

TESTIMONY BY KALBERT K. YOUNG  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
STATE OF HAWAII  
TO THE HOUSE COMMITTEE ON FINANCE  
ON  
HOUSE BILL NO. 2745

February 14, 2012

RELATING TO PUBLIC FUNDS

House Bill No. 2745, will issue an additional \$500 million in general obligation (G.O.) bonds to fund the repair and maintenance or capital renewal and deferred maintenance projects of various departments, the University of Hawaii, the Hawaii Health Systems Corporation, and the Judiciary. This measure will also streamline the procurement process by exempting contracts of less than \$500,000 from the procurement code; providing for exemptions from County permitting, licensing and certification requirements; making certain procurement provisions permanent; and requiring the Procurement Policy Board to create an expedited procurement process for contracts resulting from appropriations made pursuant to this measure.

The Department of Budget and Finance supports the intent of this measure to provide funding for deferred maintenance and capital renewal projects to stimulate the construction industry. For the Committee's consideration, it should be noted that the issuance of \$500,000,000 in additional G.O. bonds will generate additional debt service payments beyond the amounts included in the Governor's FY 13 supplemental budget request. Hawaii Revised Statutes provides limits on the structure new debt and therefore, the Department of Budget and Finance considers debt issuance structures and long-term financial strategy with each transaction.

Areas that are considered include debt service amounts, cash needs and planning horizons, duration of debt, timing of principal repayments, interest costs, etc. There are many factors to be considered with debt issuance. In consideration of the CIP appropriations and the current supplemental budget request, the Legislature should consider appropriating a sufficient amount of fiscal funds for debt service to meet the additional presumed debt.

For general planning purposes, the Administration currently assumes all G.O. bond debt to be issued for a duration of 20 years. Also, the Administration assumes that debt will be issued with as much as a 5-year delay of principal repayment. The coupon rate for new bonds is conservatively budgeted at an assumed coupon rate of 5.25%. Based on these criteria, the department advises that the Legislature should expect that for every \$100 million in G.O. bond debt appropriated, the budget should accommodate annual debt service of approximately \$5,250,000 for years 1 through 4. However, for years 5 through 20, the annual debt service on that \$100 million will be approximately \$9,400,000.

More plainly, for \$500 million in additional G.O. bond appropriation, the annual debt service for each year through year 4 will be \$26,250,000 which assumes interest-only payments. For years 5 through 20, the annual debt service will be approximately \$47,000,000 which will include principal and interest payments.



**STATE OF HAWAII  
STATE PROCUREMENT OFFICE**

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Honolulu, Hawaii 96810-0119  
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<http://hawaii.gov/spo>

TESTIMONY  
OF  
AARON S. FUJIOKA  
ADMINISTRATOR  
STATE PROCUREMENT OFFICE

TO THE  
HOUSE COMMITTEE  
ON  
FINANCE

February 14, 2012

3:30 P.M.

HB 2745

RELATING TO PUBLIC FUNDS.

Chair Oshiro, Vice Chair Lee and committee members, thank you for the opportunity to testify on HB 2745. The State Procurement Office's (SPO) testimony is limited to PART XV, SECTIONS 28 to 34. The bill allows the authorized CIP funds be expended using an exempt expedited process for contracts less than \$500,000.

The SPO supports this bill to expedite the various repair and maintenance (R&M) projects, but recommends amendments 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 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).

HB 2745-Testimony  
House Committee on Finance  
February 14, 2012  
3:30 P.M.  
Page 2

The electronic procurement requirement is to assure all interested parties are electronically notified of the procurement and provided an equal opportunity to submit a price quotation in a transparent and open manner. The electronic procurement (e-procurement) system is utilized for issuing and responding to solicitations. Components include vendor (i.e. vendors, contractors and service providers) registration, electronic solicitation, e-mail notification to vendors, submission of electronic price quotations by vendors, and electronic (notice of) award. The e-procurement system automates the procurement system, allows for collection of comprehensive data on expenditures, reduces procurement cycle time, reduces the cost of conducting procurement and the increased competition, results in competitive pricing.

The SPO administers the Hawaii Electronic Procurement System (HePS), used by executive departments and various other jurisdictions, which was launched in 2005 in a pilot phase and by late 2006 was fully implemented. New vendors may view information, instructions and register at <http://hawaii.gov/spo>, click on *Hawaii Electronic Procurement System (HePS)*, then click to the Vendors page. Registration takes about 15 minutes to complete the process, including identifying the vendor category codes for construction related services and materials.

The SPO supports PART XV with proposed amendments in the Attachment. These amendments are the same amendments SPO supported in SB 2012, Proposed SD1. Thank you.

HB 2745  
RELATING TO PUBLIC FUNDS.  
ATTACHMENT

**PART XV**

SECTION 28. The legislature finds that the approval process for procurements can take longer than anticipated. A streamlined procurement approval process for certain projects would assist in getting projects implemented to help stimulate growth of the workforce and the State's economy. The purpose of this part is to provide an temporary expedited process for the capital improvement projects authorized under this Act, ~~provide a procurement exemption~~ for certain agencies for construction contracts that are less than ~~\$250,000~~\$1,000,000, ~~and make permanent certain procurement provisions that are set to expire.~~

SECTION 29. ~~Section 103D-102, Hawaii Revised Statutes, is amended by amending subsection (c) to read as follows:~~

~~"(c) Notwithstanding subsection (a), this chapter shall not apply to contracts made by:~~

- ~~(1) Any regional system board of the Hawaii health systems corporation;~~
- ~~(2) The Kaho'olawe island reserve commission, except as provided by section 6K-4.5; [or]~~
- ~~(3) The department of education, University of Hawaii,  
department of accounting and general services,~~

~~department of agriculture, department of defense,  
department of health, Hawaii health systems  
corporation as a body corporate and politic,  
department of human services, department of land and  
natural resources, department of public safety, and  
judiciary, for contracts that are less than \$500,000,  
and~~

~~— [[(3)]] — (4) Except with respect to sections 103D-110,  
103D-304 with respect to design professional services  
furnished by licensees under chapter 464, 103D-324,  
103D-707, and 103D-1002, the university or the board  
of regents of the university."~~

Notwithstanding sections 103D-305 and 103D-701, Hawaii Revised Statutes, to the contrary, procurements for construction, goods, or services for the capital improvement projects authorized by this Act shall be made pursuant to section 103D-305, Hawaii Revised Statutes, including the performance and payment bond requirements thereunder; provided that:

- (1) Each procurement for construction shall be less than \$1,000,000;
- (2) Each procurement for goods or services shall be less than \$1,000,000;
- (3) Procurements of less than \$1,000,000 shall be conducted through an electronic system; and

(4) Section 103D-701, Hawaii Revised Statutes, shall not apply to procurements of less than \$1,000,000.

