



**STATE OF HAWAII
DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS**

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February 18, 2014

To: The Honorable Sylvia Luke, Chair,
The Honorable Scott Y. Nishimoto, Vice Chair,
The Honorable Aaron Ling Johanson, Vice Chair, and
Members of the House Committee on Finance

Date: February 19, 2014

Time: 3:00 p.m.

Place: Conference Room 308, State Capitol

From: Dwight Y. Takamine, Director
Department of Labor and Industrial Relations (DLIR)

Re: H.B. No. 2413, H.D. 1 Relating to Labor

I. OVERVIEW OF PROPOSED LEGISLATION

Amends the Hawaii prevailing wage law to include public-private partnerships in the definition of a contracting agency and within the coverage of Chapter 104, HRS, Wages and Hours of Employees on Public Works. Non-substantive, technical amendments were incorporated in the HD1.

The Department supports this proposal and notes there will be no fiscal impact.

II. CURRENT LAW

The current definition of a "Governmental contracting agency" does not contain language specifically addressing public-private agreements.

III. COMMENTS ON THE HOUSE BILL

The Wages and Hours of Employees on Public Works law applies to "every contract in excess of \$2,000 for construction of a public work project to which a governmental contracting agency is a party; provided that this chapter shall not apply to experimental and demonstration housing developed pursuant to section 46-15 or housing developed pursuant to chapter 201H if the cost of the project is less than \$500,000 and the eligible bidder or eligible developer is a private nonprofit corporation."

The department lends its support if this provision makes it clearer that a governmental contracting agency includes any public-private partnership.

The department does not believe there will be an additional fiscal impact because these types of partnerships are already included under the law so any cost to the State is already being carried.



LABORERS' INTERNATIONAL UNION OF NORTH AMERICA LOCAL 368



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Sergeant-At-Arms

February 17, 2014

Honorable Sylvia Luke, Chair
Honorable Scott Nishimoto, Vice Chair
Honorable Aaron Ling Johansen, Vice Chair
Members of the Finance Committee

RE: **HB2413 HD1** RELATING TO LABOR

Date: February 19, 2014

Time: 3:00 P.M.

Place: Room 308

Dear Chair Luke, Vice Chair Nishimoto, Vice Chair Johansen and members of the Finance Committee:

The Hawaii Laborers' Union strongly supports HB2413 HD1, which amends the Hawaii prevailing wage law to include public-private partnerships in the definition of a contracting agency and within the coverage of Chapter 104, HRS, Wages and Hours of Employees on Public Works.

The bill makes it clear that public construction projects whether it is a public-private partnership or not in excess of \$2,000 in contract with a governmental agency is covered.

Thank you for the opportunity to submit this testimony.

Sincerely,

Al Lardizabal
Hawaii Laborers' Union, Local 368
Government Relations

Hawai'i Construction Alliance

P.O. Box 179441
Honolulu, HI 96817
(808) 348-8885

February 16, 2014

The Honorable Sylvia Luke, Chair
The Honorable Scott Nishimoto, Vice Chair
The Honorable Aaron Ling Johanson, Vice Chair
and members
House Committee on Finance
Honolulu, Hawai'i 96813

Dear Chair Luke, Vice Chairs Nishimoto and Johanson, and members:

The Hawai'i Construction Alliance is in **support** of HB2413 HD1, relating to labor. HB2413 HD1 would apply provisions relating to prevailing wages for public construction work to public-private partnerships.

The Hawai'i Construction Alliance is comprised of the Hawai'i Regional Council of Carpenters; the Hawai'i Masons Union, Local 1 and Local 630; the Laborers' International Union of North America, Local 368; and the Operating Engineers, Local 3. Together, the four member unions of the Hawai'i Construction Alliance represent over 15,000 working men and women in the four basic crafts of Hawai'i's construction industry.

HB2413 HD1 inserts "public-private partnerships" into the definition of "governmental contracting agency" in HRS §104-2. Many state and county agencies are exploring public-private partnerships to carry out much-needed projects, and we find this clarification to be an important step toward ensuring that prevailing wages are paid to workers involved in public-private partnerships. This clarification is also consistent with the purpose of Chapter 104, which includes leveling the playing field for bidders on public works projects and ensuring that public works spending does not push wages down here in the State of Hawai'i.

Mahalo for the opportunity to submit these comments in support of HB2413 HD1.

