

DAVID Y. IGE
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SARAH ALLEN
ADMINISTRATOR
MARA SMITH
ASSISTANT ADMINISTRATOR

**STATE OF HAWAII
STATE PROCUREMENT OFFICE**

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TESTIMONY
OF
SARAH ALLEN, ADMINISTRATOR
STATE PROCUREMENT OFFICE

TO THE HOUSE COMMITTEE
ON
LABOR AND PUBLIC EMPLOYMENT
February 2, 2017, 9:00 AM

HOUSE BILL 1322
PROCUREMENT CODE; CONSTRUCTION; FEDERAL REQUIREMENTS; ANALYSIS
RELATING TO CONSTRUCTION CONTRACTS

Chair Johanson, Vice-Chair Holt, and members of the committee, thank you for the opportunity to submit testimony on House Bill 1322.

SPO has no objection to this bill. The SPO has no expertise in construction and no spare resources to apply to this lengthy and expensive analysis. The State does not have the necessary infrastructure in place to adequately replicate the federal processes. Some processes may not be replicable due to economies of scale.

There is also a lack of clarity on the following:

- Page 1 Line 9 mentions a cost-benefit analysis against but does not specify to what it should be compared or what costs should be taken into account.
- Page Line 12 mentions a task force, but does not specify what task force. Is this referring to the task force that was chaired by the Comptroller?

Lastly, the estimate for the cost of the analysis will be quite high. The comparison of state and federal statutes alone will likely require outsourcing to multiple contractors as it is unlikely federal companies will have knowledge of our state statutes and vice versa. At least \$1.2 million is likely a conservative estimate.

Thank you.



ELECTRICAL CONTRACTOR'S ASSOCIATION OF HAWAII

NECA Hawai'i Chapter
1286 Kalani Street, Suite B-203
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January 31, 2017

To: House Labor & Public Employment Committee
Honorable Chairman Johanson & Vice Chairman Holt

From: Al Itamoto, Executive Director
Electrical Contractors Association of Hawaii
National Electrical Contractors Association, Hawaii Chapter

Subject: HB 1322 Relating to Procurement

Notice of Hearing

Date: Tuesday, February 2, 2017
Time: 9:00 AM
Place: Conference Room 309
State Capitol
415 South Beretania Street

Dear Chair Johanson and Committee members:

The Electrical Contractors Association of Hawaii (ECAH) is a non-profit association representing over 100 electrical contractors doing business in the State of Hawaii. ECAH **strongly opposes** the intent and purpose of HB 1322 that requires the State Procurement Office in conjunction with DOE, UH, DOT and DAGS to conduct an analysis and review of the Hawaii State Procurement Code specifically regarding construction contracts and include whether an alignment with the Federal Construction Procurement laws would be beneficial to the State. There have been other studies and workforce organized to study the State Procurement Code and we find this proposal to be redundant and excessive. Incorporating the Federal Procurement Codes does not improve our present codes. There are bills in congress that are addressing changes to the Federal Procurement Code. In addition, the Federal Procurement Code doesn't require the sublisting which is problematic for all subcontractors. As a result, many electrical contractors do not bid on federal projects. The bidlisting equates to transparency.

Based on the above, ECAH **strongly opposes** the passage of HB 1322 and encourage this committee to kill this bill.

Thank you for the opportunity to provide testimony on this issue.

IRONWORKERS STABILIZATION FUND

February 2, 2017

Aaron Ling Johanson, Chair
Committee on Labor and Public Employment
House of Representative
State Capitol
415 S. Beretania Street
Honolulu, Hawaii 96813

Dear Honorable Chair Johanson and Members of the Committee on Labor and Public Employment:

Re: Opposition for HB 1322 – Relating to Construction Contracts

We are in opposition of HB 1322, Relating to Construction Contracts that requires the state procurement office and other state agencies to review the Hawaii Public Procurement Code.

Recently the Hawaii State Legislature created a special procurement task force made up of state and county agencies and other community organizations to report issues under Senate Concurrent Resolution 92, Senate Draft 2 of the twenty-seventh legislature, 2013 requests the Comptroller to establish a Task Force to study the State procurement code and identify amendments that would increase economy, efficiency, effectiveness, and impartiality in the procurement of public works construction projects. This report was provided to the State legislature in 2015 for review and perusal. As such, we believe that this bill is not needed at this time.

