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TESTIMONY
OF
SARAH ALLEN, ADMINISTRATOR
STATE PROCUREMENT OFFICE

TO THE SENATE COMMITTEE
ON
GOVERNMENT OPERATIONS
February 2, 2017, 2:45 PM

SB 1280
PROCUREMENT CODE; PERFORMANCE BONDS
RELATING TO PROCUREMENT

Chair KIM, Vice-Chair Ruderman and members of the committee, thank you for the opportunity to submit testimony on SB1280.

The SPO is in support of this bill as this would remove the opportunity for firms to self-bond, ensuring separation of responsibilities.

Thank you.



ELECTRICAL CONTRACTOR'S ASSOCIATION OF HAWAII

NECA Hawai'i Chapter
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Honolulu, Hawai'i 96817
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January 31, 2017

To: Senate Government Operations Committee
Honorable Chairperson Kim & Vice Chairman Ruderman

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

Subject: SB 1280 Relating to Procurement

Notice of Hearing

Date: Thursday, February 2, 2017
Time: 2:45 PM
Place: Conference Room 414
State Capitol
415 South Beretania Street

Dear Chair Kim 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 supports** the intent and purpose of SB 1280 establishing additional performance bond requirements for surety and bond companies under the Hawaii Public Procurement Code. Having these additional requirements ensures that the parties involved in the project will be protected with well-established and legitimate bond and surety companies. This ensures that the State and tax payers are properly protected.

Based on the above, ECAH **strongly Supports** the passage of SB 1280 and encourage this committee to move this bill forward.

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

IRONWORKERS STABILIZATION FUND

February 2, 2017

Donna Mercado Kim, Chair
Committee on Government Operations
State Senate
State Capitol
415 S. Beretania Street
Honolulu, Hawaii 96813

Dear Honorable Chair Kim and Members of the Committee on Government Operations:

Re: Strong Support for SB 1280 – Relating to Procurement

We are in strong support of SB 1280, Relating to Procurement; that establishes additional bond requirements for surety companies.

The purpose of this bill strongly supports HRS Section 103D that the legislature has passed and the State of Hawaii has used to provide a fair and open process to bidding for public funded projects. This bill is used to ensure that an independent surety company is not connected in any way to the awarded prime contractor.

Additionally this bill will ensure that if the prime contractor cannot pay the subcontractor this bill will ensure that the subcontractor and their people get paid for work that was done. We do not want to see any of our working men and women not get paid for work they have done. This bill will ensure that everyone gets compensated properly and fairly.

Consequently, we believe this bill will ensure and uphold the integrity of the process of compensating companies and individuals.

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

SAH - Subcontractors Association of Hawaii

1188 Bishop St., Ste. 1003**Honolulu, Hawaii 96813-2938

Phone: (808) 537-5619 ✦ Fax: (808) 533-2739

February 2, 2017

Testimony To: Senate Committee on Government Operations
Senator Donna Mercado Kim, Chair

Presented By: Tim Lyons, President

Subject: S.B. 1280 - RELATING TO PROCUREMENT

Chair Kim and Members of the Committee:

I am Tim Lyons, President of the Subcontractors Association of Hawaii and we can support this bill.

The SAH represents the following nine separate and distinct contracting trade organizations.

HAWAII FLOORING ASSOCIATION

ROOFING CONTRACTORS ASSOCIATION OF HAWAII

HAWAII WALL AND CEILING INDUSTRIES ASSOCIATION

TILE CONTRACTORS PROMOTIONAL PROGRAM

PLUMBING AND MECHANICAL CONTRACTORS ASSOCIATION OF HAWAII

SHEETMETAL CONTRACTORS ASSOCIATION OF HAWAII

PAINTING AND DECORATING CONTRACTORS ASSOCIATION

PACIFIC INSULATION CONTRACTORS ASSOCIATION

Subcontractors need to be able to rely on bonds and the fact that the bond has financial integrity. The recent example cited to this Committee shows you that this has not been the case and points out quite directly the need for this bill.

Based on the above and in order to continue to encourage subcontractors to do business with the State, we highly recommend passage.

Thank you.

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GCA of Hawaii

GENERAL CONTRACTORS ASSOCIATION OF HAWAII

Quality People. Quality Projects.

Uploaded via Capitol Website

February 2, 2017

TO: HONORABLE DONNA MERCADO KIM, CHAIR, HONORABLE RUSSELL RUDERMAN, VICE CHAIR, COMMITTEE ON GOVERNMENT OPERATIONS

SUBJECT: **COMMENTS REGARDING S.B. 1280, RELATING TO PROCUREMENT.**
Establishes additional performance bond requirements for surety companies and bond companies under the Hawaii Public Procurement Code.

HEARING

DATE: February 2, 2017
TIME: 2:45 PM
PLACE: Capitol Room 414

Dear Chair Mercado Kim, Vice Chair Ruderman 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.

S.B. 1280, Relating to Procurement, proposes to amend Section 103D-324, HRS in an attempt to offer more protection for "all persons supplying labor and material to the contractor." Further, this measure proposes some restrictions on the surety or bond company with regard to their involvement in a public works project. GCA recognizes the necessity to ensure proper protections exist for all parties involved in a public works project particularly with regard to valid and binding performance and payment bonds. We look forward to the industry experts providing proper guidance on how to resolve the issues surrounding this situation.

Thank you for the opportunity to express our comments on this measure.



P.O. Box 2815
Honolulu, Hawaii 96803

February 1, 2017

TO: Senate Committee on Government Operations
The Honorable Donna Mercado Kim, Chair
The Honorable Russell E. Ruderman, Vice Chair

FR: Keali'i Lopez
Hawaii Captive Insurance Council

RE: S.B. 1280 Relating to Procurement – **Strong Opposition**

Dear Chair Donna Mercado Kim:

On behalf of the Hawaii Captive Insurance Council (HCIC), I am writing to express HCIC's strong opposition to SB1280; a bill aimed directly at the Hawai'i-domiciled captive insurance companies that write surety coverage. As background, HCIC is a nonprofit corporation that is committed to promoting, developing, and maintaining a quality captive insurance industry in the State of Hawaii. There are several captive insurance companies domiciled in the State that write such coverage for very good, fiscally sound parent companies. As of December 31, 2016, Hawai'i had 208 captive insurance companies domiciled here. The number of captives in Hawai'i has increased by 25 percent since 2010, up from 167 domiciled captives. The annual volume of premiums written by Hawai'i-domiciled captive insurance companies exceeds \$5.1 billion.

HCIC appreciates the author's intent to address concerns to ensure performance bonds are acquired and maintained in a way that protects companies and people working with the captive relying on their insurance. However, HCIC is very concerned about the unintended consequences SB1280 could have on Hawai'i's vibrant captive insurance industry. This bill could have a significant chilling effect on the future formation of captive insurance companies, and would unfairly penalize captive insurance companies that are well regulated and well capitalized.

Although SB1280 is meant to alleviate concerns of the impact of failed construction projects, the broad approach of this bill is not the answer. HCIC respectfully asks the Committee on Government Operations to defer SB1280. Thank you for your consideration of our comments.