

NEIL ABERCROMBIE
GOVERNOR



DWIGHT TAKAMINE
DIRECTOR

JADE T. BUTAY
DEPUTY DIRECTOR

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

830 PUNCHBOWL STREET, ROOM 321
HONOLULU, HAWAII 96813
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March 27, 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: Thursday, March 27, 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: S.B. No. 3039 SD2HD1 Relating to Public Works

I. COMMENTS ON THE SENATE BILL

The DLIR believes the fiscal effect of this proposal, if enacted, will be positive as the means of financing is from funds already appropriated and meaningful enforcement of chapter 104 will lead to more fines going into the general fund.

This proposal would restore two of the five positions lost by Wage Standards Division (WSD) in the 2009 reduction-in-force that affected the enforcement of the prevailing wage law. The proposal creates a new fund to assist in enforcement of prevailing wage law by requiring the deposit of .1% of State capital improvement project funds, with the exclusion of the Airports Division of DOT.

Two special funded LLES IV positions, capable of undertaking chapter 104 investigations, would require an appropriation of special funds of no less than \$170,482 per annum for salaries alone.

The reduced capacity of WSD over time has seriously eroded prevailing wage law enforcement. Prevailing wage investigations are complex investigations for investigators. The complex nature of prevailing wage claims makes it difficult to complete more than 10 claims a year per investigator, which has led to a significant backlog. The following chart exhibits WSD's inability to timely complete investigations by showing that only one suspension via a third Notice of Violation (NOV) has occurred in the last eight years.

YEAR	FY2006	FY2007	FY2008	FY2009*	FY2010	FY2011	FY2012	FY2013
1 st NOV	7	10	7	8	11	5	9	16
2 nd NOV	0	3	1	0	1	0	1	1
3 rd NOV	0	0	0	0	0	1	0	0
Fraud Suspensions	NA	NA	NA	NA	0	1	3	7
* Act 146 (SLH, 2008) provided for suspension for falsification of records, delay or interference.								

The DLIR appreciates the Committee's further deliberations on this proposal and requests the Committee keep this measure moving to allow for continued consideration this session.



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

WRITTEN TESTIMONY
OF
DEAN H. SEKI, COMPTROLLER
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES
TO THE
HOUSE COMMITTEE
ON
FINANCE
ON
March 27, 2014

S.B. 3039, S.D. 2, H.D. 1

RELATING TO PUBLIC WORKS

Chair Luke and members of the Committee, thank you for the opportunity to submit written testimony on S.B. 3039, S.D. 2, H.D. 1.

The Department of Accounting and General Services (DAGS) supports the intent of S.B. 3039, S.D. 2, H.D. 1.

To improve efficiency, DAGS recommends that this measure be amended to require the 0.1 per cent assessments on construction CIP fund appropriations be automatically deposited into the wage and hour for public works projects special fund account rather than transferred by state departments required to deposit moneys into the special fund. DAGS defers to the Department of Labor and Industrial Relations on this and other substantive provisions of S.B. 3039, S.D. 2, H.D. 1.

Thank you for the opportunity to submit written testimony on this matter.

NEIL ABERCROMBIE
GOVERNOR



Testimony of
GLENN M. OKIMOTO
DIRECTOR

Deputy Directors
FORD N. FUCHIGAMI
RANDY GRUNE
AUDREY HIDANO
JADINE URASAKI

IN REPLY REFER TO:

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

March 27, 2014
3:00 p.m.
State Capitol, Room 308

S.B. 3039, S.D. 2, H.D. 1
RELATING TO PUBLIC WORKS

House Committee on Finance

The Department of Transportation (DOT) **opposes** Senate Bill 3039, S.D. 2, H.D. 1, which establishes the Wage and Hour for Public Works Projects Special Fund and transfers 0.1 per cent of all state fund appropriations for capital improvements designated for the construction cost element into the wage and hour for public works projects special fund.

This bill will make it increasingly difficult for the DOT to implement the construction of capital projects as we do not have the additional revenue needed to support such a diversion. The essential capital projects for the Harbors and Highways in the state will be adversely impacted and user fees will have to be increased to sustain our bond covenants if this bill is passed.

Inherently, enforcement by Department of Labor and Industrial Relations is part of their mission and requirements and should not be at the expense of other agencies.

The DOT prefers Senate Bill 3039, S.D. 1, which provided \$200,000 in general revenues for two Specialist IV positions in the DLIR.

Thank you for the opportunity to provide testimony.

IRON WORKERS STABILIZATION FUND

March 27, 2014

Rep. Sylvia Luke, Chair
Committee on Finance
House
Room 308 – State Capitol
Honolulu, HI 96813

Re: SB3039 SD2 HD1, Relating to Public Works

Aloha Chair Luke & Honorable Members:

The Hawai'i Iron Workers Stabilization Fund is in support of SB3039 SD2 HD1, which establishes the Wage and Hour for Public Works Projects Special Fund to fund new positions for enforcement of the "Little Davis-Bacon" prevailing wage law of Chapter 104, Hawaii Revised Statutes. This bill will address the long-standing contractor abuse of not paying prevailing wages to workers. The bill offers a greater deterrent by increasing the number of law enforcement officers who specialize in wage enforcement. This bill will help the Department of Labor and Industrial Relations (DLIR) to *enforce* the "Little Davis-Bacon" prevailing wage law.