SECTION 30. ~~Section 103D-305, Hawaii Revised Statutes, is amended by amending subsection (c) to read as follows:~~

~~"(c) Procurements of \$25,000 to less than [\$100,000] \$250,000 shall be made in accordance with small purchase procedures; [provided that small purchase procurements through an electronic system shall be required after the policy board has adopted rules for electronic procurement and provided training to the affected agency]."~~

SECTION 31. ~~Act 82, Session Laws of Hawaii 2010, is amended by amending section 8 to read as follows:~~

~~"SECTION 8. This Act shall take effect on July 1, 2010; provided that on July 1, 2012, sections 1 and 4 of this Act shall be repealed [and sections 103D-102(c) and 304A-105(b), Hawaii Revised Statutes, shall be reenacted in the form in which they read on the day prior to the effective date of this Act]."~~

SECTION 32. ~~Act 159, Session Laws of Hawaii 2010, is amended by amending section 4 to read as follows:~~

~~"SECTION 4. This Act shall take effect on July 1, 2010[, provided that the amendment made to section 103D-102(c), Hawaii Revised Statutes, by this Act shall not be repealed when section 103D-102, Hawaii Revised Statutes, is reenacted on July 1, 2012, by section 14 of Act 175, Session Laws of Hawaii 2009; provided~~

~~further that this Act shall be repealed on July 1, 2013; and provided further that, on July 1, 2013, section 103D-102, Hawaii Revised Statutes, shall be reenacted in the form in which it read on the day before the effective date of Act 175, Session Laws of Hawaii 2009]."~~

~~SECTION 33. Act 175, Session Laws of Hawaii 2009, as amended by Act 107, Session Laws of Hawaii 2010, is amended by amending section 14 to read as follows:~~

~~"SECTION 14. This Act shall take effect on July 1, 2009; provided that[:~~

~~(1) Part I shall be repealed on July 1, 2012, and sections 103D-102 and 103D-305, Hawaii Revised Statutes, shall be reenacted in the form in which they read on the day before the effective date of this Act; and~~

~~(2) Sections] sections 7, 9, and 10 of this Act shall be repealed on July 1, 2011, and sections 103D-709, 103D-710(e), and 103D-710(e), Hawaii Revised Statutes, shall be reenacted in the form in which they read on the day before the effective date of this Act."~~

~~SECTION 34. (a) The procurement policy board shall establish an accelerated procurement process to be used for the expenditure of funds appropriated pursuant to this Act.~~

~~(b) The procurement policy board shall establish specific provisions relating to the protest of solicitations and awards~~



~~made pursuant to this Act. Provisions shall include strict requirements for when a protest is permissible, a requirement that the party protesting an award or solicitation post a bond, and an expedited process for resolving protests.~~

~~(c) The procurement policy board shall be exempt from the requirements of chapter 91, Hawaii Revised Statutes, in meeting the requirements of this section.~~

~~SECTION 35. Capital improvement projects authorized pursuant to this Act shall be exempt from all county permit, license, and certificate requirements; provided that the capital improvement projects shall meet all other applicable county code requirements.~~

**Date:** 02/14/2012

**Committee:** House Finance

**Department:** Education

**Person Testifying:** Kathryn S. Matayoshi, Superintendent of Education

**Title of Bill:** HB 2745 RELATING TO PUBLIC FUNDS

**Purpose of Bill:** 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. Exempts contracts of less than \$500,000 entered into by the department of education, University of Hawaii, department of accounting and general services, department of agriculture, department of defense, department of health, Hawaii health systems corporation as a body corporate and politic, department of human services, department of land and natural resources, department of public safety, and judiciary from the procurement code. Provides for exemptions from county permitting, licensing, and certification requirements. Makes certain procurement provisions permanent. Requires the procurement policy board to create an expedited procurement process for contracts resulting from appropriations made pursuant to this Act.

**Department's Position:**

The Department of Education strongly supports this bill. This additional funding will enable the DOE to make significant reductions to the repair and maintenance backlog, which currently stands at \$382 million. The primary objective of this measure is to stimulate direct and indirect job creation in the construction industry, focusing on ensuring well maintained state facilities and infrastructure. The Department supports any measure that will facilitate increased funding in the CIP area. However to be more aligned with the legislative intent of this measure, the Department would request that amendments be made to Part XV, Sections 28 - 30, to clarify that the exemptions provided are clearly limited to capital improvement projects. The Department would want to retain the added flexibility of utilizing small purchase rules for projects using electronic procurement as this will allow the DOE to expedite projects, where appropriate, to get as many projects bid out as soon as possible. Since September 2008, the DOE

has been using the Hawaii Electronic Procurement System (HePS) for construction projects; first up to \$100,000, then up to the current limit of \$250,000. During that time, the DOE has issued 1,121 projects worth more than \$37 million using HePS. These projects included work in all school districts. The DOE's experience with HePS has been a positive one and we feel confident that, given this new flexibility, we will be able to expedite even more projects.

Thank you for the opportunity to testify on this bill.

NEIL ABERCROMBIE  
GOVERNOR



DEAN H. SEKI  
Acting Comptroller

JAN S. GOUVEIA  
Deputy Comptroller

STATE OF HAWAII  
DEPARTMENT OF ACCOUNTING  
AND GENERAL SERVICES  
P.O. BOX 119  
HONOLULU, HAWAII 96810-0119

TESTIMONY  
OF  
DEAN H. SEKI, ACTING COMPTROLLER  
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES  
TO THE  
HOUSE COMMITTEE  
ON  
FINANCE  
ON  
February 14, 2012

H.B. 2745

RELATING TO PUBLIC FUNDS

Chair Oshiro and members of the Committee, thank you for the opportunity to testify on H.B. 2745.

The Department of Accounting and General Services (DAGS) supports H.B. 2745.

To help expedite the implementation of this bill, we request that language be included to identify DAGS as the expending agency for agencies that will use DAGS to implement their planning, design, construction, and equipment projects. For agencies that will only use DAGS for a portion of the total appropriation, we request that DAGS be the expending agency for the portion that will be implemented by DAGS.

Thank you for the opportunity to testify on this matter.



*The Judiciary, State of Hawaii*

**Testimony to the House Committee on Finance**

Representative Marcus R. Oshiro, Chair  
Representative Marilyn B. Lee, Vice Chair

Tuesday, February 14, 2012, 3:30 p.m.  
State Capitol, Conference Room 308

by

Tom Mick

Policy and Planning Department Director

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**Bill No. and Title:** House Bill No. 2745, Relating to Public Funds.