Aloha,



Tyler Dos Santos-Tam
Executive Director
Hawai'i Construction Alliance
execdir@hawaiiconstructionalliance.org



The Pacific Resource
PARTNERSHIP



Testimony of Cindy McMillan
The Pacific Resource Partnership

House Committee on Finance
Representative Sylvia Luke, Chair
Representative Scott Nishimoto, Vice Chair
Representative Aaron Ling Johanson, Vice Chair

HB 2413, HD1 – RELATING TO LABOR
Wednesday, February 19, 2014
3:00 PM
Conference Room 308

Aloha Chair Luke, Vice Chairs Nishimoto and Johanson, and members of the Committee:

The Pacific Resource Partnership (PRP) is a labor-management consortium representing over 240 signatory contractors and the Hawaii Regional Council of Carpenters.

PRP **supports** HB 2413, HD1 – Relating to Labor, a bill that applies provisions relating to prevailing wages for public construction work to public-private partnerships.

According to Smart Cities Prevail, a non-profit organization that provides information, research and education on how prevailing wage standards on public construction projects benefit taxpayers, local governments and working families, prevailing wages benefit not just the hard-working men and women who earn them, but the community as a whole – often saving tax dollars in the process.

The organization lists the following benefits of prevailing wages for public works projects. The same benefits will accrue when applied to **public-private partnerships**. Prevailing wage policies:

- Create Middle Class Jobs
 - Public works projects paying prevailing wage attract quality, local experienced construction workers who deliver high quality work on time and on budget.
 - Professional trades people tend to be better trained, highly productive and more safety-conscious, and create a safer working environment for everyone on site.
 - Projects paying prevailing wages serve as an escalator to the middle class.



February 19, 2014

Support for HB 2413, HD1 – Relating to Labor

Page 2

- Grow the Local Economy
 - Prevailing wages support middle class incomes that boost consumer spending.
 - Families supported by prevailing wage incomes often own their own homes, which provide local businesses with a stable, long-term customer base.
 - Each dollar paid in prevailing wages produces \$1.50 in economic activity¹ meaning more customers for local businesses and a thriving community.
- Benefit Taxpayers
 - Projects built with prevailing wage laws can save taxpayers millions of dollars because they are more likely to come in on time and on budget.
 - Companies with low-wage contracts hire low-wage and low-skilled workers. In practice this can mean greater reliance on the ability of inspectors to catch errors and omissions before roads, bridges, and buildings get completed, increasing the likelihood of taxpayer outlay over the long run.
 - When companies are not required to pay a prevailing wage, more people are paid very low or even poverty level wages. This often forces them onto welfare, food stamps or other government services, hurting taxpayers and a community's quality of life.
- Build General Funds
 - When people have more spending money, local shops and businesses grow, as does sales tax revenue for local governments.
 - Workers earning prevailing wages tend to own homes locally, and that means a larger, stronger property tax base.
 - Enhanced revenue for local governments builds general funds and prevents the need for layoffs and cuts to services.
- Control Construction Costs
 - Public works prevailing wage projects average \$6 per square foot less expensive than non-prevailing wage public works projects.²
 - Because workers on prevailing wage projects tend to have better training, those projects deliver 20% more value-added per worker than non-prevailing wage projects.

¹ Mark Zandi, Chief Economist, Moody's Analytics, <https://www.economy.com/mark-zandi/documents/Senate-Finance-Committee-Unemployment%20Insurance-041410.pdf>

² Phillips, Peter, Ph.D., A Comparison of Public School Construction Costs In Three Midwestern States That Have Changed Their Prevailing Wage Laws in the 1990s, February, 2001. http://www.smartcitiesprevail.org/resources/research_casestudies.html#phillips1

For these reasons, we strongly support HB 2413, HD1. Thank you for the opportunity to share our comments on this important issue with you.



HAWAII LABORERS-EMPLOYERS COOPERATION AND EDUCATION TRUST

TESTIMONY BY PETER H. M. LEE HAWAII LECET

HOUSE OF REPRESENTATIVES
THE TWENTY-SEVENTH LEGISLATURE
REGULAR SESSION OF 2014

COMMITTEE ON FINANCE

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NOTICE OF HEARING

DATE: Wednesday, February 19, 2014
TIME: 3:00 P.M.
PLACE: Conference Room 308
State Capitol
415 South Beretania Street

A G E N D A # 3

TESTIMONY ON HOUSE BILL NO. 2413, HD1, RELATING TO LABOR.

