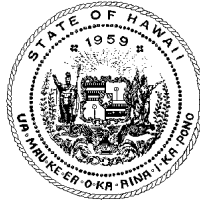


TESTIMONY

SB2384

LINDA LINGLE
GOVERNOR



STATE OF HAWAII
DEPARTMENT OF PUBLIC SAFETY

919 Ala Moana Boulevard, 4th Floor
Honolulu, Hawaii 96814

CLAYTON A. FRANK
DIRECTOR

DAVID F. FESTERLING
Deputy Director
Administration

TOMMY JOHNSON
Deputy Director
Corrections

JAMES L. PROPOTNICK
Deputy Director
Law Enforcement

No. _____

TESTIMONY ON SENATE BILL 2384
RELATING TO WAGES AND HOURS OF EMPLOYEES
ON SERVICE CONTRACTS

by

Clayton A. Frank, Director
Department of Public Safety

Senate Committee on Labor
Senator Dwight Y. Takamine, Chair
Senator Brian T. Taniguchi, Vice Chair

Senate Committee on Judiciary and Government Operations
Senator Brian T. Taniguchi, Chair
Senator Dwight Y. Takamine, Vice-Chair

Friday, February 5, 2010; 9:30 a.m.
State Capitol, Conference Room 016

Chair Takamine, Chair Taniguchi, and members of the Committees:

The purpose of SB 2384 is to extend Davis-Bacon rights regarding prevailing wages to employees on service contracts with governmental contracting agencies.

The Department of Public Safety opposes this measure as written for three reasons. Firstly, it would prohibit the contracting of service providers with special expertise who are only available on Saturdays, Sundays or State holidays. Secondly, it would prohibit contracting with those who might prefer a ten-hour as opposed to an eight-hour working day. Thirdly, it would be cost prohibitive for the Department to have specialized programs on Saturdays,

Sundays, or State holidays when inmates might be better able to attend training or other services.

It is suggested that the wording under Section C lines 20 – 4 be changed to read: *“No service employee employed under a contract with the State or any political subdivision thereof shall be permitted or required to work on Saturday, Sunday, or a legal holiday of the State or in excess of eight hours on any [other] day if the work is in excess of 40 hours in the same week with the same employer unless the service employee receives overtime compensation for all hours worked on Saturday, Sunday, and a legal holiday of the State or in excess of eight hours on any [other] day.”*

Thank you for the opportunity to testify on this bill.



HAWAII TEAMSTERS AND ALLIED WORKERS, LOCAL 996

Affiliated with the International Brotherhood of Teamsters

1817 Hart Street
Honolulu, Hawaii 96819-3205

Phone 808-847-6633
Fax 808-847-4575

Senator Dwight Takamine, Chair
Senator Brian Taniguchi, Vice-Chair
Committee on Labor

Senator Brian Taniguchi, Chair
Senator Dwight Takamine, Vice-Chair
Committee on Judiciary and Government Operations

Friday, Feb. 5, 2010, at 9:30 AM
Conference Room 016

The **Hawaii Teamsters Local 996 supports, SB 2384**, Relating to Wages and Hours of Employment of Employees on Service Contract.

During times of economic challenges where Government is willing to take measures to down size and subcontract out services in order to try and save money. We are trying to make sure that the workers are not taken advantage of.

SB 2384 addresses the issue of workers' rights, by ensuring that a standard of wages and benefits will be established in compliance with labor laws for workers performing similar work under a Service Contract.

Therefore the **Hawaii Teamsters Local 996 supports SB 2384**.

Thank you for the opportunity to testify.