**Purpose:** 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. Exempts contracts of less than \$500,000 entered into by the department of education, University of Hawaii, department of accounting and general services, department of agriculture, department of defense, department of health, Hawaii health systems corporation as a body corporate and politic, department of human services, department of land and natural resources, department of public safety, and judiciary from the procurement code. Provides for exemptions from county permitting, licensing, and certification requirements. Makes certain procurement provisions permanent. Requires the procurement policy board to create an expedited procurement process for contracts resulting from appropriations made pursuant to this Act.

**Judiciary's Position:**

The Judiciary is in strong support of Part XIV of House Bill No. 2745, which would appropriate funds to reduce the backlog of repair and maintenance projects in the Judiciary, using energy efficient materials and sustainable and renewable energy strategies, as much as possible, to lessen energy consumption. We also concur with House Bill No. 2745's express aim of stimulating the economy and creating jobs by increasing construction activity and focusing on repair and maintenance projects.

Thank you for 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 HOUSE COMMITTEE ON FINANCE  
TUESDAY, FEBRUARY 14, 2012  
3:30 PM

HOUSE BILL NO. 2745  
RELATING TO PUBLIC FUNDS

Chairperson Oshiro and Members of the Committee:

Thank you for this opportunity to provide testimony on House Bill No. 2745. 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.



NEIL ABERCROMBIE  
GOVERNOR OF HAWAII



**STATE OF HAWAII**  
**DEPARTMENT OF LAND AND NATURAL RESOURCES**  
POST OFFICE BOX 621  
HONOLULU, HAWAII 96809

**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

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

**Before the House Committee on**  
**FINANCE**

**Wednesday, February 14, 2012**  
**3:00 P.M.**  
**State Capitol, Conference Room 308**

**In consideration of**  
**HOUSE BILL 2745**  
**RELATING TO PUBLIC FUNDS**

House Bill 2745 issues unspecified amounts of general obligation bonds to fund the repair and maintenance or capital renewal and deferred maintenance projects of various agencies and departments, including the Department of Land and Natural Resources (Department); exempts contracts of less than \$500,000 entered by various agencies and departments, including the Department, from the procurement code; provides for exemptions for county permitting, licensing, and certification requirements; makes certain procurement provisions permanent; and requires the Procurement Policy Board to create an expedited procurement process for contracts resulting from appropriations made pursuant to this measure. The Department supports the intent of this measure which would fund and expedite the implementation of projects to address its significant backlog of repair, maintenance and capital improvement work while also creating jobs to improve the economy; however, the Department has concerns regarding the cost implications it may have on the Administration's Executive Supplemental Budget request.

Should this measure advance, the Department would like to express a preference for the current Senate version of this measure, Senate Bill 2012 Proposed Senate Draft 1, which better clarifies proposed exemptions and specifies higher procurement thresholds.

The Department notes that while expediting projects, protection of our natural and cultural resources and the environment should be maintained.

Thank you for the opportunity to comment.



ABERCROMBIE  
GOVERNOR

RICHARD BURNS  
STATE LIBRARIAN

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

**House Committee on Finance  
Tuesday, February 14, 2012  
State Capitol, Room 308**

**HB 2745 - Relating to the Public Funds**

The Hawaii State Public Library System (HSPLS) strongly supports HB 2745.

This bill focuses on repair and maintenance projects as well as those projects that address health and safety concerns for all State agencies. "In contemplating capital improvement projects, the legislature finds that a main focus should include repair and maintenance projects as well as those projects that address health and safety concerns. This 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 provided statewide and include efforts to eliminate current repairs and maintenance backlogs." We could not agree more wholeheartedly on all these points. Our public library system's whole existence relies primarily on providing public facilities that are safe, comfortable and 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 strategies for the remainder of our public libraries.

One correction to HB2745 on page 5 line 18: "The sum appropriated shall be expended by the department of education (DOE) for the purpose of this part." The Department of Accounting and General Services (DAGS), not the DOE, is the expending agency for all HSPLS CIP construction projects as well as contract administrator. Any and all funds for HSPLS CIP projects should be expended through DAGS and not the DOE.

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



# UNIVERSITY OF HAWAI'I SYSTEM

## Legislative Testimony

Testimony Presented Before the  
 House Committee on Finance  
 February 14, 2012 at 3:30 PM  
 by  
 M.R.C. Greenwood  
 President, University of Hawai'i

### HB 2745 – RELATING TO PUBLIC FUNDS

Chair Oshiro, Vice Chair Lee, and Members of the House Committee on Finance:

Thank you for the opportunity to testify in support of this measure.

HB 2745 proposes the issuance and appropriation of general obligation bonds to address repair and maintenance, capital renewal, and the reduction of deferred maintenance for various State departments, including the University. HB 2745 also proposes changes to the State procurement processes.

We are grateful for considering such a measure to create jobs to restore our economy and rebuild our infrastructure. As you know, our needs are sizeable and a detailed priority list of renovation, capital renewal, and backlog of maintenance projects, as well as projects benefiting Mānoa Athletic Programs was provided to the Committee last week. Below is a summary of the information provided:

| Campus                         | Type of Work                             | Total              | Shovel Ready Total |
|--------------------------------|--|--------------------|--------------------|
| University of Hawai'i at Mānoa | Renovation, Capital Renewal, and Backlog | 130,800,000        | 115,800,000        |
|                                | Athletics CIP Projects                   | 12,500,000         | 0                  |
|                                | University of Hawai'i at Mānoa Total     | 143,300,000        | 115,800,000        |
| University of Hawai'i at Hilo  | Renovation, Capital Renewal, and Backlog | 36,531,000         | 20,250,000         |
|                                | University of Hawai'i at Hilo Total      | 36,531,000         | 20,250,000         |
| Community Colleges             | Hawai'i Community College                | 9,242,000          | 2,195,000          |
|                                | Honolulu Community College               | 17,763,000         | 4,906,000          |
|                                | Kapi'olani Community College             | 8,294,000          | 3,973,000          |
|                                | Kaua'i Community College                 | 1,743,000          | 1,448,000          |
|                                | Leeward Community College                | 17,556,000         | 4,654,000          |
|                                | Maui College                             | 7,966,000          | 6,036,000          |
|                                | Windward Community College               | 4,132,000          | 1,940,000          |
|                                | Community College Total                  | 66,696,000         | 25,152,000         |
| <b>Systemwide Total</b>        |  | <b>246,527,000</b> | <b>161,202,000</b> |

The total listing for high priority renovation, capital renewal, and reduction of backlogged maintenance projects is \$246.527 million, of which \$161.202 million are "shovel ready".

We realize that our needs are many, and that there are limited resources for other competing needs. HB 2745 has the potential to positively impact the physical environment at all of our campuses, which will benefit the entire University of Hawai'i community and the state.

