

DAVID Y. IGE
GOVERNOR



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

HB 1228
PROCUREMENT; COMPETITIVE SEALED BIDDING; SUBCONTRACTOR; PUBLIC WORKS
CONSTRUCTION PROJECT
RELATING TO PROCUREMENT

Chair Johanson, Vice-Chair Holt, and members of the committee, thank you for the opportunity to submit testimony on HB 1228.

The SPO is in support of one section of this bill, allowing the opportunity to substitute a subcontractor that is not in compliance with the requirements of paragraph (1) with another subcontractor as long as the price of the total bid remains the same.

SPO is submitting the following comments to caveat any support of the remainder of this bill.

Government burden, additional cost and contractor responsibility: The SPO is concerned that this action will add more burden to the procurement specialist and transfer the prime contractor's responsibility to be accountable for proposing licensed subcontractors. It may also further delay the award particularly if the apparent lowest bidder's subcontractors are not licensed properly. The process of checking to see if all subcontractors are licensed two days later could delay a project if the listed subcontractors were unable to become compliant between bid opening and award. This would mean that the procurement specialist would now have to evaluate the 2nd low bidder's subcontractors for compliance. Lastly, this will be extremely costly throughout the state for agencies using eProcurement systems as the systems will require major coding to allow submission of additional information after the closing date of the solicitation.

Exemption from HRS Chapter 444: During last Legislative Session, the Regulated Industries Complaints Office (RICO), suggested that procurement specialists might be found to be 'aiding and abetting' prime contractors who submitted unlicensed subcontractors. Thus, verbiage that waives procurement specialists from this requirement is recommended. Allowing for licenses to be valid two days after bid closing will require a clear and express legislative exemption from the HRS Ch 444 interpretation that licensing must be in place at the time of submission of bid.

Delaying opening of bids. It appears from the verbiage as written, that bids will be submitted but may not be opened until two days later, when the subcontractor listing is submitted. There is no utility in the bid closing date to either the State or the contractor if no action may be taken until two days later. It would be better to delay the bid closing an additional two days for the entire bid to be due at once.

Impact of Subcontractor Listing to Construction Costs (Reference: Task Force Report, submitted February 3, 2016): The subcontractor listing requirement has also resulted in increased construction costs when the apparent low bidder is displaced due to an error or omission in the subcontractor listing. This occurred for approximately 1% of construction projects awarded in each of fiscal years 2013 and 2014. For the four government agencies who submitted complete data, the listing requirement resulted in \$498,353 of increased construction costs for awards of construction contracts awarded in FY2013 totaling \$897,117,463 (or 0.06%) and \$1,775,321.12 of increased construction costs for construction contracts awarded in FY2014 totaling \$521,725,488 (or 0.34%). It should be noted that the impact on the cost of construction for an individual project can be substantial. For example, on a small project, the apparent Low Bidder "A" whose bid amount was \$150,000 was rejected due to a flaw in the listing of subcontractor(s). The final awarded amount to the 2nd Low Bidder "B" was \$235,000 which increased the bid amount by \$85,000 which is 56.7% more than the original price. Therefore, what the data shows is that impacts to construction costs are relatively small overall, but there could be significant costs impacts to individual projects.

In conclusion, the SPO would need to see the areas of concern above addressed in order to support the bill.

Thank you.



ELECTRICAL CONTRACTOR'S ASSOCIATION OF HAWAII

NECA Hawai'i Chapter
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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 1228 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 1228 that would allow the bidder after the closing of the bids, two additional days to provide the name of each joint contractor or subcontractor and the nature of the scope of work of the work to be performed by each. His practice would encourage the unethical practice of bid shopping or bid peddling after the bid is submitted. This would only enrich the bidding contractor and not the State or taxpayers.

While it has been mentioned that the sublisting is problematic in the bidding process and has been the cause of bid protests, delays and cost overruns; data from the Department of Accounting and General Services shows that sublisting issues have had a minimal impact on the State's construction procurement.

Based on the above, ECAH **strongly opposes** the passage of HB 1228 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: Strong Opposition for HB 1228 – Relating to Procurement

We are in strong opposition of HB 1228, Relating to Procurement; that allows a bidder on public work construction project two additional day after closing bids to engage a bidder.

The purpose of this bill strongly goes against 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. We believe that a solicitor has ample time to obtain the names of the joint contractor or subcontractor for a project. All contractors and subcontractors look at the same bid list and can call each other. What we believe this bill allow is for the solicitor to bid shop and make a greater profit off of the small business men and women.

Consequently, we believe to modify the procurement law will jeopardize the integrity of the process.

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



Contractor's License No. ABC1036

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Sent via email to LABtestimony@capitol.hawaii.gov
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February 1, 2017

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

SUBJECT: SUPPORT OF H.B. 1228, RELATING TO PROCUREMENT Provides a bidder of
a public works construction project with two working days after the closing of bids
to provide the name of each joint contractor or subcontractor and the nature and
scope of the work to be performed by each. Allows the bidder to replace a
subcontractor that is not in compliance with these requirements, provided that the
price of the total bid remains the same.