In order to level the playing field, we respectfully suggest that a volunteer corps be formed, made up of constructions unions, to assist the DLIR. These duly deputized volunteers, after receiving the requisite training and registration with the DLIR, will support the labor law enforcements specialists by being their official "eyes and ears" and report to the DLIR on potential violators of HRS 104.

We support the hard working men and women of our state who deserve to be compensated fairly for their labor. We also support the contractors that *follow the law*. Law-abiding contractors too often lose business to contractors whom do not pay prevailing wages allowing them to offer a lower bid for contract in the first place.

Thank you for this opportunity to submit testimony.

Sincerely,


T. George Paris, Director

March 25, 2014

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

RE: **SB3039 SD1** Relating to Public Works
Date: March 27, 2014, 3:00 p.m., Room 308
Position: Support

Dear Chair Luke and members of the Committee:

On behalf of Mr. Peter A. Ganaban, Business Manager, Secretary /Treasurer of the Hawaii Laborers' Union, we strongly support the funding of two full-time equivalent positions for labor law enforcement Specialist IV for the DLIR.

The State has been releasing large amounts of CIP funds in recent months and increased contract bidding and construction is expected. The wage and hour laws will need to be enforced.

Thank you for the opportunity to submit this testimony.

Sincerely,

A handwritten signature in cursive script that reads "Al Lardizabal". The signature is written in black ink and is positioned above the typed name.

Al Lardizabal
Government Relations

IRON WORKERS STABILIZATION FUND

March 27, 2014

Rep. Sylvia Luke, Chair
Committee on Finance
House
Room 308 – State Capitol
Honolulu, HI 96813

Re: SB3039 SD2 HD1, Relating to Public Works

Aloha Chair Luke & Honorable Members:


The Hawai'i Iron Workers Stabilization Fund is in **support** of SB3039 SD2 HD1, which establishes the Wage and Hour for Public Works Projects Special Fund to fund new positions for enforcement of the "Little Davis-Bacon" prevailing wage law of Chapter 104, Hawaii Revised Statutes. This bill will address the long-standing contractor abuse of not paying prevailing wages to workers. The bill offers a greater deterrent by increasing the number of law enforcement officers who specialize in wage enforcement. This bill will help the Department of Labor and Industrial Relations (DLIR) to *enforce* the "Little Davis-Bacon" prevailing wage law.

In order to level the playing field, we respectfully suggest that a volunteer corps be formed, made up of construction unions, to assist the DLIR. These duly deputized volunteers, after receiving the requisite training and registration with the DLIR, will support the labor law enforcement specialists by being their official "eyes and ears" and report to the DLIR on potential violators of HRS 104.

We support the hard working men and women of our state who deserve to be compensated fairly for their labor. We also support the contractors that *follow the law*. Law-abiding contractors too often lose business to contractors whom do not pay prevailing wages allowing them to offer a lower bid for contract in the first place.

Thank you for this opportunity to submit testimony.

Sincerely,


T. George Paris, Director

The Pacific Resource
PARTNERSHIP



Testimony of Cindy McMillan
The Pacific Resource Partnership

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

SB 3039, SD2, HD1 - Public Works
Thursday, March 27, 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 SB 3039, SD2, HD1, which establishes and funds two additional labor law enforcement specialist IV positions in the Department of Labor and Industrial Relations to assist the enforcement of Hawaii's wage and hour law on public construction projects.

The Department's Wage Standards Division is severely understaffed, and it is extremely difficult for the Department to keep up with the enforcement efforts required by state statute. PRP would welcome the additional capacity to assist with the enforcement of Hawaii's wage and hour laws on public construction projects.

Thank you for the opportunity to share our views with you and we kindly ask for your favorable consideration of SB 3039, SD2, HD1.



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

March 26, 2014

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REGINALD CASTANARES
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Local 204

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Workers Local 996

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

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

RE: SB3039, HD1 RELATING TO PUBLIC WORKS WAGES AND HOUR LAW;
APPROPRIATION
Hearing: Thursday, March 27, 2014, 3:00 p.m. Conference Room 309

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 14 out of 15 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 SB3039, HD1 which will allow the Department to better ensure that Hawaii's wage and hour laws are being followed on public construction projects by providing for additional labor law enforcement specialist IV positions within the Department of Labor and Industrial Relations.

Compliance with Chapter 104 (HRS) is very important to our members. Funding will allow the Department of Labor and Industrial Services to increase the level of enforcement and the level of service provided.

We encourage your committee to approve SB3039, HD1 and further urge your committee to make such appropriations effective upon approval.

Mahalo for the opportunity to provide comment in support of SB3039, HD1.