In addition, the University supports those provisions in this measure which would streamline the procurement process and make permanent the exemption from the requirements of the Hawai'i Public Procurement Code (Chapter 103D, HRS) which was previously provided to the University by Act 82, Session Laws of Hawai'i 2010, and which is scheduled to expire on July 1, 2012.

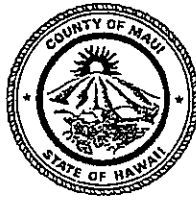
Act 82 has enabled the University to implement revisions to procurement procedures to accelerate the acquisition of goods, services, and construction while still obtaining best value and maintaining transparency and fairness in the procurement process. Specifically with respect to construction, I appointed a Task Group consisting of representatives from other governmental agencies and from the construction and engineering industry to assist the University in developing qualification-based construction procurement procedures. The Board of Regents approved these Task Group recommended construction procedures at its meeting of September 16, 2010. The University then conducted numerous orientations with the major construction related organizations statewide regarding these new procedures.

UH has initiated and/or completed the procurement of construction services under these new qualification-based construction procedures for several major projects, such as the construction of the Hawaiian Language Building, College of Pharmacy, and Student Housing at UH Hilo, the renovation of Snyder Hall and Edmondson Hall at UH Mānoa, and the construction of the new Information Technology Building at UH Mānoa. The University has found that the pre-qualification of interested general contractors for these projects has been of tremendous value in assuring high quality construction, and the resulting contract prices have been generally lower than the original construction cost estimates.

Furthermore, through the selection of better qualified general contractors, the University has experienced an acceleration of the on-site construction process resulting in the overall shortening of the completion time for the projects. While accelerating the procurement process and obtaining low cost are important factors, obtaining the best value while maintaining fairness and transparency in the processes is the University's ultimate goal. For example, upon awarding of each of the projects procured under this new process, debriefing sessions have been provided to general contractors whenever requested. This has been very beneficial for the University in finding ways to continue to improve the procurement process and for the general contractors to better prepare for future projects.

Thank you for the opportunity to testify on this measure.

ALAN M. ARAKAWA  
MAYOR



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Wailuku, Hawai'i 96793-2155  
Telephone (808) 270-7855  
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e-mail: mayors.office@mauicounty.gov

**OFFICE OF THE MAYOR**

Ke'ena O Ka Meia  
COUNTY OF MAUI – Kalana O Maui

TO: The Honorable Marcus R. Oshiro, Chair  
The Honorable Marilyn B. Lee, Vice Chair  
Honorable Members of the Committee on Finance

FROM: Alan Arakawa, Mayor *CA*  
County of Maui

HEARING: February 14, 2012  
Conference Room 308

SUBJECT: **TESTIMONY OF MAUI COUNTY MAYOR ALAN ARAKAWA IN  
STRONG SUPPORT OF HB2745, RELATING TO PUBLIC FUNDS**

Thank you for this opportunity to testify and strongly support of **HB2745** relating to Public Funds.

My administration understands that the State of Hawaii continues to suffer from the global economic recession. In Maui County, our residents in the construction industry continue to suffer and are in immediate need of direct and indirect job creation.

1. We strongly support the stated primary objective to immediately stimulate direct and indirect job creation for those of our local construction industry, including employment for painters, roofers, electricians, carpenters, architects, engineers, and other consultants to generate more personal income growth.
2. We strongly support the priority to develop sustainable and renewable energy resources.
3. As stated in the bill, these will be carried out by issuing general obligation bonds to fund the repair and maintenance or capital renewal and deferred maintenance projects of various departments, the University of Hawaii, the Hawaii health systems corporation, and the judiciary and to streamline the procurement process. Funding would be provided statewide, and accordingly will benefit the County of Maui.

As Mayor of Maui County, I support the stated objective and purpose of this Act, and am committed to working in partnership with the State to help stimulate job creation for our local construction industry.

For these reasons, my administration and I strongly support HB2745.

Council Chair  
Danny A. Mateo

Vice-Chair  
Joseph Pontanilla

Council Members  
Gladys C. Baisa  
Robert Carroll  
Eile Cochran  
Donald G. Couch, Jr.  
G. Riki Hokama  
Michael P. Victorino  
Mike White



Director of Council Services  
Ken Fukuoka

**COUNTY COUNCIL**  
COUNTY OF MAUI  
200 S. HIGH STREET  
WAILUKU, MAUI, HAWAII 96793  
[www.mauicounty.gov/council](http://www.mauicounty.gov/council)

February 13, 2012

TO: The Honorable Marcus R. Oshiro, Chair  
House Committee on Finance

FROM: Danny A. Mateo  
Council Chair

SUBJECT: **HEARING OF FEBRUARY 14, 2012; TESTIMONY IN SUPPORT OF HB 2745,  
RELATING TO PUBLIC FUNDS**

Thank you for the opportunity to testify in support of this important measure. The purpose of this measure is to issue general obligation bonds to fund the repair and maintenance of capital renewal and deferred maintenance projects in various departments, the University of Hawaii, Hawaii Health Systems Corporation, and the Judiciary.

The Maui County Council has not had the opportunity to take a formal position on this measure. Therefore, I am providing this testimony in my capacity as an individual member of the Maui County Council.

I support this measure for the following reasons:

1. I am in support of the stated primary economic objective of the legislature this session, namely, to immediately stimulate direct and indirect job creation. Maui County painters, roofers, electricians, carpenters, architects, engineers, and other consultants stand to generate more personal income growth through this measure.
2. I also support the legislative priority to develop sustainable and renewable energy resources such as photovoltaic technology, as well as initiatives to improve upon efficient energy consumption. Expenditure of public funds for this initiative will assist the various departments and institutions to install such energy resources with associated energy savings.
3. I anticipate that this measure will provide funding for capital improvements that will benefit the County of Maui generally, such as Maui Memorial Medical Center, the University of Hawaii, Maui Campus, and various other library and school projects. Our County is in need of such improvements, many of which have been on the books for a number of years. I encourage the State Legislature to work with State departments and agencies to include these projects as shovel and permit ready projects are identified.

For the foregoing reasons, I support this measure.

Council Chair  
Danny A. Mateo

Director of Council Services  
Ken Fukuoka



Vice-Chair  
Joseph Pontanilla

Council Members  
Gladys C. Baisa  
Robert Carroll  
Elle Cochran  
Donald G. Couch, Jr.  
G. Riki Hokama  
Michael P. Victorino  
Mike White

**COUNTY COUNCIL**  
COUNTY OF MAUI  
200 S. HIGH STREET  
WAILUKU, MAUI, HAWAII 96793  
[www.maui-county.gov/council](http://www.maui-county.gov/council)

February 14, 2012

TO: Honorable Marcus R. Oshiro, Chair  
House Committee on Finance

FROM: Joseph Pontanilla, Council Vice- Chair

A handwritten signature in black ink, appearing to read "J. Pontanilla", is written over the printed name of Joseph Pontanilla.

