

Honolulu, Hawaii

February 9, 2016

RE: H.B. No. 2544  
H.D. 1

Honorable Joseph M. Souki  
Speaker, House of Representatives  
Twenty-Eighth State Legislature  
Regular Session of 2016  
State of Hawaii

Sir:

Your Committee on Economic Development & Business, to which was referred H.B. No. 2544 entitled:

"A BILL FOR AN ACT RELATING TO CONSTRUCTION CONTRACTS,"

begs leave to report as follows:

The purpose of this measure is to improve the procurement process for construction projects by subjecting the procurement of construction contracts to federal procurement laws rather than the Hawaii Public Procurement Code.

The Chamber of Commerce of Hawaii testified in support of this measure. The State Procurement Office, Department of Accounting and General Services, Department of Education, Ironworkers Stabilization Fund, and American Council of Engineering Companies of Hawaii testified in opposition to this measure. The Judiciary, Department of Commerce and Consumer Affairs, Office of Administrative Hearings of the Department of Commerce and Consumer Affairs, and Subcontractors Association of Hawaii provided comments.

Hawaii's public procurement code was designed to be applied equally and uniformly, while providing fairness, open competition, a level playing field, and government disclosure and transparency in the procurement of, and contracting for, services. This process is vital to good government. However, some businesses, particularly small businesses have stated that they do not pursue construction work from the State because the current procurement



process is cumbersome and often wrought with delays in the selection of, and payment for, goods and services. It has also been estimated that inefficiencies in the current procurement process may account for up to thirty-five percent of a construction project's cost. Additionally, your Committee finds that the lowest priced bidder for a construction project may not always offer the State the best value for the services provided. As such, subjecting the procurement of construction contracts to federal procurement laws rather than the Hawaii Public Procurement Code may help to alleviate these issues.

However, your Committee notes the numerous concerns raised that safeguards currently afforded to the general public and businesses by the Hawaii Public Procurement Code with regard to construction projects may be lost with the use of federal procurement laws. Accordingly, your Committee has amended this measure by:

- (1) Deleting its contents and replacing it with language requiring the State Procurement Office, in conjunction with the Department of Accounting and General Services, to conduct a comprehensive review and analysis of the Hawaii Public Procurement Code, and submit a report to the Legislature;
- (2) Appropriating an unspecified amount of funds for conducting the analysis and review;
- (3) Changing its effective date to July 1, 2050, to encourage further discussion; and
- (4) Making technical, nonsubstantive amendments for clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Economic Development & Business that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 2544, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 2544, H.D. 1, and be referred to your Committee on Judiciary.



Respectfully submitted on  
behalf of the members of the  
Committee on Economic  
Development & Business,



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DEREK S.K. KAWAKAMI, Chair



State of Hawaii  
House of Representatives  
The Twenty-eighth Legislature

HSCR 122-16

**Record of Votes of the Committee on Economic Development & Business**

Bill/Resolution No.: <b>HB 2544</b>	Committee Referral: <b>EDB, JUD, FIN</b>	Date: <b>5 Feb 16</b>		
<input type="checkbox"/> The committee is reconsidering its previous decision on the measure.				
The recommendation is to: <input type="checkbox"/> Pass, unamended (as is) <input checked="" type="checkbox"/> Pass, with amendments (HD) <input type="checkbox"/> Hold <input type="checkbox"/> Pass short form bill with HD to recommit for future public hearing (recommit)				
EDB Members	Ayes	Ayes (WR)	Nays	Excused
1. KAWAKAMI, Derek S.K. (C)	✓			
2. KONG, Sam Satoru (VC)	✓			
3. BROWER, Tom	✓			
4. CACHOLA, Romy M.	✓			
5. CHOY, Isaac W.	✓			
6. DeCOITE, Lynn	✓			
7. ITO, Ken				✓
8. OHNO, Takashi	✓			
9. ONISHI, Richard H.K.	✓			
10. TOKIOKA, James Kunane	✓			
11. TSUJI, Clift	✓			
12. WOODSON, Justin H.	✓			
13. MATSUMOTO, Lauren Kealohilani	✓			
14. WARD, Gene	✓			
<b>TOTAL (14)</b>	<b>13</b>			<b>1</b>
The recommendation is: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted If joint referral, _____ did not support recommendation. <div style="text-align: center; font-size: 10pt;">committee acronym(s)</div>				
Vice Chair's or designee's signature: <u><i>James S. King</i></u>				
Distribution:    Original (White) – Committee    Duplicate (Yellow) – Chief Clerk's Office    Duplicate (Pink) – HMSO				