

**HB 2145, HD 2
Proposed SD 1**

EDT/WAM



NEIL ABERCROMBIE
GOVERNOR

EXECUTIVE CHAMBERS
HONOLULU

Testimony in SUPPORT of HB2145, HD2, Proposed SD1
Relating to the State Budget

Senate Committee on Economic Development and Technology
Senator Carol Fukunaga, Chair
Senator Glenn Wakai, Vice Chair
And
Senate Committee on Ways and Means
Senator David Ige, Chair
Senator Michelle Kidani, Vice Chair

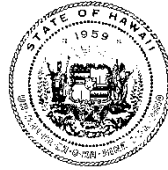
April 3, 2012
9:30 am Room 211

Chair Fukunaga, Chair Ige, Vice-Chair Wakai, Vice-Chair Kidani, and members of the Committees:

The Office of the Governor is in SUPPORT of the proposed Senate Draft 1 of House Bill 2145, House Draft 2, Relating to Economic Development. This bill is similar to Senate Bill 2012, Senate Draft 1, Relating to Public Funds.

The Administration is supportive of leveraging historically low interest rates for increased construction projects to help bolster the economy. However, future capital improvement projects as well as the state's debt service requirement should be kept in consideration.

We are available for any questions you may have. Thank you for the opportunity to testify.



STATE OF HAWAII
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES

P.O. BOX 119, HONOLULU, HAWAII 96810-0119

WRITTEN TESTIMONY
OF
DEAN H. SEKI, ACTING COMPTROLLER
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES
TO THE
SENATE COMMITTEES
ON
ECONOMIC DEVELOPMENT AND TECHNOLOGY
AND
WAYS AND MEANS
ON
April 3, 2012

H.B. 2145, H.D. 2, Proposed S.D. 1

RELATING TO ECONOMIC DEVELOPMENT

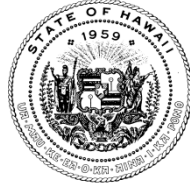
Chairs Fukunaga, Ige and members of the Committees, thank you for the opportunity to submit written testimony on H.B. 2145, H.D. 2, Proposed S.D. 1.

The Department of Accounting and General Services (DAGS) supports the intent of H.B. 2145, H.D. 2, Proposed S.D. 1, provided its passage does not replace or adversely impact priorities indicated in the Executive Budget, and offers the following amendment.

For the purpose of clarity in implementing Section 15 of the Proposed S.D. 1, DAGS recommends it be revised to indicate that the quarterly reports on all appropriations made by this Act, which are to be submitted to the Legislature by DAGS, be based only on available information from the existing FAMIS database systems and limited to providing the status of amounts (by designated expending agency) that are: appropriated; appropriated but not allotted; allotted; encumbered; and expended. Upon written request, each expending agency shall provide the legislative capital improvements program oversight committee with written status reports on specific projects using the CIP project funding appropriated by this Act.

Thank you for the opportunity to submit written testimony on this matter.

NEIL ABERCROMBIE
GOVERNOR



GLENN M. OKIMOTO
DIRECTOR

Deputy Directors
JADE T BUTAY
FORD N. FUCHIGAMI
RANDY GRUNE
JADINE URASAKI

STATE OF HAWAII
DEPARTMENT OF TRANSPORTATION
869 PUNCHBOWL STREET
HONOLULU, HAWAII 96813-5097

IN REPLY REFER TO:

April 3, 2012

**HB 2145 HD2 SD1 PROPOSED
RELATING TO ECONOMIC DEVELOPMENT**

SENATE COMMITTEE ON ECONOMIC DEVELOPMENT AND TECHNOLOGY AND
SENATE COMMITTEE ON WAYS AND MEANS

The Department of Transportation supports HB 2145 HD2 SD1 Proposed which addresses economic development by establishing, as state policy, an intent to complete or facilitate the completion of essential projects in key economic sectors including the airport and harbor new day work projects as they exist as of the effective date of the act. Also included in this act is the authorization to issue general obligation bonds to help fund repair and maintenance or capital renewal and deferred maintenance projects of various departments. Further it helps to streamline the procurement process of goods, services, or construction valued at less than \$1,000,000 by providing exemptions for these projects.

The timely progress of the airports and harbors new day work projects is of the utmost importance to the department. We continue to make every effort to move forward with the planning, design, and construction of each phase of these projects.

Though it is always the goal of the department to meet long term milestones, inevitably there will arise unforeseen issues contributing to delays in the progress of the new day work projects. Historically, financial, environmental, and even organizational constraints

such as the transfer of the ATDC to the harbors division have impacted the planned progression of the new day work projects.

The Department would like to recommend that sections 11-13 be amended to include the Department of Transportation to allow us to also participate in the process of getting capital projects underway that would otherwise be slowed by the procurement and permitting processes.

In our supplemental request to the Legislature, the Department of Transportation also proposed projects which will repair or maintain the airports, harbors, and highways across the state. Many of these projects have a direct impact on the safety of the general public who use these facilities on a daily basis.

The Department will continue to support the push for economic development through projects in the airports, harbors, and highways divisions.

The Department of Transportation thanks you for the opportunity to provide testimony.



**STATE OF HAWAII
STATE PROCUREMENT OFFICE**

P.O. Box 119
Honolulu, Hawaii 96810-0119
Tel: (808) 587-4700 Fax: (808) 587-4703
<http://hawaii.gov/spo>

**TESTIMONY
OF
AARON S. FUJIOKA
ADMINISTRATOR
STATE PROCUREMENT OFFICE**

**TO THE
SENATE COMMITTEES
ON
ECONOMIC DEVELOPMENT AND TECHNOLOGY
AND
WAYS AND MEANS**

April 3, 2012

9:30 a.m.

HB 2145, HD2, Proposed SD1

RELATING TO ECONOMIC DEVELOPMENT.

Chairs Fukunaga and Ige, Vice Chairs Wakai and Kidani and members of the committees, thank you for the opportunity to testify on HB 2145, HD2, Proposed SD1. The State Procurement Office's (SPO) testimony is limited to SECTION 12. The Proposed SD1 allows the authorized CIP funds be expended using the §103D-305, small purchases method of procurement, limited to projects less than \$1,000,000, conducted on an electronic system and not subject to §103D-701 on protest.

The SPO supports this amendment limited to expedite the various projects through an abbreviated procurement process using the small purchases method of procurement conducted on an electronic procurement system. This abbreviated procurement process would be conducted within the requirements of HRS chapter 103D, the Hawaii Public Procurement Code, promoting fairness and transparency.

The electronic procurement system is the fairest, most efficient, time saving method of procuring small purchases. Electronic procurement ensures the greatest amount of competition by electronically notifying all prospective bidders, not just a few, in an open and transparent environment. Small purchases without an electronic procurement requirement are inherently unfair because there is no public notice issued and the purchaser decides whom to contact for the three price quotations. That process is secretive, hidden from public view, prone to misuse, abuse and manipulation (i.e. purchaser will get a quote from a friend/preferred vendor and get 2 more quotes that are higher than the friend/preferred vendor, assuring friend/preferred vendor is selected).

The SPO supports SECTION 12, which is similar to amendments supported in SB 2012, SD1.

Date: 04/03/2012

Committee: Senate Economic Development and Technology, Senate Ways and Means

Department: Education

Person Testifying: Kathryn S. Matayoshi, Superintendent of Education

Title of Bill: HB 2145,HD2,SD1 Proposed(hscr891-12) RELATING TO ECONOMIC DEVELOPMENT.

Purpose of Bill: Expresses as state policy the delineation of the key economic sectors of importance for economic diversification in Hawaii and identification of key projects within those sectors that are important to the long-term growth and success of those industries. Effective July 1, 2012. (HB2145 HD2)

Department's Position:

The Department of Education (DOE) strongly supports this Bill. This funding will enable the DOE to continue to manage and reduce the backlog of repair and maintenance projects for its facilities, with improvements to infrastructure needs, such as science, technology, electricity and other utilities. The primary objective of this measure, to which education is key, is to support economic development and long term growth. The DOE supports any measure that will facilitate maintaining and improving facilities toward the highest standard of education statewide.

Thank you for the opportunity to testify on this Bill.



STATE OF HAWAII
HAWAII STATE PUBLIC LIBRARY SYSTEM
OFFICE OF THE STATE LIBRARIAN
44 MERCHANT STREET
HONOLULU, HAWAII 96813

**Senate Committee on Economic Development and Technology
Senate Committee on Ways and Means
April 3, 2012
State Capitol, Room 211**

HB2145, HD2, (Proposed) SD1 - Relating to Economic Development

The Hawaii State Public Library System (HSPLS) strongly supports HB2145, HD2, (Proposed) SD1 and its purpose to create long-term support for the key economic sectors that are pillars for economic diversification in the State. The 690 Pohukaina street mixed-use transit-oriented development project was specifically identified in this bill as an important project that is important to the long term growth and success of industries delineating these key economic sectors and drivers. HSPLS is a proud partner and future occupant of this enormous, landmark project for Hawaii.