DATE: Tuesday February 14, 2012

SUBJECT: **SUPPORT OF HB 2745, RELATING TO PUBLIC FUNDS**

Thank you for the opportunity to testify in support of this measure. I provide this testimony as an individual member of the Maui County Council.

I **support HB 2745** for the reasons cited in testimony submitted by Maui County Council Chair Danny A. Mateo and urge you to support this measure.

12:02:14:kbm/JP: HB 2745

Council Chair  
Danny A. Mateo

Vice-Chair  
Joseph Pontanilla

Council Members  
Gladys C. Baisa  
Robert Carroll  
Elle Cochran  
Donald G. Couch, Jr.  
G. Riki Hokama  
Michael P. Victorino  
Mike White



Director of Council Services  
Ken Fukuoka

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[www.maui-county.gov/council](http://www.maui-county.gov/council)

February 14, 2012

TO: Honorable Marcus R. Oshiro, Chair  
House Committee on Finance

FROM: Robert Carroll  
Council Member, East Maui

A handwritten signature in black ink that reads "Robert Carroll".

SUBJECT: **HEARING OF FEBRUARY 14, 2012; TESTIMONY IN SUPPORT OF HB 2745 ,  
RELATING TO PUBLIC FUNDS**

I support HB 2745 for the reasons cited in testimony submitted by the Maui County Council Chair, Danny Mateo and urge you to pass this measure.



**HAWAII HEALTH SYSTEMS**  
C O R P O R A T I O N

*"Touching Lives Everyday"*

**House Committee on Finance  
Representative Marcus R. Oshiro, Chair  
Representative Marilyn B. Lee, Vice Chair**

Tuesday, February 14, 2012  
Conference Room 308, 3:30 p.m.  
Hawaii State Capitol

**Testimony Strongly Supporting House Bill 2745, Relating to Public Funds 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. Exempts contracts of less than \$500,000 entered into by the department of education, University of Hawaii, department of accounting and general services, department of agriculture, department of defense, department of health, Hawaii health systems corporation as a body and politic, department of public safety, and judiciary from the procurement code. Provides for exemptions from county permitting, licensing, and certification requirements. Makes certain procurement provisions permanent. Requires the procurement policy board to create an expedited procurement process for contracts resulting from appropriations made pursuant to this Act.**

Bruce S. Anderson, Ph.D.  
President and Chief Executive Officer  
Hawaii Health Systems Corporation

The Hawaii Health Systems Corporation (HHSC) strongly supports HB 2745 that issues general obligation bonds to fund the repair and maintenance or capital renewal and deferred maintenance projects of various departments, including HHSC.

When HHSC was established in 1996, the Corporation inherited antiquated facilities (some which were established over 80 years ago) with significant health, safety, and maintenance issues that hampered the facilities' ability to provide quality patient care. With the on-going support of the Legislature, HHSC has been successful in reducing its backlog of health and safety and deferred maintenance projects; however, a significant backlog of deferred maintenance still exists. In order for HHSC to continue its mission to provide accessible, high quality, cost-effective services that address the healthcare needs of Hawaii's unique island communities, this backlog of deferred maintenance must be addressed. As requested by this Committee, HHSC has provided Committee



staff with a prioritized listing of projects totaling \$75,000,000 that fit the criteria in this legislation. The funding proposed in this bill would help provide badly-needed capital to HHSC and stimulate the construction industry across all islands in the State of Hawaii. HHSC commends this Committee for its commitment to address the aging infrastructure that many state agencies face, and for its foresight in reducing the administrative burden normally associated with processing these types of projects.

Thank you for the opportunity to testify in support of this measure.

Testimony by  
Al Lardizabal, Government Relations  
Hawaii Laborers' Union, Local 368

In STRONG SUPPORT of

HB2745  
Relating to Public Funds

To the Committee on Finance  
Tuesday, February 14, 2012  
3:30 p.m., Room 308  
State Capitol

Representative Marcus Oshiro, Chair, Representative Marilyn Lee, Vice Chair and  
Members of the Committee on Finance:

The Hawaii Laborers' Union appreciates the bold action by the House of Representatives to tackle the serious problems of Hawaii's economic recovery through the introduction of HB2745 that provides for the issuance of \$500,000,000 in general obligation bonds for the repair and maintenance or capital renewal and deferred maintenance projects of certain state agencies.

The construction industry, we believe, is the only major sector in our economy that has not recovered from the recession. All other sectors seem to have some positive gains especially in the visitor industry. The Hawaii Laborers' Union is affected by a 20% unemployment rate today. I believe that other construction trades are also in a similar situation with many of their members unemployed for many, many months and at times, over one to two years. The low funding status of the state unemployment insurance fund is testimony to the unemployment in Hawaii.

HB2745 is badly needed. It is important that the state invest in "pump priming" the economy in the absence of major capital infusion into the state from the private sector for construction. We believe this is because of the long and unpredictable land use, zoning and permitting processes together with uncertainty of the national economy. Investors want some level of predictability for development and construction projects.

We are mindful that funding alone will not expedite the entire process for planning, designing, procuring and constructing capital projects. Thus, we appreciate the provision of the bill to direct the procurement policy board to establish an accelerated procurement process to be used for the expenditure of funds appropriated pursuant to this act.

Thank you for the opportunity to submit this testimony.

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# **BIA-HAWAII**

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**BUILDING INDUSTRY ASSOCIATION**

**Testimony to the House Committee on Finance**

Tuesday, February 14, 2012

3:30 p.m.

Capitol Room 308

**RE: S.B. 2745, Relating to Public Funds**

Good morning Chair Oshiro, Vice-Chair Lee, and members of the Committee:

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 **supports H.B. No. 2745**, which proposes to 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. It also will exempt contracts of less than \$500,000 entered into by the department of education, University of Hawaii, department of accounting and general services, department of agriculture, department of defense, department of health, Hawaii health systems corporation as a body corporate and politic, department of human services, department of land and natural resources, department of public safety, and judiciary from the procurement code. It will provide for exemptions from county permitting, licensing, and certification requirements. Finally, it will require the procurement policy board to create an expedited procurement process for contracts resulting from appropriations made pursuant to this Act.

The purpose of this Act is to issue \$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, the Hawaii health systems corporation, and the judiciary and to streamline the procurement process.

We fully support the efforts of the Legislature to assist with the implementation of CIP funded projects in order to help stabilize the economy. BIA-Hawaii recommends that the contract amount that would be exempt from the procurement code be amended to "less than \$1,000,000."

Furthermore, we respectfully suggest that additional language be added to the bill that will allow agencies to 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."