Glenn Ida
Representative



Hawai'i Primary Care Association

345 Queen Street | Suite 601 | Honolulu, HI 96813-4718 | Tel: 808.536.8442 | Fax: 808.524.0347
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Senate Committee on Labor

The Hon. Dwight Y. Takamine, Chair
The Hon. Brian T. Taniguchi, Vice Chair

Senate Committee on Judiciary & Government Relations

The Hon. Brian T. Taniguchi, Chair
The Hon. Dwight Y. Takamine, Vice Chair

Testimony in Opposition to Senate Bill 2384
Relating to Wages & Hours of Employees on Service Contracts
Submitted by Beth Giesting, Chief Executive Officer
February 5, 2010 9:30 a.m. Agenda, Room 016

The Hawai'i Primary Care Association is strongly opposed to this measure to the extent that it is applicable to 501(c)(3) charitable nonprofit organizations. Many nonprofits, including the Hawai'i Primary Care Association and all fourteen of the community health centers across the state, have State contracts to provide services. Under this proposed measure, we would be likely to either forego state contracts or be unable to meet the expected service volumes because the new requirements would both hamper our flexibility to provide services during nontraditional work hours and our costs to provide weekly payments and reports would exceed the amount available. Additionally, neither the nonprofit organizations, which probably do not pay their employees on a weekly basis, nor the State agencies with which they would contract are prepared to comply with the reporting requirements under this proposed rule.

In my sector, community health centers are already regulated by both federal and state employment and reporting provisions and, because of the nature of our businesses, tend to pay competitive salaries. However, it is also necessary to ensure that our employees can work flexible work hours to meet the needs of our communities and the terms of our contracts.

Please be aware that we, and other charitable nonprofits, are struggling during these economic times to fulfill our missions to the growing numbers of people in need. State contracts usually help us to do so but never cover all the costs of service. We believe the affect of this measure would be to put an end to many, if not most, State contracts with nonprofit services, which would be accompanied by a deep decline in services to our most vulnerable residents.

We respectfully ask that the Committees hold this measure or amend it to exempt charitable nonprofit entities recognized by the IRS under section 501(c)(3).

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



February 4, 2010

Chair Dwight Takamine
Chair Brian Taniguchi
Senate Committee on Labor
Senate Committee on Judiciary and Government Operations
State Senate
State Capitol, Room 016
Honolulu, HI 96813

**RE: SENATE BILL 2384 RELATING TO WAGES AND HOURS OF
EMPLOYEES ON SERVICE CONTRACTS**

Chair Takamine, Chair Taniguchi and committee members:

The Hawai'i Alliance of Nonprofit Organizations is a statewide, sector-wide professional association for nonprofits. Its membership includes more than 280 charitable organizations, with a larger engagement with 4,000 nonprofit stakeholders in Hawai'i. HANO member nonprofits provide essential services to every community in the state. HANO's mission is to unite and strengthen the nonprofit sector as a collective force to improve the quality of life in Hawai'i.

HANO opposes SB 2384, which is an unfunded mandate for nonprofits that contract with the State to pay prevailing wages on a weekly basis and to submit to excessive reporting requirements.

Because State contracts often do not accurately reflect actual labor costs, nonprofit organizations already have to make up the difference in competitive wages with fundraising efforts.

Nonprofits desire to compensate workers as well as possible and comparably whenever possible, but the State must make serious adjustments in its contract amounts and systems to accommodate salary increases. Without an across-the-board adjustment in contracts to reflect the additional burden imposed by SB 2384, the only way nonprofits can break even on state contracts is through layoffs and correspondingly reduced levels and quality of services to the community.

HANO Testimony
Senate Committees on Labor and Judiciary and Government Operations
February 4, 2010
Page Two

The State contracts with nonprofits to provide social services because:

- The nonprofit community can provide better quality services at a lower cost than the public sector.
- Contracting to nonprofits allows flexibility to provide services when and where they are needed.
- Nonprofits can pay entry level personnel at a rate less than demanded by collective bargaining negotiated contracts to perform duties that do not require experience or special skills.
- Many low-pay positions are filled by former clientele as an effective way to introduce them to the work force and get them off welfare.

Additionally, we feel the proposed wage payment and reporting requirements that contractors must submit to are excessive and provide an undue burden on contractors, hindering their ability to deliver quality, timely services to the State.

We urge your committee to defer SB 2384 until the increases in labor costs can be studied and calculated, and the bill can be amended to include provisions to adjust State contracts to fund those increases.