This bill focuses on backlog repair and maintenance projects as well as those projects that address health and safety concerns for all State agencies. "Completion of those projects will ensure the existence of well-maintained state facilities and infrastructure, which are essential to maintaining a positive business climate and strong economic foundation. Funding would be statewide and include efforts to eliminate current repair and maintenance backlogs." We wholeheartedly agree on all these points. Our public library system's existence relies primarily on providing public facilities that are safe, comfortable, healthy, and secure for over 1 million patrons

statewide. As of FY 2013, HSPLS has a backlog of over \$12M in critical Health and Safety capital improvement projects (CIP) and over \$5M critical repair and maintenance projects. Because we cannot timely schedule or fund all these backlog projects, they turn into emergency repair or replacement projects which depletes our current CIP appropriations. We desperately need more funding to address this growing problem. Our backlog list can be provided at your committee's request.

This bill also directs HSPLS to use sustainable and renewable energy strategies to reduce energy consumption for the system. We have already implemented many energy efficiency projects including retrofitting of all light fixtures, window tinting where appropriate, Photovoltaic systems, and retro-commissioning assessments. With these additional funds, we can continue these energy-saving strategies for the remainder of our public libraries. These projects all support the goals of the Hawaii Clean Energy Initiative and help facilitate the development of a smart grid system.

Finally, this bill supports infrastructure that connects all key state facilities and buildings by high speed broadband with an emphasis on wireless connectivity. We have already initiated this with many of our libraries through the Broadband Technology Opportunities Program (BTOP) grant developed with the Department of Commerce and Consumer Affairs and the University of Hawaii. Expanding and completing the infrastructure would help HSPLS achieve our long term goal of high speed broadband for every public library.

Thank you for allowing us the opportunity to testify on this measure.



State of Hawaii
DEPARTMENT OF AGRICULTURE
1428 South King Street
Honolulu, Hawaii 96814-2512

TESTIMONY OF RUSSELL S. KOKUBUN
CHAIRPERSON, BOARD OF AGRICULTURE

BEFORE THE SENATE COMMITTEES ON EDUCATION DEVELOPMENT AND
TECHNOLOGY AND WAYS AND MEANS
TUESDAY, APRIL 3, 2012
9:30 AM

HOUSE BILL NO. 2145 HD 2 Proposed SD 1
RELATING TO ECONOMIC DEVELOPMENT

Chairpersons Fukunaga and Ige and Members of the Committees:

Thank you for this opportunity to provide testimony on House Bill No. 2145 HD 2 proposed SD1. The purpose of this measure is to issue general obligation bonds to fund the repair and maintenance and capital improvement projects of various departments as well as make revisions to the State's permitting, approval and procurement process. We support the intent of this measure.

The funding provided by this measure will allow the Department to address repair and maintenance issues that have long been deferred and install photovoltaic systems on departmental facilities to increase energy efficiency and reduce operating costs. We defer to the Department of Accounting and General Services on the impact of the proposed revisions to the permitting and procurement process.

Thank you for the opportunity to submit testimony.





**HB 2145 HD2 SD1 Proposed
RELATING TO LAND USE**

Senate Committee on Economic Development & Technology and
Senate Committee on Ways and Means

April 3, 2012

9:30 a.m.

Room 211

The Office of Hawaiian Affairs (OHA) offers the following **COMMENTS** on HB 2145 HD2 SD1 Proposed. Part I would reflect the Legislature's support for specific projects that it has determined to be important to the success of Hawai'i's key economic sectors. Part VII would exempt authorized capital improvement projects (namely repair, maintenance, and capital renewal projects) designated for fiscal year 2011-2012 from all county permit, license, and certificate requirements. As to Part I, OHA notes that it is highly unusual for the legislature to enact bills that prioritize projects with such specificity and wonders whether the projects have been sufficiently and individually reviewed. As to Part VII, OHA inquires how the measure would impact shoreline and SMA permits.

Part I

While OHA supports—in concept—some of the projects articulated in HB 2145 HD2 SD1 Proposed, we question whether the specific projects named in Part I of this measure warrant special mention and support. Some of the projects listed are highly controversial and have already met community resistance (e.g. the thirty-meter telescope on Mauna Kea, the 690 Pohukaina street mixed-use transit oriented development project, the Pohakuloa training area, etc). OHA would like to know what type of analysis went into the determination that the listed projects were the most important for the success of the identified key economic sectors, and what type of analysis went into the determination of the key economic sectors. Were alternatives considered? What are the associated costs and benefits of the projects? What impacts may result to Hawai'i's natural and cultural environment?

OHA notes the importance of moving projects forward in an efficient and effective manner, but does not support doing so at the expense of Hawai'i's social, environmental, and cultural values. Although the rationale and feasibility are not made clear in its contents, HB 2145 HD2 SD1 Proposed would make it the intent of the State to complete or facilitate completion of the listed projects by December 31, 2023—a little over 11 years from now. If the need to expedite the projects in HB 2145 HD2 SD1 Proposed leads to a discussion of fast-tracking these projects, OHA would be concerned about broad and one-size fits all exemptions to

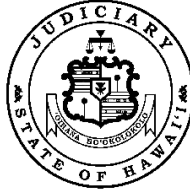
regulations that ensure opportunities for community input, place special controls on development in fragile areas such as shorelines, protect constitutionally recognized Native Hawaiian traditional and customary rights, and protect and conserve important natural and cultural resources for present and future generations. Often times, these processes are the only time that impacts to Native Hawaiian traditional and customary practices are considered.

Part VII

HB 2145 HD2 SD1 Proposed would exempt certain capital improvement projects, namely repair, maintenance, and capital renewal projects, that are less than \$1,000,000 and appropriated for fiscal year 2011-2012, “from all county permit, license, and certificate requirements[.]” Without an alternative assessment to the SMA permitting process, OHA notes that these capital improvement projects may have unintended impacts to Hawai‘i’s fragile and resource rich shorelines. If activities normally subject to grading, hauling, and rock crushing permits are exempt, will they be subject to alternative review?

Although OHA understands the importance of economic diversification to long term economic sustainability for Hawai‘i’s future, it is unclear whether Part I of HB 2145 HD2 SD1 Proposed would facilitate this goal. OHA also notes that the exemptions in Part VII remove the oversight for Hawai‘i’s shorelines.

Mahalo for the opportunity to testify on this important measure.



The Judiciary, State of Hawaii

Testimony to the Senate Committee on Economic Development and Technology

Senator Carol Fukunaga, Chair
Senator Glenn Wakai, Vice Chair

and

Senate Committee on Ways and Means

Senator David Y. Ige, Chair
Senator Michelle N. Kidani, Vice Chair

Tuesday, April 3, 2012, 9:30 a.m.
State Capitol, Conference Room 211

by

Tom Mick
Policy and Planning Department Director

Bill No. and Title: House Bill No. 2145, H.D. 2, Proposed S.D. 1, Relating to Economic Development.

Purpose: Expresses as state policy the delineation of the key economic sectors of importance for economic diversification in Hawaii and identification of key projects within those sectors that are important to the long-term growth and success of those industries. Issues general obligation bonds to fund the repair and maintenance or capital renewal and deferred maintenance projects of various departments, the University of Hawaii, Hawaii health systems corporation, and the judiciary. Applies small purchase procurement requirements to capital improvement projects authorized pursuant to this Act for goods, services, or construction less than \$1,000,000. Requires procurements of less than \$1,000,000 to be conducted through an electronic system. Exempts capital improvement projects that are less than \$1,000,000 from the provisions of section 103D-701, HRS, relating to protests. Provides for certain exemptions from county permitting, licensing, and certification requirements. Creates oversight committee. Requires DAGS to prepare quarterly reports. (Proposed SD1)



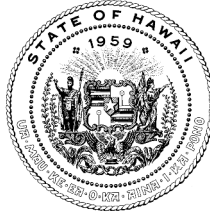
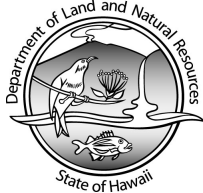
House Bill No. 2145, H.D. 2, Proposed S.D. 1, Relating to Economic Development
Senate Committee on Economic Development and Technology
Senate Committee on Ways and Means
April 3, 2012
Page 2

Judiciary's Position:

The Judiciary is in strong support of Parts III and IV of House Bill No. 2145, H.D. 2, Proposed S.D. 1, which would appropriate funds to reduce the backlog of repair and maintenance projects in the Judiciary, inclusive of the use of energy efficient materials and sustainable and renewable energy strategies, as much as possible, to lessen energy consumption. We also concur with this bill's express aim of stimulating the economy and creating jobs by, among its stated initiatives, increasing construction activity and focusing on repair and maintenance projects.