Rep. Oshiro, Chair  
Committee on Finance  
February 14, 2012  
H.B. 2745  
BIA-Hawaii testimony

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.

For the foregoing reasons, BIA-Hawaii **strongly supports H.B. 2745.**

Thank you for the opportunity to testify.

The Pacific Resource  
**PARTNERSHIP**



Testimony of John White  
Executive Director  
The Pacific Resource Partnership

House Committee on Finance  
Representative Marcus R. Oshiro, Chair  
Representative Marilyn B. Lee, Vice Chair

HB 2745 – Relating to Public Funds  
Tuesday, February 14, 2012  
3:30 pm  
Conference Room 308

Aloha Chair Oshiro, Vice Chair Lee and Members of the Committee:

My name is John White, Executive Director of The Pacific Resource Partnership (PRP), a labor-management consortium representing over 240 signatory contractors and the Hawaii Regional Council of Carpenters.

PRP supports HB 2745 because it recognizes two tremendous needs in our state and creates a mechanism for satisfying both.

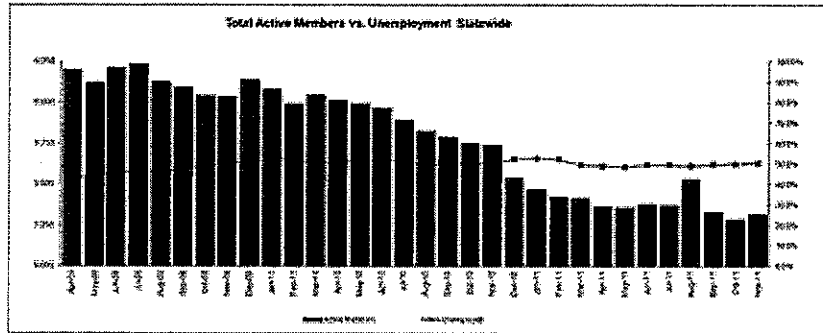
First, there is a massive backlog of repair and maintenance, capital renewal and deferred maintenance projects across the state. Much of our state's infrastructure is underfunded, aging, and growing increasingly inadequate to serve the needs of our families. Furthermore, the situation undermines the private sector's competitiveness.

Second, our economy is slowly recovering, but many unemployed construction workers in Hawai'i 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 the visitor industry, it continues to suffer. Statewide, 50 percent of the active members of the Hawaii Regional Council of Carpenters are unemployed.



## 50% of Carpenters Unemployed



Hawaii Regional Council of Carpenters unemployment data as of December 2011

The Neighbor Islands have been especially hard hit. On Kaua'i and Maui, unemployment is over 50 percent. In Hilo, 58 percent are unemployed, and in Kona, a staggering 85 percent are unemployed. These families are suffering, and the social consequences are dire.



## Neighbor Islands Hardest Hit

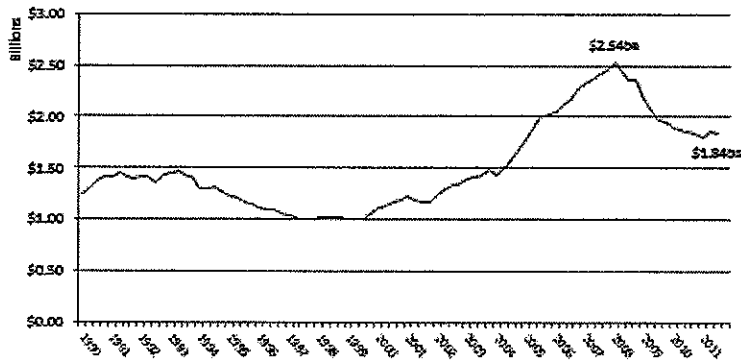
| Hawaii Regional Council of Carpenters<br>Unemployed Members as of December 2011 |                                      |
|---|--------------------------------------|
| Location  | Percent of Active Members Unemployed |
| O'ahu   | 47%                                  |
| Hilo  | 58%                                  |
| Kona  | 85%                                  |
| Maui  | 54%                                  |
| Kaua'i  | 54%                                  |

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. One way to understand this is by looking at the overall contribution construction-industry wages make to the state's economy. Since the 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.



## Lost \$700 Million in Industry Wages

Wages Paid by Hawai'i Construction Industry, 1990-2011

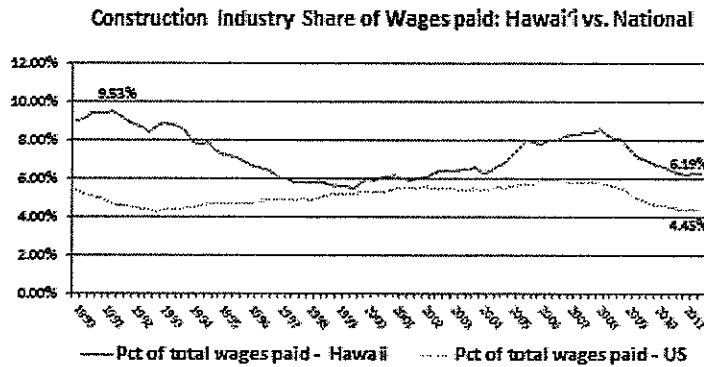


Source: Bureau of Economic Analysis

The good news is this: If we are able to kick-start the construction industry's recovery, we will have a greater impact on the overall economy than we would if the state invested in other areas. Our data show that the construction industry's share of wages paid account for more of the state's total wages paid than they do nationally. The investment proposed in HB 2745 will propel both the construction industry and the state's economy forward.



### Construction Investment Has Greater Impact in Hawai'i



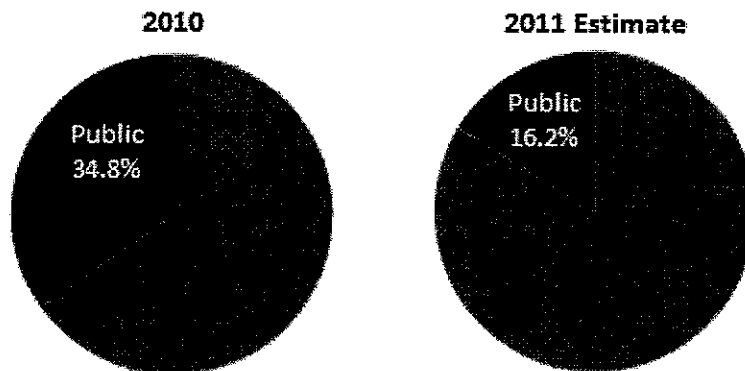
Sources: Bureau of Economic Analysis and PRP

3

HB 2745 comes at an important time. With ARRA funding and large-scale military construction projects coming to an end, CIP funding will play an even more important role in getting people back to work.



