

LATE

WRITTEN ONLY

TESTIMONY BY KALBERT K. YOUNG  
INTERIM DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
STATE OF HAWAII  
TO THE HOUSE COMMITTEES ON LABOR & PUBLIC EMPLOYMENT  
AND ECONOMIC REVITALIZATION & BUSINESS  
ON  
HOUSE BILL NO. 887

February 4, 2011

RELATING TO WAGES

House Bill No. 887 creates a Prevailing Wage Enforcement special fund to be administered by the Department of Labor and Industrial Relations. The special fund will receive moneys from one-tenth of one-percent of the total amount of contracts from governmental contracting agencies to be used to fund the enforcement of the State prevailing wage laws.

The Department of Budget and Finance supports the intent of the bill to enforce the prevailing wage laws; however, we believe the measure may provide unnecessary funds to enforce the State prevailing wage laws. Based on the \$835,596,630 allotted for capital improvement program projects for all means of financing in FY 10, the one-tenth of one percent would amount to \$835,596 being deposited into the special fund. This is in addition to the \$948,152 in general funds already appropriated to the Department of Labor and Industrial Relations for the Wage Standards Program.

From a policy perspective, operating funds should be used to pay for operating expenditures and capital improvement proceeds should be used to fund capital expenditures. As such, we believe it is not appropriate to fund the Prevailing Wage Enforcement special fund with capital improvement financing which would be repaid over a 20-year period, especially since general funds currently pay for the same enforcement services.

Additionally, the Department of Budget and Finance does not support the creation of any special fund or revolving fund that does not meet the requirements of Sections 37-52.3 and 37-52.4, Hawaii Revised Statutes. Special and revolving funds should: 1) reflect a clear nexus between the benefits sought and charges made upon the users or beneficiaries of the program; 2) provide an appropriate means of financing for the program or activity; and 3) demonstrate the capacity to be financially self-sustaining. In regards to House Bill No. 887, it is difficult to determine whether there is a clear nexus between the benefits sought and the charges made upon the users or beneficiaries of the program and whether the means of financing for the program is appropriate.

NEIL ABERCROMBIE  
GOVERNOR



BRUCE A. COPPA  
Comptroller

RYAN OKAHARA  
Deputy Comptroller

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

TESTIMONY  
OF  
BRUCE A. COPPA, COMPTROLLER  
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES  
TO THE  
HOUSE COMMITTEES  
ON  
LABOR & PUBLIC EMPLOYMENT AND ECONOMIC REVITALIZATION & BUSINESS  
ON  
February 4, 2011

H.B. 887

RELATING TO WAGES

Chair Rhoads, Chair McKelvey, and members of the Committees, thank you for the opportunity to testify H.B. No. 887.

The Department of Accounting and General Services (DAGS) supports the intent of H.B. No. 887 but cannot support passage of H.B. No. 887 because of the following reasons:

1. If passed, this bill will:

- A. Increase existing DAGS staff overview administrative responsibilities during the contract execution process for its construction projects.
- B. Require DAGS to ensure all governmental contracting agencies calculate and transfer funds for this purpose in a proper and timely manner. However, DAGS cannot ensure all governmental contracting agencies will comply with this

Legislative mandate because DAGS is not involved in the execution of construction contracts for all governmental contracting agencies. [NOTE: Even if DAGS were to require every State governmental contracting agency to submit a certification of payment for this purpose before any State funds are encumbered under a State construction contract, DAGS will not be able to ensure governmental contracting agencies using County or Federal funds for construction contracts will also comply with this Legislative mandate.]

- C. Require DAGS to assume “policing responsibilities” and additional reporting considerations (if possible) for this purpose.
2. DAGS does not have the resources needed for this Legislative mandate (due to staff vacancies; “furlough days; and budget shortages).

Thank you for the opportunity to testify on this matter.

NEIL ABERCROMBIE  
GOVERNOR



LATE

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IN REPLY REFER TO:

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

February 7, 2011

TESTIMONY OF THE DEPARTMENT OF TRANSPORTATION

HOUSE BILL NO. 887

COMMITTEE ON TRANSPORTATION

House Bill 887 creates the prevailing wage enforcement special fund to be administered by the Department of Labor and Industrial Relations. The bill assesses a charge of .001 of all construction contracts subject to the Wages and Hours of Employees on Public Works Law, Chapter 104, Hawaii Revised Statutes (HRS) be deposited into the fund. The fund will be used solely for enforcement of the prevailing wage law. The bill applies to all construction contracts with governmental contracting agencies after the effective date.

**The Department of Transportation opposes this bill.** The charge assessed against Department of Transportation (DOT) construction contracts yields no direct benefit back to DOT and only increases the cost of its construction projects. In that regard, we suggest that those benefiting from the legislation bear the responsibility of funding this enforcement initiative. Furthermore, the assessment is unlimited. Many DOT projects are in the hundreds of millions of dollars. For example, a \$150 million highway project will add an additional \$150,000 in fees. Federal funds cannot be used to pay this charge.



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

House Committee on Labor & Public Employment  
Representative Karl Rhoads, Chair  
Representative Kyle T. Yamashita, Vice Chair

House Committee on Economic Revitalization & Business  
Representative Angus McKelvey, Chair  
Representative Isaac Choy, Vice Chair

HB 887 – RELATING TO WAGES  
Friday, February 4, 2011  
9:00 am – 12:00 pm  
Conference Room 309

Chair Karl Rhoads, Chair McKelvey 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 Carpenters Union.

In 2010, the State of Hawaii funded nearly 1 billion dollars worth of Capital Improvement Projects (CIP) throughout our state. This dollar amount **does not** include the amount of public works project funded by the City and County of Honolulu as well as counties on the outer islands.

The Department of Labor and Industrial Relations (DLIR) Wage Standards Division is charged with monitoring and enforcing prevailing wage laws on public works projects (both State and County).

As we understand, DLIR Wage Standards Division presently employs a total of two full-time investigators and three supervisors to investigate and enforce prevailing wage complaints throughout our State (Counties included).

In 2009, The Pacific Resource Partnership filed a prevailing wage law complaint with DLIR's Wage Standards Division which we have yet to hear from the Division whether or not the complaint has been resolved.