TO THE HONORABLE SYLVIA LUKE, CHAIR, SCOTT NISHIMOTO AND AARON JOHANSON, VICE CHAIRS, AND MEMBERS OF THE FINANCE COMMITTEE:

My name is Peter H. M. Lee, and I am the Construction Compliance Officer at Hawaii Laborers-Employers Cooperation and Education Trust (LECET). Hawaii LECET is a labor-management partnership between the Hawaii Laborers Union, Local 368, and its unionized contractors.

Mahalo for the opportunity to testify in **strong support** to House Bill No. 2413, HD1.



HAWAII LABORERS-EMPLOYERS COOPERATION AND EDUCATION TRUST

Public/private construction projects have become popular in recent years. They are public-works projects funded and/or operated through a partnership of government and private-sector companies.

The Department of Labor and Industrial Relations (DLIR) states...

"Public work" shall be as defined in section 104-2(a), Hawaii Revised Statutes, and includes without limitation:

1) Any building, structure, road, or real property, the construction of which is undertaken:

(A) By authority of; and

(B) Through the use of funds, grants, loans, special purpose revenue bonds, land, or other resources of the State or any county, board, bureau, authority, commission, or other agency or instrumentality thereof, to serve the interest of the general public, regardless of whether title thereof is held by a state or county agency.

Based on the above, it is evident to me that there are clear public benefits in public/private partnerships, and the applicability of 104 HRS should apply. For these reasons, I am in **strong support** of House Bill No. 2413, HD1.



LATE

A'ohe hana nui ka alu'ia
"No Task Is Too Big When Done Together By All"

HAWAII BUILDING AND CONSTRUCTION TRADES COUNCIL, AFL-CIO

735 Bishop Street, Suite 412 * Honolulu, Hawaii 96813
(808) 524-2249 - FAX (808) 524-6893

KIKA G. BUKOSKI
Executive Director

February 18, 2014

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Honorable Representative Sylvia Luke, Chair
Honorable Representative Scott Nishimoto, Vice Chair
Honorable Representative Aaron Ling Johanson
Members of the Committee on Finance
Hawaii State Capitol
415 South Beretania Street
Honolulu, HI 96813

RE: IN SUPPORT OF HB2413, HD1 RELATING TO LABOR
Hearing: Wednesday, February 19, 2014, 3:00 p.m. Conference Room 308

Honorable Chair, Vice Chair and Committee Members;

The Hawaii Building & Construction Trades Council, AFL-CIO is a chartered member of the Building and Construction Trades Department, AFL-CIO first organized in 1908 and comprised of 16 out of 17 construction trade unions with 386 state, local and provincial councils in the United States and Canada and an estimated 15,000 members locally. Our primary mission is to provide employment opportunities and living wages for many of Hawaii's working men and women in the construction industry.

The Council SUPPORTS HB2413, HD1, which applies provisions relating to prevailing wages for public construction work to public-private partnerships.

We support the inclusion of provisions that provide for prevailing wages on private-public partnerships as it helps to maintain and rebuild the working class in our society. Recent studies (Stanford University 2011) indicate a steady decline of the working/middle class across the country.

This class of people is essential to providing the means by which someone not born into privilege can, through hard work and determination, strive to achieve the American dream and a better quality of life.

In addition, by providing a livable wage on public works, project dollars are re-invested back into the local economy and small business resulting in an overall net benefit to the community.

We humbly request your support and approval of HB2413, HD1.

Testimony of Glenn Ida
Representing
The Plumbers and Fitters United Association, Local 675
1109 Bethel St. Lower Level
Honolulu, Hi. 96813



Rep. Sylvia Luke, Chair
Rep. Scott Nishimoto, Vice-Chair
Rep. Aaron Ling Johanson, Vice-Chair
Committee on Finance
Wednesday, Feb. 19, 2014
3:00 PM, Room 308

Re: Support of HB2413, HD1 Relating to Labor.

Aloha Chair Luke, Vice-Chair Nishimoto, Vice-Chair Johanson and Members of the Committee,

My name is Glenn Ida representing the 2000 active members and retirees of the Plumbers and Fitters UA, Local 675. Local 675 is an affiliate of the Hawaii Building and Construction Trades Council.

Local 675 supports HB2413, HD1, Relating to Labor, which applies provisions relating to prevailing wages for public construction work to public-private partnerships.