Additionally, if this bill does move forward, we suggest that you add members of the community that would be affected by this review for their input

We oppose this measure for the working men and women of Hawaii. Thank you for your time and consideration.

LABtestimony

From: mailinglist@capitol.hawaii.gov
Sent: Monday, January 30, 2017 6:28 PM
To: LABtestimony
Cc: mendezj@hawaii.edu
Subject: *Submitted testimony for HB1322 on Feb 2, 2017 09:00AM*

HB1322

Submitted on: 1/30/2017

Testimony for LAB on Feb 2, 2017 09:00AM in Conference Room 309

Submitted By	Organization	Testifier Position	Present at Hearing
Javier Mendez-Alvarez	Individual	Support	No

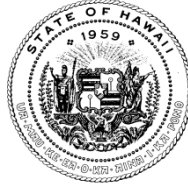
Comments:

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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

February 2, 2017
9:00 a.m.
State Capitol, Room 309

H.B. 1322
RELATING TO CONSTRUCTION CONTRACTS.

House Committee on Labor & Public Employment

The Department of Transportation (DOT) **supports** the intent of this bill which proposes to require the State Procurement Office (SPO), in conjunction with Department of Education, University of Hawaii, Department of Transportation and Department of Accounting General Services, to conduct an analysis and review of the Hawaii Public Procurement Code, specifically with regard to the awarding of construction contracts.

The DOT defers to the SPO on the appropriate funds this analysis and review.

Thank you for the opportunity to provide testimony.

Testimony by:
FORD N. FUCHIGAMI
DIRECTOR

Deputy Directors
JADE T. BUTAY
ROSS M. HIGASHI
EDWIN H. SNIFFEN
DARRELL T. YOUNG

IN REPLY REFER TO:

LATE

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GENERAL CONTRACTORS ASSOCIATION OF HAWAII
Quality People. Quality Projects.

Uploaded via Capitol Website

February 2, 2017

TO: HONORABLE AARON JOHANSON, CHAIR, HONORABLE DANIEL HOLT,
VICE CHAIR, COMMITTEE ON LABOR AND PUBLIC EMPLOYMENT

SUBJECT: **SUPPORT OF H.B. 1322, RELATING TO PROCUREMENT.** Requires the State Procurement Office, in conjunction with DOE, UH, DOT, and DAGS, to conduct an analysis and review of the Hawaii Public Procurement Code, specifically with regard to the awarding of construction contracts. Appropriates an unspecified amount of funds for the analysis and review. HEARING

DATE: February 2, 2017
TIME: 9:00 a.m.
PLACE: Capitol Room 309

Dear Chair Johanson, Vice Chair Holt and Members of the Committee,

The General Contractors Association of Hawaii (GCA) is an organization comprised of over five hundred 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 GCA's 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.

GCA is in support of H.B. 1322, Relating to Procurement, which require the State Procurement Office together with DOE, UH, DOT, and DAGS to conduct an analysis and review of the Hawaii Public Procurement with a directive, among other things, a "review of issues and concerns raised by the task force's final report of April 14, 2015, submitted to the legislature during the regular session of 2015, regarding the Hawaii public procurement process" and also a review of how Hawaii's code correlates with federal statute. The Task Force Report was a direct result of the passage of Senate Concurrent Resolution 92, SD2 (2013) which requested the Comptroller to Establish a Task Force to Study the State Procurement Code and Identify Amendments that Would Increase Economy, Efficiency, Effectiveness, and Impartiality in the Procurement of Public Works Construction Projects.

2013 Procurement Task Force pursuant to SCR 92, SD2 (2013)

From 2013 to 2015 major public works procurement agencies, GCA and other interested stakeholders participated in the Procurement Task Force convened by the legislature pursuant to Senate Concurrent Resolution 92, SD2 (2013). SCR 92 requested the Comptroller to Establish a Task Force to Study the State Procurement Code and Identify Amendments that Would Increase Economy, Efficiency, Effectiveness, and Impartiality in the Procurement of Public Works Construction Projects. The subcontractor listing requirement was one of four issues of importance identified by the Task Force that required resolution. The report reflects that the members were split on the position with regard to repeal of the subcontractor listing. However, it is important to note that three government agencies that regularly bid public works construction

projects, including CIP projects voted in favor of repealing the listing requirement, particularly University of Hawaii, City and County of Honolulu and the Department of Education.

