



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

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January 31, 2014

To: The Honorable Mark M. Nakashima, Chair,
The Honorable Kyle T. Yamashita, Vice Chair, and
Members of the House Committee Labor and Public Employment

Date: January 31, 2014
Time: 9:00 a.m.
Place: Conference Room 309, State Capitol

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

Re: H.B. No. 2413 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.

The Department supports this provision.

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.



Hawaii Chapter

January 31, 2013

Committee on Labor and Public Employment
Rep. Mark M. Nakashima, Chair
Rep. Kyle T. Yamashita, Chair



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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



International Brotherhood of Electrical Workers

LOCAL UNION NO. 1186 • Affiliated with AFL-CIO

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January 30, 2014 (VIA FAX 808-586-6331)

TO: **HOUSE COMMITTEE ON LABOR & PUBLIC EMPLOYMENT**
For Hearing on Thursday, January 31, 2014, at 9:00 a.m., in Conf. Rm. 309

RE: **TESTIMONY IN STRONG SUPPORT OF HB 2413**

Honorable Chair Nakashima, Vice Chair Yamashita, and Committee Members,

The **International Brotherhood of Electrical Workers Local Union 1186** represents over 3,400 members working in electrical construction, telecommunications, and with Oceanic Cable. Our members include civil service employees at Pearl Harbor, Hickam, Kaneohe, and military facilities throughout Hawaii. IBEW Local 1186 also represents over 110 signatory electrical contracting companies that perform most of the electrical work in our state.

We strongly support HB 2413. Projects and services that used to be provided by government are increasingly being done in partnership with private enterprise. Public-private partnership projects would not exist without substantial government involvement.

HB 2413 clarifies that Hawaii's prevailing wage laws for public works projects applies to any project involving a government agency in a public-private partnership agreement. This application is consistent with the current definition of "governmental contracting agency" which includes "person or entity that causes either directly or indirectly the building or development of a public work".

Thank you for giving us this opportunity to testify in strong support of HB 2413.

Mahalo and aloha,

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





Testimony of Cindy McMillan
The Pacific Resource Partnership

COMMITTEE ON LABOR & PUBLIC EMPLOYMENT
Rep. Mark M. Nakashima, Chair
Rep. Kyle T. Yamashita, Vice Chair

HB 2413 – RELATING TO LABOR
Friday, January 31, 2014
9:00 AM
Conference Room 309

Aloha Chair Nakashima, Vice Chair Yamashita 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 – 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.

- 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. Thank you for the opportunity to share our comments on this important issue with you.