Thank you for the opportunity to testify on this measure.

NEIL ABERCROMBIE
GOVERNOR OF HAWAII



**STATE OF HAWAII
DEPARTMENT OF LAND AND NATURAL RESOURCES**

POST OFFICE BOX 621
HONOLULU, HAWAII 96809

**Testimony of
WILLIAM J. AILA, JR.
Chairperson**

**Before the Senate Committees on
ECONOMIC DEVELOPMENT AND TECHNOLOGY
and
WAYS AND MEANS**

**Tuesday, April 3, 2012
9:30 A.M.
State Capitol, Conference Room 211**

**In consideration of
HOUSE BILL 2145, HOUSE DRAFT 2, PROPOSED SENATE DRAFT 1
RELATING TO ECONOMIC DEVELOPMENT**

House Bill 2145, House Draft 2, Proposed Senate Draft 1 proposes to: (1) Express as state policy the delineation of the key economic sectors of importance for economic diversification in Hawaii and identification of key projects within those sectors that are important to the long-term growth and success of those industries; (2) Issue general obligation bonds to fund the repair and maintenance or capital renewal and deferred maintenance projects of various departments, the University of Hawaii, Hawaii Health Systems Corporation, and the Judiciary; (3) Apply small purchase procurement requirements to capital improvement projects authorized pursuant to this Act for goods, services, or construction less than \$1,000,000; (4) Require procurements of less than \$1,000,000 to be conducted through an electronic system; (5) Exempt capital improvement projects that are less than \$1,000,000 from the provisions of Section 103D-701, Hawaii Revised Statutes, relating to protests; (6) Provide for certain exemptions from county permitting, licensing, and certification requirements; (7) Create an oversight committee; and (8) Require the Department of Accounting and General Services to prepare quarterly reports regarding the status of all appropriations made by this Act.

The Department of Land and Natural Resources (Department) supports PARTs (2) through (6) as they could fund and expedite the implementation of projects to address its significant backlog of repair and maintenance work while also creating jobs to improve the economy. The Department also supports PART VII in this measure to electronically procure projects that are less than \$1,000,000. Electronic procurement is streamlined process that will expedite solicitation and awarding of bids, maintain competition, ensure transparency, and benefit the local trade sector of the job market.

Thank you for the opportunity to comment.

WILLIAM J. AILA, JR.
CHAIRPERSON
BOARD OF LAND AND NATURAL RESOURCES
COMMISSION ON WATER RESOURCE MANAGEMENT

GUY H. KAULUKUKUI
FIRST DEPUTY

WILLIAM M. TAM
DEPUTY DIRECTOR - WATER

AQUATIC RESOURCES
BOATING AND OCEAN RECREATION
BUREAU OF CONVEYANCES
COMMISSION ON WATER RESOURCE MANAGEMENT
CONSERVATION AND COASTAL LANDS
CONSERVATION AND RESOURCES ENFORCEMENT
ENGINEERING
FORESTRY AND WILDLIFE
HISTORIC PRESERVATION
KAHOOLAWE ISLAND RESERVE COMMISSION
LAND
STATE PARKS

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Honolulu, HI 96819
Phone: 808-833-1681 FAX: 839-4167
Email: info@gcahawaii.org
Website: www.gcahawaii.org



GCA of Hawaii

GENERAL CONTRACTORS ASSOCIATION OF HAWAII

Quality People. Quality Projects.

Uploaded via Capitol Website

April 3, 2012

TO: HONORABLE SENATORS DAVID IGE, CHAIR, MICHELLE KIDANI, VICE CHAIR AND MEMBERS OF THE SENATE COMMITTEE ON WAYS AND MEANS

SUBJECT: **SUPPORT OF H.B. 2145, HD1, PROPOSED SD1, RELATING TO ECONOMIC DEVELOPMENT.** Expresses as state policy the delineation of the key economic sectors of importance for economic diversification in Hawaii and identification of key projects within those sectors that are important to the long-term growth and success of those industries. Issues general obligation bonds to fund the repair and maintenance or capital renewal and deferred maintenance projects of various departments, the University of Hawaii, Hawaii health systems corporation, and the judiciary. Applies small purchase procurement requirements to capital improvement projects authorized pursuant to this Act for goods, services, or construction less than \$1,000,000. Requires procurements of less than \$1,000,000 to be conducted through an electronic system. Exempts capital improvement projects that are less than \$1,000,000 from the provisions of section 103D-701, HRS, relating to protests. Provides for certain exemptions from county permitting, licensing, and certification requirements. Creates oversight committee. Requires DAGS to prepare quarterly reports. (Proposed SD1)

HEARING

DATE: Tuesday, April 3
TIME: 9:30 a.m.
PLACE: Conference Room 211

Dear Chair Ige, Vice Chair Kidani and Members of the Committee:

The General Contractors Association (GCA) is an organization comprised of over six hundred (600) general contractors, subcontractors, and construction related firms. The GCA was established in 1932 and is celebrating its 80th anniversary this year; GCA remains the largest construction association in the State of Hawaii whose mission is to represent its members in all matters related to the construction industry, while improving the quality of construction and protecting the public interest. GCA is **in support** of H.B. 2145, HD1, Proposed SD1, Relating to Economic Development.

Part I of H.B. 2145, HD1, Proposed SD1 proposes to create a state policy to facilitate the completion of over 15 projects in seven industries including: renewable energy; broadband; infrastructure and construction; aerospace; visitor industry; film and digital media; and military. The purpose of this bill is to address economic development by identifying, as state policy, the key economic sectors that are essential to the growth and diversification of the economy of Hawaii

Part II of H.B. 2145, HD1, Proposed SD1, proposes to authorize the issuance of state general obligation bonds for projects for the repair and renovation of state facilities and provisions to expedite the execution of construction projects. This measure will provide work for the construction industry, allow much needed repairs to schools and identify other public work projects that require immediate repair and maintenance. Moreover, GCA believes that Part II of this measure will have a positive rippling effect in regards to jobs among other related industries and the overall economy in generating tax revenue.

The GCA understands the legislature's attempts to spur Hawaii's economy by identifying key industries with intent to complete specific projects. Similar to any corporation, most have a five to ten year outlook; similarly, this bill aims at setting goals and identifying ways to attain them. However, the narrow scope of the projects listed in Part I should not eliminate the prospect of other important projects, instead it should work in conjunction with projects listed in the bill. GCA supports the enactment of Part II of the Proposed SD1, as an economic stimulus tool to spur our economy and provide much needed jobs for our local citizens, while at the same time addresses the long backlog of maintenance and repair to our aging physical facilities that have been deferred due to lack of funding. This bill will help to speed up the current procurement process and get smaller upgrades and repairs, especially in our schools addressed.

For these reasons, GCA supports H.B. 2145, HD1, Proposed SD1 and requests that this Committee pass this measure.

Thank you for the opportunity to share our views with you.



**Testimony to the Senate Committees on Economic Development and Technology, and
Ways and Means
Tuesday, April 3, 2011
9:30 am
Conference Room 016, State Capitol**

RE: H. B. NO. 2145 HD 2 (SD1 Proposed) Relating to Economic Development

Chairs Fukunaga and Ige, Vice Chairs Wakai and Kidani, and Members of the Committees:

My name is Gladys Quinto Marrone, Government Relations Director for the Building Industry Association of Hawaii (BIA-Hawaii). Chartered in 1955, BIA-Hawaii is a professional trade organization affiliated with the National Association of Home Builders, representing the building industry and its associates. BIA-Hawaii takes a leadership role in unifying and promoting the interests of the industry to enhance the quality of life for the people of Hawaii.

BIA-Hawaii strongly supports the passage of HB 2145 HD2 SD1 relating to Economic Development for further discussion.

This measure proposes to delineate the following seven (7) key economic sectors of importance for economic diversification in Hawaii and to identify some of the key projects within these sectors that are important to the long-term growth and success of these industries.

1. Renewable energy;
2. Broadband;
3. Infrastructure and Construction;
4. Aerospace;
5. Visitor Industry;
6. Film and Digital media;
7. Military.

It is the intent of the State to complete or facilitate completion of the specific key projects within these sectors by December 31, 2023, as a material way to support and advance these industries.

The proposed SD1 will allow for the issuance of \$500,000,000 in general obligation bonds to fund the repair and maintenance or capital renewal and deferred maintenance projects of various departments, the University of Hawaii, Hawaii health systems corporation, and the judiciary. The proposed SD 1 will also provide the following:

1. Allow small purchase procurement requirements to capital improvement projects authorized pursuant to this Act for goods, services, or construction less than \$1,000,000.
2. Require procurements of less than \$1,000,000 to be conducted through an electronic system.
3. Exempt capital improvement projects that are less than \$1,000,000 from the provisions of section 103D-701, HRS, relating to protests.