Hawaii's Procurement Law should follow the ABA Model Procurement Code

It is important to note that the *ABA Model Procurement Code* has no reference or requirement to a mandatory subcontractor listing form. The *ABA Model Procurement Code* is the model code utilized by numerous states in delivering state and local spending in the procurement of goods, supplies, equipment, services, and construction. It would be beneficial for Hawaii to adopt the current provisions of the *ABA Model Procurement Code* to ensure proper delivery of publicly funded goods and services. Bid preferences and special interests have been embedded in Hawaii's procurement code making it difficult for the Code to properly deliver goods and services as intended by the Code. In order for the Procurement Code to apply equally and uniformly in the delivery of services and goods the elimination of bid preferences and special interests are necessary.

Thank you for this opportunity to **support** this measure and we respectfully request the Committee to move this measure forward.



UNIVERSITY OF HAWAII SYSTEM
Legislative Testimony

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LATE

Testimony Presented Before the
House Committee on Labor & Public Employment
February 2, 2017 at 9:00 a.m.

by
Jan Gouveia
Vice President for Administration
University of Hawai'i System

LATE

HB 1322 – RELATING TO CONSTRUCTION CONTRACTS

Chair Johanson, Vice Chair Holt and members of the committee:

The University of Hawai'i is pleased to submit this testimony in support of HB 1322. This measure provides for a comprehensive analysis and review of the Hawai'i State Procurement Code, particularly with regard to the awarding of construction contracts.

The University of Hawai'i believes there are always opportunities for improvement to a complicated and sophisticated subject area, like procurement. To that end, we welcome the opportunity to work closely with our counterparts towards evaluating more optimum procurement methods, processes and procedures that could result in savings of time, money and effort. This is particularly important at a time when the university is facing a large deferred maintenance backlog. These efforts could enable us to make better use of the scarce resources available to renew, improve and modernize our facilities. We would be pleased to participate with the State Procurement Office and our fellow agencies in analyzing the current code and providing recommendations for improvement.

Thank you for this opportunity to testify in support of HB 1322.

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LABtestimony

From: mailinglist@capitol.hawaii.gov
Sent: Wednesday, February 1, 2017 6:16 PM
To: LABtestimony
Cc: raechele.a.joyo@hawaii.gov
Subject: Submitted testimony for HB1322 on Feb 2, 2017 09:00AM

HB1322

Submitted on: 2/1/2017

Testimony for LAB on Feb 2, 2017 09:00AM in Conference Room 309

Submitted By	Organization	Testifier Position	Present at Hearing
Roderick Becker	Dept. of Accounting and General Services	Comments Only	Yes

Comments: See attached.

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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Written Only

DAVID Y. IGE
GOVERNOR



KATHRYN S. MATAYOSHI
SUPERINTENDENT

STATE OF HAWAII
DEPARTMENT OF EDUCATION
P.O. BOX 2360
HONOLULU, HAWAII 96804

Date: 02/02/2017
Time: 09:00 AM
Location: 309
Committee: House Labor & Public
Employment

Department: Education

Person Testifying: Kathryn S. Matayoshi, Superintendent of Education

Title of Bill: HB 1322 RELATING TO CONSTRUCTION CONTRACTS.

Purpose of Bill: Requires the State Procurement Office, in conjunction with DOE, UH, DOT, and DAGS, to conduct an analysis and review of the Hawaii Public Procurement Code, specifically with regard to the awarding of construction contracts. Appropriates an unspecified amount of funds for the analysis and review.

Department's Position:

The Department of Education (Department) supports the intent of this bill.

The Department acknowledges the existence of flaws in the current procurement process. These flaws turn into added expenses that become the burden of state tax payers. Improvements to this process could possibly create more spending capital for projects throughout the state.

Thank you for the opportunity to testify on this bill.