### Government Contract Share of Total Construction Authorizations



Sources: DBEDT and PRP

4



Public spending on much needed repair and maintenance projects can provide stability to the construction industry while fulfilling a core function of state government. Whether now or later, aging public schools and other public structures must be repaired. In many cases, pushing needed repairs into the future would needlessly increase costs as more heavily damaged buildings cost more to repair than those only in need of minor repairs.



The Pacific Resource Partnership

## **HB 2745 Offers Solution**

- Repair and maintenance of our infrastructure is a core function of state government
- Increased investment in infrastructure will create much-needed jobs
- Paychecks will:
  - Ease economic hardship
  - Be spent quickly and locally
  - Boost local economies across the state

We know that well-designed infrastructure investments have long-term economic benefits. Increased investment in infrastructure will create much-needed jobs and put more money into the pockets of Hawai'i residents. These paychecks will ease economic hardship and likely be spent quickly and locally, thereby boosting local economies across the state. HB 2745 makes this future possible.

For these reasons we respectfully ask for your support on HB 2745.

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



**Testimony to the House Finance Committee**  
**Tuesday, February 14, 2012**  
**3:30 p.m.**  
**Conference Room 308**

**RE: Relating to Public Funds – House Bill 2745**

Chair Oshiro, Vice Chair Lee, and Members of the Committee:

My name is Gary Kai and I am the Executive Director of the Hawaii Business Roundtable. The Hawaii Business Roundtable supports HB 2745 that provides for the issuance of \$500,000,000 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 bill also provides for exemptions from county permitting, licensing, and certification requirements. While as a general rule the Roundtable supports steps to make the permitting and processing more efficient, we recommend that the counties be engaged in the process to insure compliance with safety and soundness regulations. We would also urge that private projects be afforded the opportunity to be able to take advantage of the same processing efficiencies being considered for State projects.

The just completed People's Pulse survey, conducted by the OmniTrak Group, showed that the top concern of our residents is Hawaii's economy. The state consumer confidence, a key barometer of residents overall outlook, remains at a level well below the levels pre-recession. The more worrisome indicator is that residents now think that the recovery in Hawaii will take almost 3 years to occur.

Having the State take a lead role in moving the economy forward is of great importance. The added benefit of being able to take advantage of an environment of historically low interest rates should not be overlooked. We believe that this bill and the resultant boost to construction will help to buoy consumer and business confidence in our economy and will provide real jobs at a time when they are so greatly needed.

Our members are prepared to be a part of, and support the vision created by this bill to get Hawaii back to work.

Thank you very much for the opportunity to testify.

Gary K. Kai, Executive Director  
Hawaii Business Roundtable

1065 Ahua Street  
Honolulu, HI 96819  
Phone: 808-833-1681 FAX: 839-4167  
Email: [info@gcahawaii.org](mailto:info@gcahawaii.org)  
Website: [www.gcahawaii.org](http://www.gcahawaii.org)



# GCA of Hawaii

GENERAL CONTRACTORS ASSOCIATION OF HAWAII

Quality People. Quality Projects.

Uploaded via Capitol Website

February 14, 2012

TO: THE HONORABLE REPRESENTATIVES MARCUS OSHIRO, MARILYN LEE, VICE CHAIR AND MEMBERS OF THE HOUSE COMMITTEE ON FINANCE

SUBJECT: **STRONG SUPPORT OF H.B. 2745, RELATING TO PUBLIC FUNDS.**  
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. Exempts contracts of less than \$500,000 entered into by the department of education, University of Hawaii, department of accounting and general services, department of agriculture, department of defense, department of health, Hawaii health systems corporation as a body corporate and politic, department of human services, department of land and natural resources, department of public safety, and judiciary from the procurement code. Provides for exemptions from county permitting, licensing, and certification requirements. Makes certain procurement provisions permanent. Requires the procurement policy board to create an expedited procurement process for contracts resulting from appropriations made pursuant to this Act.

#### HEARING

DATE: Tuesday, February 14, 2012  
TIME: 3:30 p.m.  
PLACE: Conference Room 308

Dear Chair Oshiro, Vice Chair Lee 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 80<sup>th</sup> anniversary this year; GCA remains the largest construction association in the State of Hawaii. GCA is in **strong support** of H.B. 2745 , Relating to Public Funds.

This bill would 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.

GCA applauds the legislature's initiative for the introduction of this measure which 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 this measure will have a positive rippling effect in regards to jobs among other related industries and the overall economy in generating tax revenue.

GCA supports the enactment of H.B. 2745 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.

We respectfully urge you to pass H.B. 2745.

Thank you for the opportunity to present our views on this bill.

February 13, 2012

The Honorable Representative Marcus Oshiro  
House Committee on Finance  
Hawai'i State Capitol

RE: Testimony opposing HB2745 relating to Public Funds

Aloha Chair Oshiro and Committee Members:

The proposal exempts from all county permits, licenses and certificate requirements the capital improvement projects authorized under this act; provided that the capital improvement projects shall meet all federal, state, and other applicable county code requirements.

While we agree that HB2745 would be beneficial to the state in numerous ways, including positive economic benefits, there is no acceptable rationale for exempting the projects authorized under the act from county approvals.

In some cases this might mean county regulations designed to protect life and property such as electrical and building codes. It could mean an exemption from the Special Management Area permit system. The SMA system has been a proven catalyst for protecting, restoring and responsibly developing Hawaii's coastal communities and resources. It is the cornerstone of Hawaii's Coastal Zone Management program.

The potential impacts of government projects are no different from the potential impacts of any other type of development. Electrical wiring not installed to meet county codes is just as dangerous in a government repair and maintenance project as it is in a home project. In both cases no corners should be cut. The same is true for projects that might trigger the SMA process. All government projects should meet the same standards as private projects for the benefit of the Hawaii's people and environment, even if approval takes a little longer.

In addition to these specific issues HB2745 is an assault on home rule and strips the counties of regulatory authority. We are often told that statewide legislation isn't appropriate because legislators shouldn't be telling the counties how to run their business. County permits are county business. Not the business of the state legislature.

We believe there is another approach. We suggest urging or even directing the counties to adopt a streamlined approval process for county permits that allows projects authorized under this act to move to the head of the line and receive priority consideration. This should be helpful in speeding up approvals for most of the work while protecting Hawaii.

On behalf of the members of The Outdoor Circle, please amend or hold this bill.