4. Provides for certain exemptions from county permitting, licensing, and certification requirements.
5. Creates oversight committee.
6. Requires DAGS to prepare quarterly reports.

We strongly support government's commitment to move forward on projects within the key economic sectors for Hawaii's economy. The challenge is how to keep government efforts focused on these projects as elected officials, and their priorities change.

We also fully support the efforts of the Legislature to assist with the implementation of CIP funded projects in order to help stabilize the economy.

Toward this end, we respectfully suggest that some additional language be added to the bill that will allow agencies hire private entities to assist with managing and processing the funded CIP projects. This will allow the funded projects to be processed by the agency with supplemental assistance from the private sector, similar to "program management."

We believe that agencies need additional assistance to get these funded CIP projects out to contract as soon as possible. Naturally, safe guards should be in place to ensure that the program management is being done by an independent third party who has no interest in the planning/design or construction phases of the project.

Finally, we note that Part VII of the proposed SD 1, will allow projects identified in the bill that are less than \$1,000,000.00 to be exempt from Section 103D-701, proceed with no bid protests. While we strongly support the need to get projects out in the economy as quickly as possible, we also believe that the projects should be awarded in a fair and objective manner. Perhaps some thought should be given to having safeguards in the bill to prevent abuse.

Thank you for this opportunity to express our views.

March 30, 2012

Senator David Y. Ige, Chair
Senator Michelle N. Kidani, Vice-Chair
Senate Committee on Ways and Means

Senator Carol Fukunaga, Chair
Senator Glenn Wakai, Vice-Chair
Senate Committee on Economic Development and Technology

Chairs Ige and Fukunaga, Vice-Chairs Kidani and Wakai, and Members of the Committees:

SUBJECT: HB2145 Proposed SD1 Relating to Economic Development

My name is Glenn Tango. I am the President of Honolulu Plumbing Co .

The company for which I speak submits the following comments on the proposed SD1 to HB2145.

We appreciate the efforts of this Legislature in the proposed SD1 to fund the repair, upgrade and construction of key projects in the state and believe that this funding will help to stimulate the economy and create much needed jobs for the people of Hawaii.

We are, however, concerned with the provision in this bill that increases the small purchase procurement threshold from \$250,000 to \$1,000,000, because small purchase procedures do not require the subcontractor and scope of work listing, and this raises the exposure of all subcontractors to the detrimental practice of bid shopping. We believe the current small purchase procurement threshold of \$250,000 is a more reasonable amount for small purchases because many of the projects that fall under \$250,000 are trade specific (such as air conditioning, roofing, and electrical work) and do not require more than 2 unrelated trades, therefore the absence of the sublisting on these jobs does not pose a significant problem. A four-fold increase in the threshold, however, is problematic because we enter a dollar range in which we see bigger projects with multiple crafts qualifying for small purchase procurement with no sublisting, and this is when the sub trades become targets of bid shopping. Bid shopping results in higher costs, longer delays during construction, and substandard workmanship and materials and does not reduce the costs to the agency and only serves to increase the profit of the general contractor, all at the expense of the reputable subcontractors.

If it is the desire of the legislature to increase the small purchase threshold beyond \$250,000, it should be accompanied by a provision which requires HRS 103D-302(b) subcontractor listing and scope of work on any construction project above \$250,000.

Thank you for the opportunity to offer testimony.

Respectfully yours,

PLUMBING & MECHANICAL CONTRACTORS ASSOCIATION OF HAWAII



PLUMBING AND MECHANICAL
CONTRACTORS ASSOCIATION
OF HAWAII

TELEPHONE: (808) 597-1216
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1314 S. King Street, Suite 961
Honolulu, Hawaii 96814

GREGG S. SERIKAKU
EXECUTIVE DIRECTOR

Via Email

March 30, 2012

Senator David Y. Ige, Chair
Senator Michelle N. Kidani, Vice-Chair
Senate Committee on Ways and Means
The Twenty-Sixth Legislature, Regular Session of 2012

Chair Ige, Vice Chair Kidani, and Members of the Committee:

SUBJECT: HB2145 Proposed SD1 Relating to Public Funds

My name is Gregg Serikaku. I am the Executive Director of the Plumbing and Mechanical Contractors Association of Hawaii. Our Association represents over 40 major plumbing and mechanical contractors who employ over 1,000 mechanics, technicians, managerial staff, and administrative personnel here in Hawaii.

The Association for which I speak submits the following comments on the proposed SD1 to HB2145.

Our Association appreciates the efforts of this Legislature to expedite procurement of construction projects and to increase employment for workers in our State, and we believe the permanent increase of the small purchase procurement threshold to \$250,000 will help to achieve these goals. We consider the current \$250,000 threshold a fair amount for small purchases because many of these projects are trade specific (such as air conditioning, roofing, and electrical work) and do not require more than 2 unrelated trades, therefore the absence of the sublisting which is not required on small purchases, does not pose a significant problem.

The proposed SD1, however, seeks a four-fold increase the small purchase threshold to \$1 million dollars. This now becomes a problem for subcontractors because we enter a higher dollar range in which we see bigger projects with multiple crafts qualifying for small purchase procurement with no sublisting, and this is when the sub trades become targets of bid shopping. Bid shopping results in higher costs, longer delays during construction, and substandard workmanship and materials and does not reduce the costs to the agency and only serves to increase the profit of the general contractor, all at the expense of the reputable subcontractors.

If it is the desire of the legislature to increase the small purchase threshold beyond \$250,000, it should be accompanied by a provision which requires HRS 103D-302(b) subcontractor listing and scope of work on any construction project above \$250,000.

Thank you for the opportunity to offer testimony.

Respectfully yours,

A handwritten signature in black ink that reads "Gregg S. Serikaku".

Gregg S. Serikaku
Executive Director



March 30, 2012

Senator David Y. Ige, Chair
Senator Michelle N. Kidani, Vice-Chair
Senate Committee on Ways and Means

Senator Carol Fukunaga, Chair
Senator Glenn Wakai, Vice-Chair
Senate Committee on Economic Development and Technology

Chairs Ige and Fukunaga, Vice-Chairs Kidani and Wakai, and Members of the Committees:

SUBJECT: HB2145 Proposed SD1 Relating to Economic Development

My name is Jackson Cheng. I am the General Manager of Alaka'i Mechanical Corporation. We are a mechanical and plumbing contractor and have over 200 employees. We have been providing our services in Hawaii for over 38 years.

Alaka'i Mechanical for which I speak submits the following comments on the proposed SD1 to HB2145.

We appreciate the efforts of this Legislature in the proposed SD1 to fund the repair, upgrade and construction of key projects in the state. We understand and support the purpose of this bill to push out construction projects faster in order to create much needed jobs and stimulate the economy in Hawaii.

We are, however, concerned with the provision in this bill that increases the small purchase procurement threshold from \$250,000 to \$1,000,000, because small purchase procedures do not require the subcontractor and scope of work listing, and this raises the exposure of all subcontractors to the detrimental practice of bid shopping. We believe the current small purchase procurement threshold of \$250,000 is a more reasonable amount for small purchases because many of the projects that fall under \$250,000 are trade specific (such as air conditioning, roofing, and electrical work) and do not require more than 2 unrelated trades, therefore the absence of the sublisting on these jobs does not pose a significant problem. A four-fold increase in the threshold, however, is problematic because we enter a dollar range in which we see bigger projects with multiple crafts qualifying for small purchase procurement with no sublisting, and this is when the sub trades become targets of bid shopping. Bid shopping results in higher costs, longer delays during construction, and substandard workmanship and materials and does not reduce the costs to the agency and only serves to increase the profit of the general contractor, all at the expense of the reputable subcontractors.

If it is the desire of the legislature to increase the small purchase threshold beyond \$250,000, it should be accompanied by a provision which requires HRS 103D-302(b) subcontractor listing and scope of work on any construction project above \$250,000.

Thank you for the opportunity to offer testimony.

Respectfully yours,

A handwritten signature in black ink, appearing to read 'Jackson Cheng', with a long horizontal line extending to the right.

Jackson Cheng, General Manager

Alaka'i Mechanical Corporation



ECONOMY PLUMBING & SHEET METAL, INC.

1029 Ulupono Street Honolulu, Hawaii 96819-4334

Phone: (808) 842-5100 Fax: (808) 848-2703

April 2, 2012

Senator David Y. Ige, Chair
Senator Michelle N. Kidani, Vice-Chair
Senate Committee on Ways and Means

Senator Carol Fukunaga, Chair
Senator Glenn Wakai, Vice-Chair
Senate Committee on Economic Development and Technology

Chairs Ige and Fukunaga, Vice-Chairs Kidani and Wakai, and Members of the Committees:

SUBJECT: HB2145 Proposed SD1 Relating to Economic Development

My name is Kent Matsuzaki and I have the following comments on behalf of my company on the proposed SD1 to HB 2145. I believe other subs in the Construction Industry have similar opinions.

