 14 certain dollar amount;
- 15 (4) Requiring each agency to disclose all new contracts
 16 with external consultants;
- 17 (5) Requiring each agency to submit annual reports to the
 18 legislature;
- 19 (6) Requiring the compliance audit unit within the office
 20 of the auditor to conduct regular audits of agency



S.B. NO. 2662

1 consultant contracts to assess cost-effectiveness and
2 compliance; and

3 (7) Requiring each chief procurement officer to ensure
4 that inherent government functions are not delegated
5 to a contractor.

6 SECTION 2. Chapter 103D, Hawaii Revised Statutes, is
7 amended by adding a new section to part III to be appropriately
8 designated and to read as follows:

9 "§103D- External consultants; justification; spending
10 caps; reporting requirements; audits. (a) Notwithstanding
11 section 103D-301, each purchasing agency shall:

12 (1) Provide detailed justification for hiring external
13 consultants by:

14 (A) Demonstrating the lack of in-house capacity or
15 expertise;

16 (B) Conducting a cost-benefit analysis that compares
17 consultant costs with the expenses of hiring or
18 training state employees; and

19 (C) Publishing justification reports for public and
20 legislative review;



S.B. NO. 2662

- 1 (2) Spend not more than _____ per cent of the purchasing
2 agency's budget on consulting services;
- 3 (3) Seek approval from the legislature for any contract
4 for consulting services exceeding \$ _____ ;
- 5 (4) Disclose all contracts the purchasing agency awards to
6 external consultants after the effective date of this
7 Act, including:
- 8 (A) The total costs of each contract, broken down by
9 service and duration;
- 10 (B) The names of consultants and firms; and
- 11 (C) The work scope and deliverables; and
- 12 (5) Submit an annual report to the legislature no later
13 than twenty days prior to the convening of each
14 regular session on its contracts with external
15 consultants, which shall include:
- 16 (A) The number of external consultants used; and
- 17 (B) The percentage of the purchasing agency's budget
18 spent on consulting.
- 19 (b) The compliance audit unit shall conduct regular audits
20 of each purchasing agency's external consultant contracts to



S.B. NO. 2662

1 assess the cost-effectiveness of the contracts and compliance
2 with this section.

3 (c) This section shall not apply to the contracting of
4 external consultants for:

5 (1) Highly technical or niche expertise unavailable in the
6 State; and

7 (2) Short-term emergency needs, including disaster
8 response or urgent technical projects."

9 SECTION 3. Section 103D-205, Hawaii Revised Statutes, is
10 amended by amending subsection (a) to read as follows:

11 "(a) For their respective jurisdictions and unless
12 otherwise specifically provided in this chapter, each chief
13 procurement officer shall serve as the central procurement
14 officer for the officer's respective jurisdiction and:

15 (1) Procure or supervise the procurement of all goods,
16 services, and construction;

17 (2) Exercise general supervision and control over all
18 inventories of goods;

19 (3) Sell, trade, or otherwise dispose of surplus goods;



S.B. NO. 2662

- 1 (4) Establish and maintain programs for the inspection,
- 2 testing, and acceptance of goods, services, and
- 3 construction;
- 4 (5) Coordinate with the administrator regarding
- 5 procurement policies, opportunities for statewide
- 6 innovation implementation, and concerns;
- 7 (6) Report procurement contract data pursuant to
- 8 requirements established by the administrator, in the
- 9 form and manner prescribed by the state procurement
- 10 office; [~~and~~]
- 11 (7) Assist and cooperate with the administrator regarding
- 12 any compliance review by the administrator pursuant to
- 13 section 103D-206[~~+~~]; and
- 14 (8) Ensure that inherent government functions are not
- 15 delegated to a contractor."

16 SECTION 4. Statutory material to be repealed is bracketed
 17 and stricken. New statutory material is underscored.

18 SECTION 5. This Act shall take effect upon its approval.

19

INTRODUCED BY: 



S.B. NO. 2662

Report Title:

Auditor; External Consultants; Purchasing Agencies; Disclosure Requirements; Spending Caps; Audit; Exceptions; Reports

Description:

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 new contracts with external consultants. 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.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.



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 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 3, 2026, 3:00 P.M.
CONFERENCE ROOM 225 AND VIA VIDEOCONFERENCE, STATE CAPITOL

S.B. 2662

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. 2662

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, 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. By imposing spending caps and spending limits that triggers approval requirements can have far-reaching unintended consequences for government operations. 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.