Thank you for the opportunity to testify.

Mahalo,

Lisa Maruyama
President and CEO

To: Senator Takamine, Committee on Labor
Senator Taniguchi, Committee on Judiciary and Government Affairs

From: Laura Robertson, President/CEO; Goodwill Industries of Hawaii, Inc.

Date: February 4, 2010

Re: **OPPOSITION TO SB 2384, RELATING TO WAGES AND HOURS OF EMPLOYEES ON SERVICE CONTRACTS.**

Goodwill Industries of Hawaii, Inc. is in opposition to SB 2384 which would extend little Davis-Bacon rights regarding prevailing wages to employees on service contracts with governmental contracting agencies.

Goodwill Industries of Hawaii, Inc. ("Goodwill") has served the State of Hawaii as a non-profit organization for nearly 50 years consistently delivering high-quality employment and social services.

In these economic times, social services are needed for Hawaii's people more than ever before, and with the many funding reductions that our sector has sustained, this requirement to extend little Davis-Bacon rights to service contracts would be onerous and cost prohibitive to an organization like Goodwill Industries.

This bill provides no provision for additional funding for service contracts that would allow us to meet these guidelines. With no funding increase, in order to account for paying little Bacon-Davis wages, we would be forced to cut our services even further than they have already been reduced by laying off, or cutting hours from existing staff in order to avoid a severe budget deficit.

We do not believe this is the right time to impose these types of requirements, especially on the nonprofit sector when so many of us are struggling to continue to meet the rising numbers of people who need our services.

We urge your committee to defer this bill at this time.

Thank you for the opportunity to testify.



HAWAII PEST CONTROL ASSOCIATION

Century Square – 1188 Bishop St., Ste. 1003*Honolulu, HI 96813-3304
Telephone (808) 533-6404 • Fax (808) 533-2739

February 5, 2010

Testimony To: Senate Committee on Labor
Senator Dwight Y. Takamine, Chair

Senate Committee on Judiciary and Government Operations
Senator Brian T. Taniguchi, Chair

Presented By: Tim Lyons, CAE
Executive Director

Subject: S.B. 2384 – RELATING TO WAGES AND HOURS OF EMPLOYEES ON
SERVICE CONTRACTS

Chair Takamine, Chair Taniguchi and Members of the Joint Committees:

I am Tim Lyons, Executive Director of the Hawaii Pest Control Association whose members provide structural pest control services for individual homeowners and also on state and county jobs. We oppose this bill.

While it is typical that pest control services who are engaged for the purpose of ground treatment prior to new buildings being built do fall under Davis Bacon, the majority of pest control contracts are viewed as service or maintenance contracts and are done on a post-construction basis. It is these contracts that are not currently subject to Davis Bacon or the Little Davis Bacon laws.

We are still awaiting information from industry on average wages however, in looking at the Davis Bacon rate determinations for Hawaii, it would appear that the wage standard for chemical spraying would be \$17.46 with an additional \$8.37 in fringe benefits for a total of almost \$26.00 an hour. We can guarantee you that this is not even close to what the average wages are for the pest control industry. As a result, companies will have to adapt upwards to this wage scale and you will see a doubling of fees required for termite control, rodent control and bed bugs on government projects. While we are sure that this is not the time in our economic cycle to have a 100% increase in cost for almost any service that is needed on a regular basis, we are sure that the increase in cost will not be something that the taxpayers will be happy with.

Compounding the situation is the fact that when a company does not have access to Taft-Hartley approved fringe benefit funds such as, pension or annuity, then the contribution amounts get posted to the employees wages. When employers calculate the amounts due for temporary disability insurance, unemployment insurance and workers' compensation insurance they are all based on wages. That means that these insurance coverages and premiums will rise drastically, particularly so when the fringe benefits are another 50% on top of the wages.

Based on the above then, we cannot recommend passage of this bill and we know that you will severely restrict the contracting opportunities available to various state and county agencies that need to protect their structures from pests.

Based on the above, we oppose this bill. Thank you.