We appreciate the efforts of this Legislature in the proposed SD1 to fund the repair, upgrade and construction of key projects in the State and believe that this funding will help to stimulate the economy and create much needed jobs for the people of Hawaii.

We are, however, concerned with the provision in this bill that increases the small purchase procurement threshold from \$250,000 to \$1,000,000 since some important parts of procurement are waived when a project falls under the "small" purchase rules. A four-fold increase to \$ 1 Million is not "small" anymore. At \$1 Million, we enter a dollar range in which we see projects with multiple crafts and multiple small subcontractors. Smaller subcontractors need the sub listing requirement to protect them from the practice of bid shopping. Bid shopping does not change the price for the Owner. It just trickles down to the smaller subs on the bottom of the food chain who sometimes end up having to reduce their price since we have no leverage when there is no sub listing.

We believe the current small purchase procurement threshold of \$250,000 is a more reasonable amount for small purchases because many of the projects that fall under \$250,000 are trade specific (such as air conditioning, roofing, and electrical work).

If the Legislature wants to increase the threshold to \$ 1 Million, we support this increase if 1 change can be made. Require sub listing for all projects over \$ 250,000. **The increase should be accompanied by a provision which requires HRS 103D-302(b) subcontractor listing and scope of work on any construction project above \$250,000.** This change will not slow down the amount of projects that get on the street and awarded.

The small companies are all having a hard time already in this economy and keeping sub listing will help them stick around and pay their bills.

Thank You,

Kent Matsuzaki
President
Economy Plumbing & Sheetmetal, Inc



HAWAII BUILDING AND CONSTRUCTION TRADES COUNCIL, AFL-CIO

Gentry Pacific Design Center, Suite 215A * 560 N. Nimitz Highway, #50 * Honolulu, Hawaii 96817
(808) 524-2249 - FAX (808) 524-6893

REGINALD CASTANARES

President

Plumbers & Fitters Local 675

DAMIEN T.K. KIM

Vice President

International Brotherhood of
Electrical Workers Local 1186

THADDEUS TOMEI

Treasurer

Elevator Constructors Local 126

GARY AYCOCK

Sergeant At Arms

Boilermakers, Ironship Builders
Local 204

DOUGLAS FULP

Trustee

International Assoc. of Heat & Frost
Insulators & Allied Workers Local 132

PETER GANABAN

Trustee

Laborers' International Union of
North America Local 368

NOLAN MORIWAKI

Bricklayers & Ceramic Tile Setters

Local 1 & Plasterers
Local 630 Cement Masons

JOSEPH O'DONNELL

Iron Workers Local 625

ART TOLENTINO

Sheet Metal Workers I.A. Local 293

LYNN KINNEY

District Council 50

Painters & Allied Trades Local 1791

Carpet, Linoleum, & Soft Tile
Local 1926

Drywall, Tapers & Finishers
Local 1944

Glaziers, Architectural Metal &
Glassworkers Local 1889

PANE MEATOGA

Operating Engineers Local 3

RONAN KOZUMA

Hawaii Teamsters & Allied
Workers Local 996

VAUGHN CHONG

Roofers, Waterproofers & Allied
Workers United Union of Roofer
Local 221

March 30, 2012

Honorable Senator Carol Fukunaga, Chair
Honorable Senator Glenn Wakai, Vice Chair
Members of the Committee on Economic Development and Technology
Honorable Senator David Ige, Chair
Honorable Senator Michelle Kidani, Vice Chair
Members of the Committee on Ways and Means
Hawaii State Capitol
415 South Beretania Street
Honolulu, HI 96813

RE: **PROPOSED AMENDMENTS to HB2145 HD2, PROPOSED SD1**, RELATING TO ECONOMIC DEVELOPMENT

Hearing: Tuesday, April 3, 2012, 9:30 a.m. Conference Room 211

Honorable Chair(s), Vice Chair(s) and Committee Members;

The Hawaii Building & Construction Trades Council, AFL-CIO which was originally chartered in October of 1958 is comprised of 16 out of 17 construction trade unions throughout Hawaii. With an estimated membership of 20,000 statewide, our primary mission is to provide employment opportunities and living wages for the many working men and women we represent.

The Council offers the following proposed amendment(s) to HB2145, HD2, Proposed SD1, which in its current form, applies small purchase procurement requirements to capital improvement projects authorized pursuant to this Act for goods, services, or construction less than \$1,000,000. Requires procurements of less than \$1,000,000 to be conducted through an electronic system. Exempts capital improvement projects that are less than \$1,000,000 from the provisions of section 103D-701, HRS, relating to protests. Provides for certain exemptions from county permitting, licensing, and certification requirements. Creates oversight committee. Requires DAGS to prepare quarterly reports.

PART VII.

SECTION 12. Notwithstanding the contract value limitation in section 103D-305, Hawaii Revised Statutes, procurements of less than \$1,000,000 for goods or services, or less than \$1,000,000 for construction, for the capital improvement projects authorized by this Act shall be:

- (1) Made pursuant to section 103D-305, Hawaii Revised Statutes, including provisions relating to performance and payment bond requirements thereunder;
- (2) Conducted through an electronic system; and
- (3) Exempt from section 103D-701, Hawaii Revised Statutes.
- (4) inclusive of the name of each person or firm to be engaged by the bidder as a joint contractor or subcontractor in the performance of the contract and the nature and scope of the work to be performed by each, where the procurement for construction exceeds \$100,000.

Thank you for this opportunity to offer proposed amendments to HB2145, HD2, Proposed SD1.

Kika G. Bukoski
Hawaii Building and Construction Trades Council



Testimony of Maurice Morita
Assistant Director
Hawaii LECET
1617 Palama Street
Honolulu, HI 96817

SENATE COMMITTEE ON WAYS AND MEANS
Tuesday, April 3, 2012
9:30 a.m., Conference Room 211

HB 2145, HD2, PROPOSED SD1 – RELATING TO ECONOMIC DEVELOPMENT

Aloha Chairs Fukunaga & Ige, Vice Chairs Wakai & Kidani. and Members of the Committee:

My name is Maurice Morita and I am the assistant director of Hawaii LECET (Laborers-Employers Cooperation and Education Trust). Hawaii LECET is a partnership between the Hawaii Laborers' Union, Local 368 and our union contractors.

The Hawaii LECET “**strongly supports**” HB 2145, HD2, Proposed SD1, expresses as state policy the delineation of the key economic sectors of importance for economic diversification in Hawaii and identification of key projects within those sectors that are important general obligation bonds to fund the repair and maintenance or capital renewal & deferred maintenance projects of various departments, the University of Hawaii, Hawaii Health Systems Corporation, and the Judiciary. This bill applies small purchase procurement requirements to capital improvement projects authorized pursuant to this Act for goods, services or construction less than \$1,000,000.

The Hawaii LECET believes this measure will identify key projects within those sectors that are important to the long-term growth and success of those industries.

The Hawaii LECET believes this bill will stimulate our economy and return the many construction workers on the bench back to work, and will improve the quality of life to our children.

Thank you for the opportunity to submit this testimony.



Testimony of C. Mike Kido
External Affairs
The Pacific Resource Partnership

COMMITTEE ON ECONOMIC DEVELOPMENT AND TECHNOLOGY

Senator Carol Fukunaga, Chair
Senator Glenn Wakai, Vice Chair

COMMITTEE ON WAYS AND MEANS

Senator David Y. Ige, Chair
Senator Michelle N. Kidani, Vice Chair

Tuesday, April 3, 2012
9:30 a.m.
Conference Room 211

HB 2145, HD2, Proposed SD1 - Relating to Economic Development

Aloha Chair Fukunaga, Chair Ige, Vice Chair Wakai, Vice Chair Kidani and Members of the Committees:

My name is C. Mike Kido, External Affairs of the Pacific Resource Partnership (PRP), a labor-management consortium representing over 240 signatory contractors and the Hawaii Regional Council of Carpenters, formerly the Hawaii Carpenters Union.

PRP **strongly supports** HB 2145, HD2, Proposed SD1 - Relating to Economic Development which addresses economic development by identifying, as state policy, the key economic sectors that are essential to the growth and diversification of the economy in Hawaii.

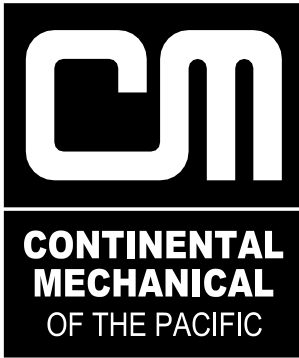
Our economy is slowly recovering, but many unemployed construction workers in Hawaii continue to face severe hardship. There is a vital need for bold, effective job creation efforts to accelerate the state's recovery and help our highly skilled, experienced workers, some of whom have been without jobs for years.