We believe that HB2413 provides, that when a governmental contracting agency enters into a public-private partnership for the development of a public works construction project, Hawaii's prevailing wage laws should be applied.

Therefore Local 675 supports HB2413, HD1.

Thank you for this opportunity to testify.

Mahalo, Glenn Ida
808-295-1280

**HAWAII OPERATING ENGINEERS
INDUSTRY STABILIZATION FUND**



*Uniting our strengths and working together
for a better tomorrow.*

Affiliated AFL-CIO
OPEIU - 3 - AFL-CIO (3)

LATE

February 18, 2014

TO: The Honorable Sylvia Luke, Chair
The Honorable Scott Y. Nishimoto, Vice Chair
The Honorable Aaron Ling Johanson, Vice Chair and
Members of the House Committee on Finance

Date: February 19, 2014
Time: 3:00 p.m.
Place: Conference Room 308, State Capitol

FROM: Kimberly Ribellia, Government Liaison
Hawaii Operating Engineers Industry Stabilization Fund

RE: Support of House Bill 2413, HD1 – Relating to Labor

Good Afternoon, my name is Kimberly Ribellia, Government Liaison, of the Hawaii Operating Engineers Industry Stabilization Fund (HOEISF), a labor management fund representing 4000 unionized members in heavy engineering site work and 500 general contractors specializing in heavy site and vertical construction.

On behalf of Stabilization fund, I would like to state our **support** of House Bill 2413, HD1 which applies provisions relating to prevailing wages for public construction work to public-private partnerships.

House Bill 2413, HD1 clarifies the law to state that prevailing wages will be paid when a government agency enters into an in public-private partnership.

Again, the stabilization fund supports the passage of House Bill 2413, HD1. Thank you for consideration of this matter.



Hawaii Chapter



January 31, 2013



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Testimony of Associated Builders and Contractors,
Hawaii Chapter in **Opposition** to HB 2413

Chair Nakashima, Vice Chair Yamashita, and members of the committee thank you for the opportunity to testify. I am Malcolm Barcarse, Jr. the legislative committee chair for Associated Builders and Contractors, Hawaii Chapter. We stand **opposed** to HB 2413 because applying prevailing wages to public private partnerships flies in the face of such partnerships as it will unnecessarily increase costs and decrease efficiency for these projects.

The whole idea of public private partnerships is to build facilities in a more cost effective and expedient way than what the State would be able to do on its own. This bill goes against that concept by setting a wage standard that raises prices on projects as it sets wages at levels that not all companies follow.

Equally as disruptive to the goals of public private partnerships would be requirements to provide certified payrolls. Chapter 104 has that requirement to ensure compliance with the applicable prevailing wage. Certified payrolls are disruptive to the goals of public private partnerships in two ways. First the administrative burdens of certified payrolls lead to higher overhead costs which in turn will increase the costs of these projects. Also this will decrease competition on these projects as companies that do not normally do business with the government will be reluctant to participate in these projects as they are not equipped to handle certified payrolls.

As this bill increases costs and decreases efficiency for public private partnerships we ask that HB 2413 be held in this committee. Thank you for the opportunity to testify.

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America's Best Contractors

The House of Representatives
The Twenty Seventh Legislature
Committee on Finance
February 19, 2014, 3:00 p.m.
Room 308



Statement of the Hawaii Regional Council of Carpenters on
H.B. 2413 Relating to Labor

The clarification made in HB 2413 is timely, does not expand the coverage of HRS Chapter 104 and the Bill should be passed.

As State and county governments are necessarily exploring new ways to finance public works, the law should be clarified accordingly. Public-private partnerships are one means of financing being pursued, and may be structured in such a way that a government plan or interest is served, utilizing government resources, but the contracting for construction services may be done by a private party. Making a proactive clarification as proposed in the Bill can serve to avoid misunderstandings and/or legal disagreement later.

While it can be said that all construction described above is covered by current language in Chapter 104, clarification is worthwhile. In 2006 the legislature clarified a Chapter 104 administrative rule and put that language in statute, applying to a private party contracting for construction services under conditions other than that of H.B. 2413. The legislature separately clarified that Chapter 104 prevailing wages apply to the Certificate of Participation construction of public schools by a private developer. In both cases clarifications were put in place before rather than after a problem emerged.

Chapter 104 prevailing wage requirements are intended to level the playing field for bidders on public works, and prevent our own tax dollars from pushing wages down in our State.

Thank you for considering our comments on H.B. 2413.