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

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

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 3, 2026, 3:00 PM

SENATE BILL 2662
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 2662. The State Procurement Office (SPO) 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. Senate Bill 2662's requirements for justification, spending caps, disclosure, audits, and annual reporting ensure consultant engagements remain cost-effective.

The bill does not address the factors that drive agencies to rely on consultants, such as workforce shortages, recruitment delays, limited specialized expertise, salary constraints in Hawaii's high cost of living, loss of institutional knowledge from retirements, and a shrinking talent pool.

Agencies may need to use external consultants when existing staff have limited capacity for additional responsibilities, when complex issues arise, or when specialized services are required for a short period. In such cases, hiring a permanent employee would not be cost-effective or in the best interest of the taxpayer. Senate Bill 2662 may deter agencies from hiring external consultants, potentially compromising projects, compliance, modernization, and timely delivery of services to taxpayers.

Testimony of the State Procurement Office
SENATE BILL 2662
Senate Committee on Government Operations
February 3, 2026
Page 2

Furthermore, the bill imposes an additional administrative burden on agencies by requiring them to submit annual reports to the Legislature.

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).

The SPO’s guidance is consistent 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 as proposed places a heavy administrative burden on agencies and could lead to delays as they work to comply with new statutory requirements. Such delays may ultimately be detrimental to the State. Because many projects require highly specialized expertise, departments may be compelled to procure professional services not available in-house to ensure efficient and timely completion.

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

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

NEIL ABERCROMBIE
GOVERNOR



SARAH ALLEN
ADMINISTRATOR

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?

PROCUREMENT CIRCULAR NO. 2014-14

September 11, 2014

Page 2

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.



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

Date: 02/03/2026

Time: 03:00 PM

Location: CR 225 & Videoconference

Committee: GVO

Department: Education

Person Testifying: Keith T. Hayashi, Superintendent of Education

Title of Bill: SB2662, 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 new contracts with external consultants. 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.

Department's Position:

The Hawai'i State Department of Education (Department) supports the stated purpose of this measure, which acknowledges "a pressing need to reduce the reliance on external consultants for work that can or should be performed by qualified government employees," and has concerns with potential impacts from the seven new requirements on administrative workload and public services.

This actuality has been a long-standing challenge for the Department with the delivery of educational services for students, including those required for special education students, consistent with their Individual Education Plan (IEP). Whether the Department has the capacity in-house or not, there are expectations consistent with the requirements of the federal Individuals with Disabilities Education Act and that students receive those services to allow them to benefit from educational opportunities.

This bill calls for seven new requirements:

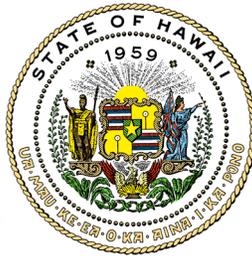
1. Justification Reports;
2. Spending Caps (%);
3. Legislative Approval (\$);
4. Public Disclosure;
5. Annual Report;
6. Mandatory Audits; and

7. A ban on Contractor Performing “Inherent Government Functions”

The time and effort to meet all of these requirements for all contracted services do not appear immaterial and warrant further consideration. The Department also notes that further information on what will go into the blank percent and blank dollar amount, and the definition of “inherent government function,” is needed to better evaluate the potential cost and impact to operationalize.

Additionally the measure simultaneously does not address the myriad of challenges to locate, attract, hire, train, and retain a state workforce that is qualified and able to fulfill the full breadth of the Department’s mission and functions.

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



SENATE COMMITTEE ON GOVERNMENT OPERATIONS
The Honorable Angus L.K. McKelvey, Chair
The Honorable Mike Gabbard, Vice Chair

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

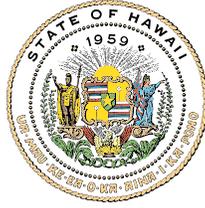
Hearing: Tuesday, February 3, 2026, 3:00 p.m.

The Office of the Auditor offers comments on S.B. No. 2662, 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,¹ 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. That work limits our capacity to conduct performance audits. We caution against adding non-performance audit work, especially assessments that re-occur annually.

¹ 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.



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 GOVERNMENT OPERATIONS
ON
SENATE BILL NO. 2662

February 3, 2026

3:00 PM

Conference Room 225 and VIA Videoconference

RELATING TO GOVERNMENT ACCOUNTABILITY.

Chair McKelvey, Vice Chair Gabbard, 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, there are concerns similar to SB 1543 from the 2025 session for which we respectfully oppose this measure.