Respectfully,

Bob Loy  
Director of Environmental Programs

Testimony of Peter Ganaban  
Hawaii Construction Alliance

Chair Marcus Oshiro, Vice Chair Marilyn Lee  
and Members of the Finance Committee  
HB2745 – Relating to Public Funds  
Tuesday, February 14, 2012  
3:30 p.m.  
Conference Room 308

Aloha Chair Oshiro, Vice Chair Lee and Members of the Committee:

My name is Peter Ganaban and I'm here representing the Hawaii Construction Alliance. The Hawaii Construction Alliance is composed of the Operating Engineers, along with the Hawaii Laborers' Union, Local 368, Hawaii Masons' Union, Local #1 and Local #630, and Hawaii Regional Council of Carpenters (formerly the Hawaii Carpenters Union). The unions have a total of more than 15,000 members in the statewide alliance, which represents the four basic crafts of the construction industry: carpentry, heavy equipment, masonry and general labor.

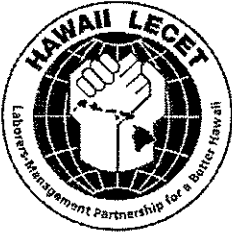
The Hawaii Construction Alliance supports HB2745. The bill represents the best way for the state to make needed repairs and get our members back to work.

The construction industry has been hard-hit by the economic downturn, and we still have a lot of people out of work. Being unemployed is very stressful. It's hard on our families. Our members want to work, and this bill will help them provide for their families.

Now is the time to spend on projects that will have long-term benefits. The state can take advantage of low interest rates, our members can get back to work, and our public buildings and facilities will be repaired. It's a win all the way around.

We humbly ask for your support of this bill.

Mahalo for this opportunity to present our views on this important measure.



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

SENATE COMMITTEE ON EDUCATION  
Monday, February 14, 2012  
3:30 p.m., Conference Room 308

### HB 2745 - RELATING TO PUBLIC FUNDS

Aloha Chair Oshiro, Vice Chair Lee. 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 2745 which 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 judiciary. Exempts contracts of less than \$500,000 entered into by the department of education, University of Hawaii, department of accounting and general services, department of agriculture, department of defense, department of land and natural resources, department of public safety, and judiciary from the procurement code. It provides for exemptions from county permitting, licensing, and certification requirements. It makes certain procurement provisions permanent. It requirements the procurement policy board to create an expedited procurement process for contracts resulting from appropriations made pursuant to this Act.

The Hawaii LECET fully supports the efforts of the State Legislature to issue general obligation bonds to implement CIP funded projects in order to help boost our economy.

This investment will also improve our quality of life for all of the residents in the State of Hawaii.

Thank you for the opportunity to submit this testimony.



**Testimony to the House Committee on Finance  
February 14, 2012  
3:30 p.m.  
State Capitol - Conference Room 308**

**RE: HOUSE BILL NO. 2745 RELATING TO PUBLIC FUNDS**

Chair Oshiro, Vice Chair Lee, and members of the committees:

The Chamber of Commerce of Hawaii strongly supports H.B. 2745. The bill proposes to issue general obligation bonds to fund government repair and maintenance projects statewide.

The Chamber is the largest business organization in Hawaii, representing more than 1,000 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.

The Chamber strongly supports S.B. No. 2012 which proposes to 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. It also will exempt contracts of less than \$500,000 entered into by the department of education, University of Hawaii, department of accounting and general services, department of agriculture, department of defense, department of health, Hawaii health systems corporation as a body corporate and politic, department of human services, department of land and natural resources, department of public safety, and judiciary from the procurement code. It will provide for exemptions from county permitting, licensing, and certification requirements. Finally, it will require the procurement policy board to create an expedited procurement process for contracts resulting from appropriations made pursuant to this Act.

The purpose of this Act is to issue \$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, the Hawaii health systems corporation, and the judiciary and to streamline the procurement process.

We 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.



**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

February 13, 2012

**REGINA STANARES**  
*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  
 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 MEATOOGA**  
 Operating Engineers Local 3

**RONAN KOZUMA**  
 Hawaii Teamsters & Allied  
 Workers Local 996

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

Honorable Representative Marcus Oshiro, Chair  
 Honorable Representative Marilyn Lee, Vice Chair  
 Members of the Committee on Finance  
 Hawaii State Capital  
 415 South Beretania Street  
 Honolulu, HI 96813

RE: **IN SUPPORT** with Comments OF HB2745 RELATING TO PUBLIC FUNDS  
 Hearing: Tuesday, February 14, 2012, 3:00 p.m. Conference Room 308

Honorable Chair, Vice Chair and Committee Members;

The Hawaii Building & Construction Trades Council, AFL-CIO 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 SUPPORTS the general intent of HB2745, which 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 and attempts to provide for an expedited process in doing so in an effort to move projects forward to bid award and actual construction work being provided.

Portions of this measure will undoubtedly reinvigorate our economy and provide for much-needed repairs and maintenance to our states aging facilities. The state has done much to reduce its debt service and improve its overall financial position which makes the passage of this measure not only socially and economically timely and justified, but critical to the state of Hawaii, the maintenance of its resources and its economic recovery.

However, we would like to offer several proposed amendments to the measure and humbly ask for your consideration in doing so.

Although, generally speaking, we support streamlining processes that allow projects to move towards actual construction, we are very cautious of changes to, or exemptions from the existing procurement process which is in place to ensure the fair and equitable disposition of state funded projects.

Part XV of this measure provides for certain exemptions to the current procurement procedures that we feel may not result in such fair and equitable outcomes and instead, may lead to unintended consequences that can directly affect our members. This measure in effect, increases the threshold of projects that are exempt from listing subcontractors from \$250,000 to \$500,000, repeals the electronic procurement system and further repeals sunset language making these changes permanent for the state agencies listed in the measure.

To ensure fair and equitable use of public funds, the Council would humbly request that language requiring the listing of subcontractors and related scope of work as well as language re-instating the use of the electronic procurement system for projects authorized by the Act be inserted, and further that it be made clear that exemptions provided for in this Act shall be temporary and applicable only to those projects specifically authorized by this Act.

Concerns raised by opponents to the listing of subcontractors and their scope of work with bid submittals are a misrepresentation of the facts and exaggerations at best. Sub Listing and Scope of Work is critical to the fair and equitable treatment of our members.

Thank you for the opportunity to provide testimony on HB2745.

Respectfully;  
 Kika G. Bukoski  
 Hawaii Building and Construction Trades Council



## FINTestimony

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**From:** mailinglist@capitol.hawaii.gov  
**ent:** Monday, February 13, 2012 8:08 PM  
**To:** FINTestimony  
**Cc:** info@hawaiibuildingtrades.org  
**Subject:** Testimony for HB2745 on 2/14/2012 3:30:00 PM

Testimony for FIN 2/14/2012 3:30:00 PM HB2745

Conference room: 308  
Testifier position: Support  
Testifier will be present: Yes  
Submitted by: HAWAII BUILDING AND CONSTRUCTION TRADES COUNCIL  
Organization:  
E-mail: [info@hawaiibuildingtrades.org](mailto:info@hawaiibuildingtrades.org)  
Submitted on: 2/13/2012

Comments: