

STAND. COM. REP. NO. 1209

Honolulu, Hawaii

March 25, 2009

RE: S.B. No. 1125
S.D. 2
H.D. 1

Honorable Calvin K.Y. Say
Speaker, House of Representatives
Twenty-Fifth State Legislature
Regular Session of 2009
State of Hawaii

Sir:

Your Committee on Labor & Public Employment, to which was referred S.B. No. 1125, S.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO PROCUREMENT,"

begs leave to report as follows:

The purpose of this bill is to ensure fairness in awarding public contracts and improve the public procurement process while working to improve Hawaii's economy by:

- (1) Requiring a contractor or subcontractor to:
 - (A) Classify all workers as employees;
 - (B) Comply with Hawaii's labor laws, including prevailing wage laws;
 - (C) Commit to hiring Hawaii residents to compose not less than 80 percent of the workforce on the project, with certain exceptions;
 - (D) Provide a fair and neutral process for resolving work-related issues to its employees; and
 - (E) Be appropriately licensed;

- (2) Establishing requirements for compliance duration;

SB1125 HD1 HSCR LAB HMS 2009-3267



- (4) Establishing penalties for non-compliance; and
- (5) Providing a preference for offerors on a construction contract entered into under Hawaii's Procurement Law if the contractor is a party to a construction contract that is registered with the Department of Labor and Industrial Relations (DLIR) at the time of general bidding.

The International Brotherhood of Electrical Workers Local Union 1186; Laborers' Union Local 368; ILWU Local 142; Hawaii Building and Construction Trades Council, AFL-CIO; Hawaii Ports Maritime Council; and United Public Workers, Local 646, testified in support of this bill. The Department of Accounting and General Services, General Contractors Association of Hawaii, Building Industry Association of Hawaii, and Associated Builders and Contractors of Hawaii testified in opposition to this measure.

The economic downturn currently being faced across the nation, including in Hawaii, has resulted in both state and federal governments looking to public works projects as a near term means of stimulating the economy. Hawaii is expected to receive its fair share of economic revitalization monies from the federal government for various construction projects and the state is already looking at fast-tracking a number of construction projects to jump-start the economy. With the expected increase in construction bid projects, contractors with no history of working in Hawaii may seek to bid for these projects. Some of these contractors may be unscrupulous and may have less than stellar records with regard to compliance with labor laws. These businesses should receive greater scrutiny from the State before being awarded public works contracts.

In addition, the increased number of public works projects expected to be initiated in the near future will require increasing numbers of individuals skilled in various construction trades. As many of these individuals gain their best knowledge of a particular trade through apprenticeship programs, providing incentives for contractors to offer and maintain these programs will work towards developing the necessary skilled workforce to carry on public works projects for years to come.



Your Committee has amended this bill by:

- (1) Specifying that contractors or subcontractors that satisfy the requirement to commit to hiring Hawaii residents to comprise not less than 80 percent of the workforce on the project shall be entitled to a five percent adjustment in their bid amount;
- (2) Clarifying that in order for an offeror to receive a preference for a construction contract entered into under Hawaii's Procurement Law, the contractor must have a written agreement with an apprenticeship program registered with DLIR at the time of general bidding rather than simply being a party to an apprenticeship agreement; and
- (3) Making technical, nonsubstantive amendments for clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Labor & Public Employment that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 1125, S.D. 2, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 1125, S.D. 2, H.D. 1, and be referred to the Committee on Finance.

Respectfully submitted on
behalf of the members of the
Committee on Labor & Public
Employment,



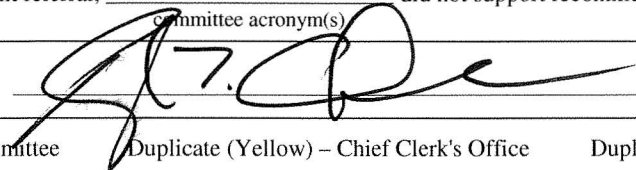
KARL RHOADS, Chair



HSCR 1209

State of Hawaii
House of Representatives
The Twenty-fifth Legislature

Record of Votes of the Committee on Labor & Public Employment

Bill/Resolution No.: SB 1125, SD2	Committee Referral: LAB, EBM, FIN	Date: 3-17-09		
<input type="checkbox"/> The committee is reconsidering its previous decision on the measure.				
The recommendation is to: <input type="checkbox"/> Pass, unamended (as is) <input checked="" type="checkbox"/> Pass, with amendments (HD) <input type="checkbox"/> Hold <input type="checkbox"/> Pass short form bill with HD to recommit for future public hearing (recommit)				
LAB Members	Ayes	Ayes (WR)	Nays	Excused
1. RHOADS, Karl (C)	✓			
2. YAMASHITA, Kyle T. (VC)	✓			
3. AQUINO, Henry J.C.				✓
4. AWANA, Karen Leinani	✓			
5. HANOHANO, Faye P.	✓			
6. KEITH-AGARAN, Gilbert S.C.	✓			
7. LEE, Marilyn B.	✓			
8. NAKASHIMA, Mark M.	✓			
9. SAIKI, Scott K.				✓
10. SOUKI, Joseph M.	✓			
11. TAKUMI, Roy M.	✓			
12. PINE, Kymberly Marcos				✓
TOTAL (12)	9	-	-	3
The recommendation is: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted If joint referral, _____ did not support recommendation. _____ committee acronym(s)				
Vice Chair's or designee's signature: 				
Distribution: Original (White) – Committee Duplicate (Yellow) – Chief Clerk's Office Duplicate (Pink) – HMSO				