SB 2662 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 depending upon the (un)specified limits and restrictions contemplated 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, 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 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.



2025-2026 Board of Directors

President

Charles Jury, P.E.
Okahara and Associates, Inc.
Ph: (808) 524-1124

President-Elect

Kealohi Sandefur, P.E.
Yogi Kwong Engineers, LLC
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KAI Hawaii, Inc.
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George Takase, P.E.
Ronald N.S. Ho & Associates
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Email: gwright@acechawaii.org

Website: www.acechawaii.org

February 2, 2026

**Senate Committee on Government Operations
Hearing Date: Tuesday, February 3, 2026, 3 p.m.**

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

Subject: **SB 2662, Relating to Government Accountability
Testimony in Strong Opposition**

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

The American Council of Engineering Companies of Hawaii (ACECH) represents 68 member firms with over 2,000 employees throughout Hawaii. ACECH is part of the national ACEC, which has chapters in every state and represents 5,500 engineering firms employing more than 640,000 design professionals.

While the bill's purpose appears well-intentioned – aiming to build up in-house expertise at government agencies – ACECH believes this bill would **unduly restrict the ability of state and county agencies to contract for professional engineering and related services**, limiting flexibility that is essential for cost-effective, timely, and technically sound delivery of essential infrastructure projects in Hawai'i. **Therefore, ACECH strongly opposes SB2662.**

Public agencies across the country – including in Hawai'i – rely on private consulting firms to supplement in-house staff, manage workload surges, and provide specialized expertise. Restricting this flexibility does not reduce costs; instead, it may:

- Force agencies to maintain **permanent staffing levels sized for peak demand**, even when workload and funding fluctuate;
- Delay project delivery due to hiring constraints, civil service timelines, or unfilled vacancies;
- Increase long-term obligations related to **pensions, benefits, and administrative overhead.**

Independent analyses comparing **fully loaded public-sector costs** with consultant delivery have found that, when all costs are accounted for, **contracted professional services are frequently equal to or less expensive than in-house delivery**, particularly for design and technical services.

A 2016 study commissioned by ACEC and conducted by the Polytechnic Institute of New York University evaluated the cost of in-house engineering services versus contracting out similar work¹. The study concluded that:

- Salary-only comparisons are misleading and materially understate the true cost of public employees;
- When pension, leave, benefits, overhead, and utilization rates are included, **contracting for professional services can be more cost-effective;**
- Outsourcing provides agencies with scalability and access to specialized expertise without long-term fiscal exposure.

¹ <https://www.acec.org/wp-content/uploads/2023/04/NYU-Study-On-Contracting-Out-Engineering-Services.pdf>



Key findings of the study (2016 data from DOTs) 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 design professional 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 proposed detailed scope of the project.

Hawai'i faces unique challenges that make flexible contracting especially important when considering the buildup of permanent staff at public agencies:

- A limited local labor pool for specialized engineering and environmental disciplines. Many of our local firms have the luxury of reaching back to mainland offices or teaming partners to facilitate complicated projects;
- High cost of living that complicates recruitment and retention of permanent public employees;
- Episodic but urgent capital needs related to climate resilience, water infrastructure, transportation, and disaster recovery. Again, maintaining permanent staffing levels sized to accommodate episodic peak demand would result in a bloated public service that would cost significantly more than contracting out.

Constraining agencies' ability to engage consultants would **slow delivery of critical infrastructure**, particularly on neighbor islands where in-house technical capacity is already thin. The current state of government vacancies is a pressing issue that needs to be addressed. Our firms routinely face long delays in project delivery due to limited agency resources – at almost every State and County agency - to review project design submittals and permit applications. To enhance in-house capacity and expertise, it is crucial to focus on filling vacant positions and fostering a culture of retention within departments.

ACEC represents the private engineering firms that partner with government to deliver public projects safely, efficiently, and in compliance with professional standards. We acknowledge that this bill would be detrimental to our member firms but believe it would also harm the State's public agencies and citizens that depend on our industry. SB 2662 would:

- Harm Hawai'i-based engineering firms that contribute significantly to the State's economy beyond the projects they work on;
- Discourage investment in local technical capacity;
- Undermine long-standing public-private partnerships that have delivered essential infrastructure statewide.



Re: SB 2662, Relating to Government Accountability
Page 2 of 3

Regarding accountability, we note that current procurement laws – including qualifications-based selection, contract oversight, and audit requirements – already provide strong safeguards to ensure public accountability. The bill also calls for reporting of all contracts, and we note that all State and County awards to consultants are already documented on the State’s procurement website.

In summary, SB 2662 would restrict a proven and necessary tool for public project delivery in Hawai‘i. By pushing essential infrastructure project design to public agencies that already have problems with staffing and efficiency, and by limiting agencies’ ability to contract for professional services, the bill would **increase costs, delay projects, and reduce access to specialized expertise**, to the detriment of both government and the public. For these reasons, we respectfully urge the Committee to **defer SB 2662**.

Respectfully submitted,

AMERICAN COUNCIL OF ENGINEERING COMPANIES OF HAWAII

A handwritten signature in black ink, appearing to read "Charles Jury". The signature is stylized and includes a horizontal line at the end.

Charles Jury, P.E.
President

SB-2662

Submitted on: 2/2/2026 2:53:22 PM

Testimony for GVO on 2/3/2026 3:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Ikaika Kincaid	Individual	Oppose	Written Testimony Only

Comments:

Mahalo for allowing me to testify on this bill!!

I strongly oppose SB2662. Public agencies all over the country have realized that contracting design services is more efficient and cost-effective than staffing up to conduct this work in house. Contracting design services allows agencies to deliver essential infrastructure projects without having to staff up to a level that may be needed for peak workloads (and then being forced to carry those staff during the natural ebbs of projects and workloads), and allows the agency to utilize specialty expertise that would be too expensive to hold in house. A 2016 study of this topic by NYU found that contracting out engineering services is more cost effective and efficient. I urge you to defer this bill.

Mahalo!

Ikaika

JOSH GREEN, M.D.
GOVERNOR
KE KIA'ĀINA



EDWIN H. SNIFFEN
DIRECTOR
KA LUNA HO'OKELE

Deputy Directors
Nā Hope Luna Ho'okele
DREANALEE K. KALILI
TAMMY L. LEE
CURT T. OTAGURO
ROBIN K. SHISHIDO

STATE OF HAWAI'I | KA MOKU'ĀINA 'O HAWAI'I
DEPARTMENT OF TRANSPORTATION | KA 'OIHANA ALAKAU
869 PUNCHBOWL STREET
HONOLULU, HAWAII 96813-5097



Tuesday, February 3, 2026
3:00 PM
State Capitol, 225

SB2662
RELATING TO GOVERNMENT ACCOUNTABILITY

House Committee on Government Operations

The Department of Transportation (DOT) strongly opposes Senate Bill 2662.

This bill proposes to require each purchasing agency to provide justification for hiring external consultants, cap the amount agencies can spend on consultants, seek legislative approval for certain consulting contracts, disclose new contracts, and submit annual reports. While the DOT understands the intent to increase accountability and cost-effectiveness in government operations, we have significant concerns about the potential negative impacts of this legislation on our ability to efficiently and effectively carry out our mission.

The DOT, like many state agencies, relies on external consultants to provide specialized expertise, augment our workforce during peak periods, and assist with complex projects that require specific technical knowledge. The proposed restrictions and additional administrative burdens could severely hamper our ability to access these critical resources in a timely manner.

The requirement for legislative approval of contracts exceeding a certain dollar amount is particularly concerning. This additional layer of approval could lead to significant delays in project implementation, potentially jeopardizing federal funding deadlines and increasing overall project costs due to delays.

Furthermore, the proposed caps on consultant spending fail to account for the varying needs of different agencies and the fluctuating demands of large-scale infrastructure projects. This one-size-fits-all approach could severely limit our ability to respond to emergencies, address urgent safety concerns, or take advantage of time-sensitive opportunities for federal matching funds.

The DOT already has robust procurement procedures in place that ensure transparency, competitiveness, and value for money in our consulting contracts. Adding another layer of oversight through the Compliance Audit Unit within the Office of the

Agenda Item V.i._Testimony

Auditor may create redundancies and inefficiencies without providing significant additional benefits.

In conclusion, while we appreciate the Legislature's focus on fiscal responsibility, we believe this bill would create unnecessary obstacles to efficient government operations, particularly in the realm of transportation infrastructure improvements and maintenance. We urge the committee to consider the unique needs of agencies like the DOT and the potential unintended consequences of these broad restrictions.

Thank you for the opportunity to testify in opposition to this bill.

AIRLINES COMMITTEE OF HAWAII

Daniel K. Inouye International Airport
Terminal 1, Third Floor
300 Rodgers Blvd., #62
Honolulu, Hawaii 96819-1832
Phone (808) 838-0011
Fax (808) 838-0231

Senator Angus McKelvey, Chair
Senator Mike Gabbard, Vice Chair
Committee on Government Operations

RE: **SB 2662 – Relating to Government Accountability – In Opposition**
Tuesday, February 3, 2026; 3:00 p.m.
Conference room 225

Aloha Chair McKelvey, Vice Chair Gabbard and members of the committee:

The Airlines Committee of Hawaii (ACH), comprised of 19 signatory air carriers that underwrite the State airport system, appreciates the opportunity to submit testimony in opposition to SB 2662, which among other things, requires each purchasing agency to provide justification for hiring external consultants, caps the amount each agency can spend on external consultants and requires each agency to seek approval from the Legislature for consulting contracts exceeding a certain dollar amount.

For decades, the Department of Transportation, Airports Division (DOT-A) has had difficulty filling vacant positions as well as with retention. Therefore, the DOT-A has utilized consultants to supplement DOT-A personnel, a practice that is applied at most, if not all major airports across the country.

Although the costs to supplement staff are not insignificant, the benefits typically outweigh the costs. This is particularly true relative to the implementation of large capital programs, with the potential for incurring millions of dollars in escalation due to project delays.

Accordingly, the ACH believes supplementing DOT-A staff with consultants to expedite implementation of their large capital program is a prudent investment that ultimately results in projects completed sooner and at a lower cost.

**ACH members are Air Canada, Air New Zealand, Alaska Airlines, All Nippon Airways/Air Japan, Aloha Air Cargo, American Airlines, China Airlines, Delta Air Lines, Federal Express, Fiji Airways, Hawaiian Airlines, Japan Airlines, Korean Airlines, Philippine Airlines, Qantas Airways, Southwest Airlines, United Airlines, United Parcel Service, and WestJet.*

For these reasons, we ask that you hold this bill.

Sincerely,

ACH Executive Committee



Brendan Baker



David Sellers



Elizabeth Loomis



Randall Fiertz



Richard Ide



SB-2662

Submitted on: 2/2/2026 3:07:44 PM

Testimony for GVO on 2/3/2026 3:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Janice Marsters	Individual	Oppose	In Person

Comments:

I am a small business owner of an environmental consultancy firm headquartered on Maui and I strongly oppose SB2662. Public agencies all over the country have realized that contracting design services is more efficient and cost-effective than staffing up to conduct this work in house. Contracting design services allows agencies to deliver essential infrastructure projects without having to increase their staff to a level that may be needed for peak workloads (and then being forced to carry those staff during the natural ebbs of projects and workloads), and allows the agency to utilize specialty expertise that would be too expensive to hold in house. A 2016 study of this topic by NYU found that contracting out engineering services is more cost effective and efficient. I urge you to defer this bill.



VI. Executive Director's Report

GENERAL FUNDS

LBR: 902/AA - 2
APPROPRIATION: G-26-192-L

TITLE: HI Retirement Savings
MONTH: December 2025

	REMAINING APPROPRIATION	12 MONTHS APPROPRIATION
Appropriation	\$ 888,758.00	\$ 1,009,064.00
Add (Deduct)		
Restrictions	-	(30,550.00)
Collective Bargaining	-	(30,550.00)
Total Allocation	\$ 888,758.00	\$ 947,964.00
	CURRENT MONTH	YEAR TO DATE
Personal Services		
Salaries	\$ 11,489.00	\$ 70,695.00
O/T, T/A	-	-
Restrictions Adjustment	(61,100.00)	(61,100.00)
Vacation	-	-
Payroll Encumbrance	-	-
Sub-Total	\$ (49,611.00)	\$ 9,595.00
Other Current Expenses		
Office Supplies	\$ 102.60	\$ 102.60
Dues/Subscription	-	-
Postage	-	-
Telephone	-	-
Parking	-	-
Services - AG	2,769.50	2,769.50
Travel - Intra State	-	-
Travel - Out of State	-	-
Equipment Rental	-	-
Repair/Maintenance	-	-
Services on Fee	-	-
Miscellaneous	-	-
Automobile Allowance	-	-
Equipment	-	-
Services - Printing	-	-
Services on Fee - Delivery	-	-
Sub-Total	\$ 2,872.10	\$ 2,872.10
Total Expenses	\$ (46,738.90)	\$ 12,467.10
Remaining Appropriation	\$ 935,496.90	\$ 935,496.90