1065 Ahua Street
Honolulu, HI 96819
Phone: 808-833-1681 FAX: 839-4167
Email: info@gcahawaii.org
Website: www.gcahawaii.org



GCA of Hawaii

GENERAL CONTRACTORS ASSOCIATION OF HAWAII

Quality People. Quality Projects.

LATE

Uploaded via Capitol Website

March 27, 2014

TO: HONORABLE SYLVIA LUKE, CHAIR, HONORABLE SCOTT NISHIMOTO, VICE CHAIR AND MEMBERS OF THE HOUSE COMMITTEE ON LABOR AND PUBLIC EMPLOYMENT

SUBJECT: **S.B. 3039, SD2, HD1 RELATING TO PUBLIC WORKS.** Establishes the Wage and Hour for Public Works Projects Special Fund to fund enforcement of wage and hour laws for public works projects. Requires state departments, except DOT Airports Division, to transfer a percentage of CIP appropriations to the special fund. Establishes and funds two additional labor law enforcement specialist IV positions in DLIR. Effective July 1, 2014. (SB3039 HD1)

HEARING

DATE: Thursday, March 27, 2014
TIME: 3:00 p.m.
PLACE: Conference Room 308

Dear Chair Luke, Vice Chair Nishimoto and Johanson, and Members of the Committee,

The General Contractors Association of Hawaii (GCA) is an organization comprised of over approximately hundred (600) general contractors, subcontractors, and construction related firms. The GCA was established in 1932 and is the largest construction association in the State of Hawaii. The mission is to represent its members in all matters related to the construction industry, while improving the quality of construction and protecting the public interest.

S.B. 3039, SD2, HD1 proposes to create a special fund to fund enforcement of two additional labor law enforcement specialist IV positions to assist enforce Hawaii's wage and hour law under HRS Chapter 104. While GCA has concerns regarding the creation of new special funds, the need for two additional labor law enforcement specialists appears necessary. These positions would allow DLIR the proper resources to speed up investigations to enforce prevailing wage provisions already provided in the law.

In lieu of S.B. 2260, SD2, HD1, which proposes to among other things, increase suspension periods, increase fines and penalties, and make a general contractor secondarily liable for the violations of their subcontractor for nonpayment of prevailing wages, GCA would recommend the Committee strongly consider this measure in its place.

Thank you for the opportunity to testify on this measure.

The House of Representatives
The Twenty Seventh Legislature
Committee on Finance
March 27, 2014, 3:00 p.m.
Room 308



Statement of the Hawaii Regional Council of Carpenters on
S.B. 3039, SD 2, HD1 Relating to Public Works

The funding of Chapter 104 enforcement staff positions proposed in S.B. 3039 is greatly needed. A fixed funding system integrated into public works contract administration is of equal importance for uniform enforcement and voluntary compliance. It is important that tax dollars for public works construction are awarded and expended in a fair system. Unfortunately, enforcement is a necessary part of achieving fairness.

It is a part of administering public works contracts to replenish enforcement staff lost over past years, and providing a funding mechanism that will be in tune with the level of public works construction. **.10 percent** of public works projects should be set aside to maintain staffing to assure that parties comply with the terms of the contracts they sign. This system carries with it the benefit of experience in other jurisdictions.

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. If unscrupulous contractors are able to win bids based on the assumption they can proceed to violate the law with impunity, law abiding contractors are put at a competitive disadvantage. Middle class jobs are eroded and our living standards spiral down.

Consistent enforcement will not only detect violations, but it will spur voluntary compliance. Actions resulting from S.B. 3039 will send a message, combined with education, to discourage unscrupulous contractors from bidding based on a plan of underreporting hours worked, paying workers off-the-books, having skilled workers perform the work of one classification but misclassify and pay them at a lower rate, falsify reports to avoid paying daily overtime, etc. Fair competition for public works contracts needs protection.

Thank you for considering restoring the integrity of Chapter 104 of our State law.

**HAWAII OPERATING ENGINEERS
INDUSTRY STABILIZATION FUND**



Affiliate of AFL-CIO
(HRSU - 4 - AFL-CIO) (H)

LATE

March 26, 2014

Honorable Sylvia Luke, Chair
House Committee on Finance
Hawaii State Capitol
415 South Beretania Street, Room 306
Honolulu, HI 96813

Dear Chair Luke:

RE: Support of Senate Bill 3039, SD2, HD1 – Relating to Public Works

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 HOEISF, I am testifying in support of Senate Bill 3039, SD2, HD1, which establishes the Wage and Hour for Public Works Project Special Fund and creates and funds two additional labor law enforcement specialist IV positions to assist in the enforcement of Hawaii's wage and hour law for public construction projects.

While HOEISF supports Senate Bill 3039, SD2, HD1, we strongly encourage members of this committee to ensure that the Department of Labor and Industrial Relations Wage and Labor Division receive adequate funding to fill **all** permanent labor law enforcement specialists positions in their FY14-15 operating budget request.

HOEISF supports Senate Bill 3039, SD2, HD1. Thank you for your consideration in this matter.

Sincerely,

Kimberly Ribellia
Government Liaison
Hawaii Operating Engineers
Industry Stabilization Fund