

**DEPARTMENT OF DESIGN AND CONSTRUCTION
CITY AND COUNTY OF HONOLULU**

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DEPUTY DIRECTOR

February 28, 2012

The Honorable David Y. Ige, Chair
and Members
Senate Committee on Ways and Means
State Capitol
Honolulu, Hawaii 96813

Dear Chair Ige and Members:

Subject: Senate Bill No. 2412 SD1, Relating to Contracts

The Department of Design and Construction (DDC) respectfully **opposes** Senate Bill No. 2412 SD1 for the following reasons:

1. The bill would require agencies to comply with the following time constraints:
 - Accept construction work or notify the contractor of work yet to be performed within 15 days of receipt of a notice indicating that the contractor considers the work complete. This requirement may not be achievable on complex construction projects, because considerable information, much of it from others, is typically needed to make this determination.
 - Pay retainage to a contractor equal to the amount paid by the contractor to a subcontractor within 15 days after receiving a notice that the contractor paid the subcontractor in full. Interest on any unpaid amount would begin accruing on the 30th day following receipt of the statement.

The proposed 15-day time limits would be extremely difficult to meet on many construction contracts that DDC administers, and probably impossible on some. Invoices for construction services need to be checked against the project's design, the status of construction progress, and other project information that may need to be acquired in order to assess the satisfactory completion of the work represented by the invoice. This process frequently takes more than one week. Once approved, the invoice is forwarded to the Department of Budget and Fiscal Services (BFS), the agency that processes the payment. BFS needs additional time to verify the financial technicalities of the invoice and process the payment.

DDC's current procedures require payment for goods and services within 30 calendar days after receipt of the invoice. This limit is practical and, we believe, fair to vendors and contractors.

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2. The interest that would accrue on payments starting on the 30th day after receipt of the notice of full payment would increase the effective cost of projects to taxpayers.

Thank you for the opportunity to testify.

Very truly yours,


Lori M. K. Kahikina, P.E.
fn Director

LM/WB:lm

IRONWORKERS STABILIZATION FUND

February 28, 2012

David Ige, Chair
Ways and Means
State Senate
State Capitol
415 S. Beretania Street
Honolulu, Hawaii 96813

Dear Honorable Chair Ige and Members of the Ways and Means:

Re: Strong Support for SB2412 SD1 – Relating to Contracts

We are in strong support of SB2412 SD1, Relating to Contracts; that shortens the time by which subcontractors are to receive progress and final payments from contractors on government and private construction projects.

The purpose of this bill allows subcontractors to receive payment for work that they have done on construction projects. One example is the Board of Water Supply where the construction job was completed in 2002 and the final payment was not done until 2009. Many subcontractors are small business owners that are trying to stay afloat and that if they do not get final payment in time this could mean bankruptcy for them. During this tough economic time it is imperative to allow small businesses to run instead of letting them close shop and put a lot of hard working men and women out of jobs and on the unemployment line. Consequently, we believe that this bill will assist in providing small companies stability in these uncertain economic times

Again we strongly support this measure for the working men and women of Hawaii. Thank you for your time and consideration.

Sincerely,

T. George Paris /s/
Managing Director