The construction industry took a big hit during the Great Recession, and unlike some of the other industries, it continues to suffer. Statewide, 50 percent of the active members of the Hawaii Regional Council of Carpenters are unemployed.

In addition to the personal and social tragedies unemployment causes, the significant and sustained job losses in the construction industry have had a statewide economic impact. The overall contribution construction-industry wages to the state's economy was at a high of \$2.54 billion in the first quarter of 2008, construction wages are now contributing \$700 million less to our overall economy. Those lost wages mean less overall spending on cars, appliances, clothes, household goods, and even food. The negative spiral affects all of us, not just the unemployed construction industry workers.

We need to expedite the implementation of key projects to stimulate growth of the workforce and State's economy and thus, should take advantage of record low interest rates and streamline the procurement approval process. Key projects are extremely important to the long-term growth and success of key economic sectors (i.e. renewable energy, broadband, construction, infrastructure, aerospace, visitor industry, film and digital media, military) that are essential to the growth and diversification of the Hawaii's economy.

Thank you for allowing us to comment and we respectfully ask for your support on HB 2145, HD2, Proposed SD1.



April 2, 2012

Senator David Y. Ige, Chair
Senator Michelle N. Kidani, Vice-Chair
Senate Committee on Ways and Means

Senator Carol Fukunaga, Chair
Senator Glenn Wakai, Vice-Chair
Senate Committee on Economic Development and Technology

Chairs Ige and Fukunaga, Vice-Chairs Kidani and Wakai, and Members of the Committees:

SUBJECT: HB2145 Proposed SD1 Relating to Economic Development

My name is Samuel Fujikawa. I am the Chief Executive Officer of Continental Mechanical of the Pacific and my company represents Plumbers, Pipefitters and Sheetmetal Workers.

Continental Mechanical of the Pacific for which I speak submits the following comments on the proposed SD1 to HB2145.

We appreciate the efforts of this Legislature in the proposed SD1 to fund the repair, upgrade and construction of key projects in the state and believe that this funding will help to stimulate the economy and create much needed jobs for the people of Hawaii.

We are, however, concerned with the provision in this bill that increases the small purchase procurement threshold from \$250,000 to \$1,000,000, because small purchase procedures do not require the subcontractor and scope of work listing, and this raises the exposure of all subcontractors to the detrimental practice of bid shopping. We believe the current small purchase procurement threshold of \$250,000 is a more reasonable amount for small purchases because many of the projects that fall under \$250,000 are trade

April 2, 2012

specific (such as air conditioning, roofing, and electrical work) and do not require more than 2 unrelated trades, therefore the absence of the sublisting on these jobs does not pose a significant problem. A four-fold increase in the threshold, however, is problematic because we enter a dollar range in which we see bigger projects with multiple crafts qualifying for small purchase procurement with no sublisting, and this is when the sub trades become targets of bid shopping. Bid shopping results in higher costs, longer delays during construction, and substandard workmanship and materials and does not reduce the costs to the agency and only serves to increase the profit of the general contractor, all at the expense of the reputable subcontractors.

If it is the desire of the legislature to increase the small purchase threshold beyond \$250,000, it should be accompanied by a provision which requires HRS 103D-302(b) subcontractor listing and scope of work on any construction project above \$250,000.

Thank you for the opportunity to offer testimony.

Best Regards,
Fujikawa Associates Inc. dba
Continental Mechanical of the Pacific

Samuel T. Fujikawa
Chief Executive Officer



**Testimony to the Senate Committees on Economic Development and Technology, and
Ways and Means
Tuesday, April 3, 2011 at 9:30 am
Conference Room 016, State Capitol**

**RE: HOUSE BILL NO. 2145 HD 2 (SD1 Proposed) RELATING TO ECONOMIC
DEVELOPMENT**

Chairs Fukunaga and Ige, Vice Chairs Wakai and Kidani, and Members of the Committees:

The Chamber of Commerce of Hawaii (“The Chamber”) supports the passage of HB 2145 HD2 SD1 relating to Economic Development for further discussion. The Chamber is the largest business organization in Hawaii, representing more than 1,100 businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the “Voice of Business” in Hawaii, the organization works on behalf of its members, which employ more than 200,000 individuals, to improve the state’s economic climate and to foster positive action on issues of common concern.

This measure proposes to delineate the following seven (7) key economic sectors of importance for economic diversification in Hawaii and to identify some of the key projects within these sectors that are important to the long-term growth and success of these industries.

1. Renewable energy;
2. Broadband;
3. Infrastructure and Construction;
4. Aerospace;
5. Visitor Industry;
6. Film and Digital media;
7. Military.

It is the intent of the State to complete or facilitate completion of the specific key projects within these sectors by December 31, 2023, as a material way to support and advance these industries.

The proposed SD1 will allow for the issuance of \$500,000,000 in general obligation bonds to fund the repair and maintenance or capital renewal and deferred maintenance projects of various departments, the University of Hawaii, Hawaii health systems corporation, and the judiciary. The proposed SD 1 will also provide the following:

1. Allow small purchase procurement requirements to capital improvement projects authorized pursuant to this Act for goods, services, or construction less than \$1,000,000.
2. Require procurements of less than \$1,000,000 to be conducted through an electronic system.
3. Exempt capital improvement projects that are less than \$1,000,000 from the provisions of section 103D-701, HRS, relating to protests.
4. Provides for certain exemptions from county permitting, licensing, and certification requirements.
5. Creates oversight committee.
6. Requires DAGS to prepare quarterly reports.

We strongly support governments' commitment to move forward on projects within the key economic sectors for Hawaii's economy. The challenge is how to keep government efforts focused on these projects as elected officials, and their priorities change.

We also fully support the efforts of the Legislature to assist with the implementation of CIP funded projects in order to help stabilize the economy.

Toward this end, we respectfully suggest that some additional language be added to the bill that will allow agencies hire private entities to assist with managing and processing the funded CIP projects. This will allow the funded projects to be processed by the agency with supplemental assistance from the private sector, similar to "program management."

We believe that agencies need additional assistance to get these funded CIP projects out to contract as soon as possible. Naturally, safe guards should be in place to ensure that the program management is being done by an independent third party who has no interest in the planning/design or construction phases of the project.

Thank you for this opportunity to express our views.

The Senate
The Twenty-Sixth Legislature
Committees on Economic Development and Technology
and Ways and Means
April 3, 2012
9:30 a.m., Room 211

Statement of the Hawaii Carpenters Union on HB 2145 HD2, Proposed SD1

The Hawaii Carpenters Union fully supports the proposed SD1 of HB 2145. The Senate endorsed a similar effort in SB 2012, to get greatly needed construction and renovation done at current low prices, and at the same time put skilled trades people back to work.

Numerous projects have been identified and have been on the books of State agencies. These are not new, but rather are projects needed but not getting done. With interest rates low, and bids coming in low, State taxpayers can get more for their money.

The work needs to be done, and at the same time unemployment of construction workers remains high. Not only are families in dire economic straits, but Hawaii risks losing skills. Long term unemployment also results in workers leaving the industry or the islands, or leaving the workforce in general. Labor skills are a component part of a culture, and can be eroded and lost.

Let's not forget that we are suffering from the worst of recessions, not just another downturn. Time is of the essence to help push us out of recession. Special, temporary treatment of projects, with oversight by a special committee, are needed now, to prevent a long downward drag on our economy and the lives of our people.

Thank you for considering our testimony in support of the proposed SD1 of HB 2145

SAH - Subcontractors Association of Hawaii

1188 Bishop St., Ste. 1003**Honolulu, Hawaii 96813-2938

Phone: (808) 537-5619 ✦ Fax: (808) 533-2739

April 3, 2012

Testimony To: Senate Committee on Economic Development and Technology
Senator Carol Fukunaga, Chair

Senate Committee on Ways and Means
Senator David Y. Ige, Chair

Presented By: Tim Lyons
President

Subject: H.B. 2145, HD 2 – RELATING TO ECONOMIC DEVELOPMENT

Chair Fukunaga, Chair Ige and Members of the Joint Committee:

I am Tim Lyons, President of the Subcontractors Association of Hawaii. The Subcontractors Association of Hawaii is composed of the following nine separate and distinct subcontracting organizations which include:

HAWAII FLOORING ASSOCIATION

ROOFING CONTRACTORS ASSOCIATION OF HAWAII

HAWAII WALL AND CEILING INDUSTRIES ASSOCIATION

TILE CONTRACTORS PROMOTIONAL PROGRAM

PLUMBING AND MECHANICAL CONTRACTORS ASSOCIATION OF HAWAII

SHEETMETAL CONTRACTORS ASSOCIATION OF HAWAII

PAINTING AND DECORATING CONTRACTORS ASSOCIATION

PACIFIC INSULATION CONTRACTORS ASSOCIATION

ELECTRICAL CONTRACTORS ASSOCIATION OF HAWAII

We support this bill with one very important amendment.

We congratulate the Senate for its efforts in attempting to stimulate the construction economy as our contractors and their employees are badly in need of projects. We are however concerned that without certain protections that are currently included in the law, the desired result will not be achieved.

This bill raises the small purchase provisions from the current \$250,000 to \$1,000,000 and while it might appear to expedite the construction procurement process, the absence of a subcontractor listing clause will cause some havoc in the marketplace. It is likely to result in attempts at cheaper construction methods to the detriment of the long term viability of the project. It will place more economic pressure on the subcontractor which is likely to lead to attempts at labor cost savings and will promote the likelihood of attempts at other ways to skirt the rules, all in an effort to recoup money that has been extracted from the subcontractor by less than honorable general contractors.

We have lived without the subcontractor listing clause on small purchase provisions and with the \$250,000 threshold that has only had some problems and typically minor ones. Raising that amount without a requirement for subcontractor listing to anything above its current ceiling is something we oppose.

We would respectfully ask for an amendment to be made to Part VII, Section 12 by adding a 4th subsection to read:

(4) Shall specify that all bids include the name of each person or firm to be engaged by the bidder as a joint contractor or subcontractor in the performance of the contract and the nature and scope of the work to be performed by each. Construction bids that do not comply with this requirement may be accepted if acceptance is in the best interest of the State and the value of the work to be performed by the joint contractor or subcontractor is equal to or less than one per cent of the total bid amount.

It is only with this amendment that we can be fully supportive of this effort and we believe that including it will avoid multiple unintended consequences that will hurt rather than help the recovery of the construction industry.

Thank you.



International Brotherhood of Electrical Workers

LOCAL UNION NO. 1186 • Affiliated with AFL-CIO

1935 HAU STREET, ROOM 401 • HONOLULU, HI 96819-5003
TELEPHONE (808) 847-5341 • FAX (808) 847-2224

April 1, 2012

TO: SENATE COMMITTEE ON COMMERCE ECONOMIC DEVELOPMENT & TECHNOLOGY AND SENATE COMMITTEE ON WAYS AND MEANS
For Hearing on Tuesday, April 3, 2012, at 9:30 a.m., in Conference Room 211

RE: TESTIMONY IN OPPOSITION TO HB2145 SD1

Honorable Chairs Fukunaga & Ige, Vice Chairs Wakai & Kidani, and Joint Committee Members,

The **International Brotherhood of Electrical Workers Local Union 1186** represents over 3,200 members working in electrical construction, telecommunications, and with Oceanic Cable. Our members include civil service employees at Pearl Harbor, Kaneohe, Hickam, and at every military installation in Hawaii. IBEW Local 1186 also represents over 110 signatory electrical contracting companies that perform most of the electrical work in the state.

We strongly oppose Senate Draft 1 of HB 2145, which exempts state construction projects up to \$1,000,000 from the existing construction procurement codes. While we agree with fast-tracking construction to put people to work, it would be counterproductive to do away with the procurement laws that protect fair contracting in Hawaii by raising the limit for small purchases and electronic purchases so drastically from \$25,000 to \$1,000,000 – a 40 times increase to the existing limits, and worse, making these exemptions permanent when there is so much danger of abuse.

Small purchase exemptions allow a state purchaser to select three favored bidders alone to bid, and have led to widespread abuses and convictions at the airport in the past under a \$25,000 limit. In those recent cases, airport planters were awarded to a favored bidder who greatly overcharged but was selected again and again by the purchaser throwing in two other inflated bids from phony bidders. Increasing the procurement exemption to \$1,000,000 will only increase the temptation for greater mischief, and impose significant losses to the state and taxpayers from fraud and criminal activity.

Extending the \$1,000,000 exemption to electronic purchases, which also do not require subcontractor listings, will encourage out-of-state contractors unfamiliar with local contracting requirements to low-ball their bids to get a job, then force subcontractors, who typically perform 80% of the work in construction projects, to cut corners on quality, safety, and worker wage laws to get the work.

Since the proposed Oversight Committee is to disband in 2014, it does not make sense to make such a dangerous, unproven, and counter-productive measure permanent before any track record of the exemptions are established. We urge any exemptions to be temporary and expire in 2014.

We strongly urge you not to raise the procurement exemptions to \$1,000,000, not to omit subcontractor listing requirements, and not to make any exemptions permanent when they are dangerous and unproven, and would hurt small businesses the most, especially when up to 40% of construction projects currently let out fall under \$250,000. Thank you for providing us with this opportunity to submit testimony.

Mahalo and aloha,

Damien Kim
Business Manager – Financial Secretary
International Brotherhood of
Electrical Workers, Local Union 1186

fukunaga2 - Ashley-Jane

From: mailinglist@capitol.hawaii.gov
Sent: Saturday, March 31, 2012 12:57 PM
To: EDTTestimony
Cc: mynaka@gmail.com
Subject: Testimony for HB2145 on 4/3/2012 9:30:00 AM

Testimony for EDT/WAM 4/3/2012 9:30:00 AM HB2145

Conference room: 211
Testifier position: Comments Only
Testifier will be present: No
Submitted by: Myron Nakata
Organization: Acutron LLC
E-mail: mynaka@gmail.com
Submitted on: 3/31/2012

Comments:

We support the intent of this bill and the intent to expedite projects by raising the small purchase provisions for the current \$250,000 to \$1,000,000. However by doing this, the subcontractor listing clause would not apply to small purchase provisions, whatever the threshold is or becomes. We ask that an amendment be added to have the subcontractor listing clause apply for all purchases over \$250,000. This subcontractor listing requirement is found in Section 103D-302(b) HRS. Just like the ingredients listed on the products you purchase, it is our opinion that this listing clause is in the best interest of the buyer and the end user, which we are a party to.

Thank you for considering our testimony and greatly appreciate a favorable response to our request.

Myron Nakata

fukunaga2 - Ashley-Jane

From: mailinglist@capitol.hawaii.gov
Sent: Thursday, March 29, 2012 6:55 PM
To: EDTTestimony
Cc: jeannine@hawaii.rr.com
Subject: Testimony for HB2145 on 4/3/2012 9:30:00 AM

Testimony for EDT/WAM 4/3/2012 9:30:00 AM HB2145

Conference room: 211
Testifier position: Oppose
Testifier will be present: No
Submitted by: Jeannine Johnson
Organization: Individual
E-mail: jeannine@hawaii.rr.com
Submitted on: 3/29/2012

Comments:

I strongly oppose HB 2145 HD2 SD1 which identifies as state policy the delineation of the key economic sectors for growth and economic diversification in Hawaii.

1. I do not support electrical interconnectivity between O'ahu and the neighbor islands. Any oceanic power cable would have to be laid in the Hawaiian Islands Humpback Whale National Marine Sanctuary whose regulations prohibit "altering of the seabed" and will impact the endangered Hawaiian monk seals, whales, dolphins and turtles. The estimated \$1 billion cost for this cable will be borne by the ratepayers of HECO which cannot afford it.
2. I do not support rail because it will not benefit two-thirds of the population on O'ahu at all. Help resolve traffic problems on O'ahu by utilizing our award winning bus system, changing the hours of the University of Hawai'i's school system, providing bus transportation to private schools, or expand vanpools or shuttle service to pick riders up at their homes, take the congestion-free HOV lanes to downtown and drop them off at their workplace. Any or all of these ideas would improve the lives for everyone on O'ahu, not just a tiny percentage of the population that might use a rail system.
3. I do not support TOD at 690 Pohukaina Street.
4. I do not support a 30-meter telescope on Mauna Kea. The summit of Mauna Kea is wahi kapu, sacred to Kanaka Maoli.
5. I do not support more use of Pu'uloa as a Naval shipyard.
6. I do not support the Army's training at Pōhakuloa on Moku o Keawe that includes live-fire military training exercises which use toxic and hazardous chemicals and materials and continues the degradation of historic and cultural sites and species. As a mother of a soldier who received excellent combat training at the Army's facility in New Jersey at Fort Dix prior to his deployment to Afghanistan, I know there is no need to continue to destroy Hawai'i's unique and fragile environment with military munitions that create environmental and human health dangers.
7. I do not support the Pacific Missile Range facility at Barking Sands, Kaua'i. The Hawaiian Islands are the "Land of Aloha" and not the "Land of Missiles, War and Destruction."

In my eight years as a community activist testifying before the Legislature, I have never seen a bill with so many undesirable and controversial projects. I am appalled that Legislators aren't even doing their jobs this year ... they're just flinging all these projects like spaghetti on the wall and seeing what sticks. Shameful!

He ali'i ka 'āina; he kauwā ke kanaka. (The land is a chief; man is its servant.)



98-055 Kamehameha Hwy, Ste C-6, Aiea, HI 96701 PH (808) 831-5050 FAX (808) 791-0279 LIC C-19800

March 30, 2012

Senator David Y. Ige, Chair
Senator Michelle N. Kidani, Vice-Chair
Senate Committee on Ways and Means

Senator Carol Fukunaga, Chair
Senator Glenn Wakai, Vice-Chair
Senate Committee on Economic Development and Technology

Chairs Ige and Fukunaga, Vice-Chairs Kidani and Wakai, and Members of the Committees:

SUBJECT: HB2145 Proposed SD1 Relating to Economic Development

My name is Patrick Miura. I am the Vice President of Elite Mechanical, Inc. and my company represents plumbers, pipefitters, fire sprinkler, HVAC service technicians and sheet metal workers

The company for which I speak submits the following comments on the proposed SD1 to HB2145.

We appreciate the efforts of this Legislature in the proposed SD1 to fund the repair, upgrade and construction of key projects in the state and believe that this funding will help to stimulate the economy and create much needed jobs for the people of Hawaii.

We are, however, concerned with the provision in this bill that increases the small purchase procurement threshold from \$250,000 to \$1,000,000, because small purchase procedures do not require the subcontractor and scope of work listing, and this raises the exposure of all subcontractors to the detrimental practice of bid shopping. We believe the current small purchase procurement threshold of \$250,000 is a more reasonable amount for small purchases because many of the projects that fall under \$250,000 are trade specific (such as air conditioning, roofing, and electrical work) and do not require more than 2 unrelated trades, therefore the absence of the sublisting on these jobs does not pose a significant problem. A four-fold increase in the threshold, however, is problematic because we enter a dollar range in which we see bigger projects with multiple crafts qualifying for small purchase procurement with no sublisting, and this is when the sub trades become targets of bid shopping. Bid shopping results in higher costs, longer delays during construction, and substandard workmanship and materials and does not reduce the costs to the agency and only serves to increase the profit of the general contractor, all at the expense of the reputable subcontractors.

If it is the desire of the legislature to increase the small purchase threshold beyond \$250,000, it should be accompanied by a provision which requires HRS 103D-302(b) subcontractor listing and scope of work on any construction project above \$250,000.

Thank you for the opportunity to offer testimony.

Respectfully yours,

A handwritten signature in black ink, appearing to be "Patrick Miura", written over a horizontal line.

Elite Mechanical, Inc.

Patrick Miura / Vice President



Sierra Club Hawai'i Chapter

PO Box 2577, Honolulu, HI 96803
808.538.6616 hawaii.chapter@sierraclub.org

SENATE COMMITTEE ON ECONOMIC DEVELOPMENT AND TECHNOLOGY SENATE COMMITTEE ON WAYS AND MEANS

April 3, 2012, 9:30 A.M.
(Testimony is 1 page long)

TESTIMONY OPPOSING HB 2145 (Proposed SD1)

Aloha Chair Fukunaga, Chair Ige, and Members of the Committees:

The Hawai'i Chapter of the Sierra Club, with 10,000 dues-paying members and supporters, opposes the proposed SD1 of HB 2145. This measure makes it the policy of the State of Hawai'i to complete several general and specific projects before the risks and problems of the project(s) are considered.

The Hawai'i State Legislature previously determined that an environmental review should be completed at the earliest possible point in the planning and decision-making process, so as to ensure that decisions impacting the community are made with the best possible information available. Such a process allows an opportunity for experts and the community to resolve potential problems at an early point and to avoid bad projects.

By declaring it to be state policy to see specific projects that are still in their infancy -- like the 690 Pohukaiana Street development or the thirty-meter telescope on Mauna Kea -- it's likely that any future decision-making process will be pre-determined. It's questionable whether officials will adequately consider such as the project's impacts on traffic, infrastructure capacity, or the interests of the community. ***Such policy making will make these projects potentially vulnerable to both state and federal challenge and standing in violation of the National Environmental Policy Act.***

Further, it is possible that such a process might be considered special legislation and, as such, unconstitutional. See *Sierra Club v. Dep't of Transp.*, No. 29035 (March 16, 2009).

The Sierra Club has no opposition, however, to broad goals like establishing enough renewable energy production to meet the goals of the Hawaii Clean Energy initiative. This is an example where the legislature can appropriately set an ambitious goal, but without dictating the specific project or how it should proceed.

Mahalo for the opportunity to testify.

fukunaga2 - Ashley-Jane

From: mailinglist@capitol.hawaii.gov
Sent: Monday, April 02, 2012 8:32 AM
To: EDTTestimony
Cc: inunyabus@gmail.com
Subject: Testimony for HB2145 on 4/3/2012 9:30:00 AM

Testimony for EDT/WAM 4/3/2012 9:30:00 AM HB2145

Conference room: 211
Testifier position: Oppose
Testifier will be present: No
Submitted by: E. Dunbar
Organization: Individual
E-mail: inunyabus@gmail.com
Submitted on: 4/2/2012

Comments:

HB2145 is vague and broad appearing to be a back door for automatic approvals.
It is also discriminatory and reeks of special interest.
Please get rid of this redundant, directionless and questionable bill.
Not all would consider the 10 projects proposed to be of the most importance especially if it entails more of the rampant and runaway development we are already trying to contend with.
It is another request to prioritize for some to the exclusion of many.
Another poorly worded and unconstitutional bill. There's no end to them in this session.
Thank you.

fukunaga2 - Ashley-Jane

From: mailinglist@capitol.hawaii.gov
Sent: Sunday, April 01, 2012 11:06 AM
To: EDTTestimony
Cc: careyahb@lava.net
Subject: Testimony for HB2145 on 4/3/2012 9:30:00 AM

Testimony for EDT/WAM 4/3/2012 9:30:00 AM HB2145

Conference room: 211
Testifier position: Oppose
Testifier will be present: No
Submitted by: Carey Tomasa
Organization: Air Balance Hawaii
E-mail: careyahb@lava.net
Submitted on: 4/1/2012

Comments:

March 31, 2012

Senator David Y. Ige, Chair

Senator Michelle N. Kidani, Vice-Chair

Senate Committee on Ways and Means

Senator Carol Fukunaga, Chair

Senator Glenn Wakai, Vice-Chair

Senate Committee on Economic Development and Technology Chairs Ige and Fukunaga, Vice-Chairs Kidani and Wakai, and Members of the Committees:

SUBJECT: HB2145 Proposed SD1 Relating to Economic Development My name is Carey Tomasa, I am the president of Air Balance Hawaii and my company represents the air conditioning construction industry.

Air Balance Hawaii for which I speak submits the following comments on the proposed SD1 to HB2145.

We appreciate the efforts of this Legislature in the proposed SD1 to fund the repair, upgrade and construction of key projects in the state and believe that this funding will help to stimulate the economy and create much needed jobs for the people of Hawaii.

We are, however, concerned with the provision in this bill that increases the small purchase procurement threshold from \$250,000 to \$1,000,000, because small purchase procedures do not require the subcontractor and scope of work listing, and this raises the exposure of all subcontractors to the detrimental practice of bid shopping. We believe the current small purchase procurement threshold of \$250,000 is a more reasonable amount for small purchases because many of the projects that fall under \$250,000 are trade specific (such as air conditioning, roofing, and electrical work) and do not require more than 2 unrelated trades, therefore the absence of the sublisting on these jobs does not pose a significant problem. A four-fold increase in the threshold, however, is problematic because we enter a dollar range in which we see bigger projects with multiple crafts qualifying for small purchase procurement with no sublisting, and this is when the sub trades become targets of bid shopping. Bid shopping results in higher costs, longer delays during construction, and substandard workmanship and materials and does not reduce the costs to the agency and only serves to increase the profit of the general contractor, all at the expense of the reputable subcontractors.

If it is the desire of the legislature to increase the small purchase threshold beyond \$250,000, it should be accompanied by a provision which requires HRS 103D-302(b) subcontractor listing and scope of work on any construction project above \$250,000.

Thank you for the opportunity to offer testimony.

Sincerely,

Carey Tomasa

fukunaga2 - Ashley-Jane

From: mailinglist@capitol.hawaii.gov
Sent: Monday, April 02, 2012 10:39 AM
To: EDTTestimony
Cc: lhoshijo-hrcc@hawaii.rr.com
Subject: Testimony for HB2145 on 4/3/2012 9:30:00 AM

Testimony for EDT/WAM 4/3/2012 9:30:00 AM HB2145

Conference room: 211
Testifier position: Support
Testifier will be present: Yes
Submitted by: carpenters union
Organization:
E-mail: lhoshijo-hrcc@hawaii.rr.com
Submitted on: 4/2/2012

Comments: