

STAND. COM. REP. NO.

1765

Honolulu, Hawaii

APR 13 2007

RE: S.C.R. No. 68  
S.D. 1

Honorable Colleen Hanabusa  
President of the Senate  
Twenty-Fourth State Legislature  
Regular Session of 2007  
State of Hawaii

Madam:

Your Committees on Commerce, Consumer Protection, and Affordable Housing and Judiciary and Labor, to which was referred S.C.R. No. 68 entitled:

"SENATE CONCURRENT RESOLUTION REQUESTING A STUDY ON PUBLIC CONTRACTS,"

beg leave to report as follows:

The purpose of this measure is to request the Attorney General and the Insurance Commissioner to conduct a study on whether state and county government contracts are being awarded to out-of-state contractors in greater number than to in-state contractors, and whether a major reason for this is the higher workers' compensation premiums paid by in-state contractors.

Your Committees received testimony in support of this measure from the Subcontractors Association of Hawaii and the International Union of Painters and Allied Trades. Testimony in opposition to this measure was submitted by the Department of Accounting and General Services. Comments were submitted by the Department of the Attorney General and the Department of Commerce and Consumer Affairs.

Your Committees find that a recent national study ranked Hawaii third in the nation in workers' compensation premiums and a recent survey conducted noted that seventy-three per cent of local business responded that their number one issue was the soaring costs of workers' compensation.



Your Committees further find that as a general matter, the bidding process under the public procurement code is open to all contractors, regardless of whether they are in-state or out-of-state. Concern has been raised as to whether out-of-state contractors are being awarded contracts based upon their ability to offer lower bids than in-state contractors because in-state contractors must factor the high cost of workers' compensation premiums in the State into their bids.

Your Committees note that there may be other factors, in addition to the high cost of workers' compensation premiums, that may contribute to the negative impact on in-state contractors in bidding for public contracts.

Therefore, your Committees have amended this measure by:

- (1) Replacing the Insurance Commissioner with the Department of Accounting and General Services as one of the parties requested to conduct the study;
- (2) Expanding the scope of the study to include an examination on whether, in addition to workers' compensation premiums, prepaid healthcare coverage plans, Hawaii general excise tax requirements, unemployment insurance premiums, and any other relevant factors negatively impact the competitiveness of in-state contractors in comparison with out-of-state contractors; and
- (3) Making technical, nonsubstantive changes for the purposes of clarity and style.

As affirmed by the records of votes of the members of your Committees on Commerce, Consumer Protection, and Affordable Housing and Judiciary and Labor that are attached to this report, your Committees concur with the intent and purpose of S.C.R. No. 68, as amended herein, and recommend its adoption in the form attached hereto as S.C.R. No. 68, S.D. 1.

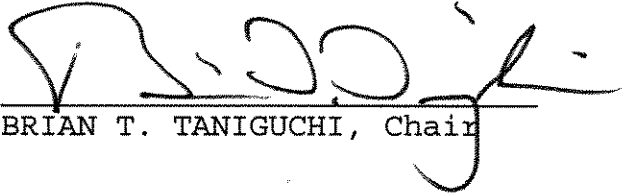


Respectfully submitted on  
behalf of the members of the  
Committees on Commerce,  
Consumer Protection, and  
Affordable Housing and  
Judiciary and Labor,



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CLAYTON HEE, Chair



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BRIAN T. TANIGUCHI, Chair





The Senate  
Twenty-Fourth Legislature  
State of Hawaii

**Record of Votes**  
**Committee on Judiciary and Labor**  
**JDL**

Bill / Resolution No.:* <i>SCR 68</i>	Committee Referral: <i>CPH/JDL</i>	Date: <i>4/11/07</i>		
<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
HEE, Clayton (C)	✓			
KOKUBUN, Russell S. (VC)				✓
INOUE, Lorraine R.				✓
NISHIHARA, Clarence K.	✓			
GABBARD, Mike	✓			
<b>TOTAL</b>	<b>3</b>			<b>2</b>
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: <i>Clarence K. Nishihara</i>				
Distribution:	Original File with Committee Report	Yellow Clerk's Office	Pink Drafting Agency	

\*Only one measure per Record of Votes