HEARING

DATE: Thursday, February 1, 2017
TIME: 9:00 a.m.
PLACE: Conference Room 309

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

Isemoto Contracting Co., Ltd. supports the passage of H.B. 1228, Relating to Procurement,
which would amend the current procurement subcontractor listing requirement under Section
103D-302, HRS by allowing bidders two days to submit the list of subcontractors or joint
contractors working on the project to the agency. Under this proposed change, the
procurement officer would close the bidding in the usual manner, but would not open the bids
until after the subcontractor lists have been submitted.

The proposed change will permit the bidder to ensure that all subcontractors who have
submitted bids to the general contractor have met all of the requirements to perform work on
state and county projects, including meeting all licensing, bonding and insurance requirements,
as applicable. The additional time is necessary because in most cases the general contractor
does not receive bid prices from the various subcontractors until shortly before the bid must be
submitted to the state agency. This will reduce the likelihood of errors and result in reducing
the number of bid protests which often delay public works projects and in some cases increase
the cost of public works project for the state.

We believe that this proposed amendment will result in more complete and accurate bid
submittals and reduce the number of potential bid protests.

Isemoto Contracting Co., Ltd. supports H.B. 1228 and recommends its passage.

Handwritten signature of Leslie Isemoto
Leslie Isemoto,
President

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Honolulu, HI 96819
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Email: info@gcahawaii.org
Website: www.gcahawaii.org



GCA of Hawaii

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 AND MEMBERS OF THE HOUSE COMMITTEE ON LABOR AND PUBLIC EMPLOYMENT

SUBJECT: **SUPPORT OF H.B. 1228, RELATING TO PROCUREMENT** Provides a bidder of a public works construction project with two working days after the closing of bids to provide the name of each joint contractor or subcontractor and the nature and scope of the work to be performed by each. Allows the bidder to replace a subcontractor that is not in compliance with these requirements, provided that the price of the total bid remains the same.

HEARING

DATE: Thursday, February 1, 2017
TIME: 9:00 a.m.
PLACE: Conference Room 309

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

The General Contractors Association of Hawaii (GCA) is an organization comprised of over five hundred seventy general contractors, subcontractors, and construction related firms. The GCA was established in 1932 and is the largest construction association in the State of Hawaii. 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 **supports** H.B. 1228, Relating to Procurement which proposes to amend the current subcontractor listing requirement under Section 103D-302 by allowing bidders two days to submit the list of subcontractors or joint contractors that will perform under the contract. Under this proposed change, the procurement officer would close the bidding in the usual manner, but would not open the bids until after the subcontractor lists have been submitted.

The proposed change will permit the bidder to insure that all subcontractors who have submitted bids to the general contractor have met all of the requirements to perform work on state and county projects, including meeting all licensing, bonding and insurance requirements, as applicable. The additional time is necessary because in most cases the general contractor does not receive bid prices from the various subcontractors until shortly before the bid must be submitted to the state agency. During the interim, the GCA conducted a Mock Bid Exercise with members of the legislature and agencies who were able to experience first-hand the types of situations that may arise moments before bid submission, including, but not limited to, receiving no bid for a certain scope of work, low bidder subcontractor's license may not be valid, last minute amendment to a sub-quote, exclusions by subcontractors, or late subcontractor bid submissions. This means that the general contractor does not have time to check whether the subcontractors who have submitted bids meet the requirements to work on the job, especially the proper licenses issued by the Contractors License Board. Given the large number of "C" (currently over 100 issued and growing), it becomes increasingly difficult for the general

contractor to ascertain licenses and verify whether every subcontractor has the proper license to perform the work he has submitted a bid to do.

This legislation is not an attempt to give general contractors an advantage in submitting bids, nor is it, as some may argue, an opportunity to bid-shop; instead this legislation is increasing efficiency in the procurement process by allowing contractors to verify the information that subcontractors provide. The proposed legislation does not permit the contractor to change its proposed bid amount. The two days will permit the bidder the ability to ensure the subcontractor/joint contractor list is complete and listed subcontractors/joint contractors are properly licensed, are bondable (where applicable), and have all the required insurance coverage. This will reduce the likelihood of errors and result in reducing the number of bid protests which often delay public works projects and in some cases increase the cost of public works project for the state.

This proposed amendment will result in more complete and accurate bid submittals and reduce the number of potential bid protests. For these reasons, we request passage of this measure.

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: House Committee on Labor & Public Employment
Representative Aaron Ling Johanson, Chair

Presented By: Tim Lyons, President

Subject: H.B. 1228 - RELATING TO PROCUREMENT

Chair Johanson and Members of the Committee:

I am Tim Lyons, President of the Subcontractors Association of Hawaii and we vigorously oppose 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

Section 1 of the bill rubs us the wrong way just because it comes to a number of conclusions that are not based on fact. Although the bill talks about the State having increased cost for public works projects due to the subcontractor listing requirement, it does not give you the courtesy of explaining why that might be.

The legislature was concerned about this area and created a Procurement Task Force. That Procurement Task Force met for over a year and a half studying a wide variety of procurement issues however, the majority of their time and effort was spent on the Subcontractor Listing Clause. It was the recommendation of that Task Force not to repeal the Subcontractor Listing Clause. That Task Force summarized that an average of 6.3% of all construction projects were protested in FY 13 and FY14 and the reasons included everything from failure to submit hard copies, mathematical errors, failure to submit bid bonds, incorrect bid bond amounts and yes, failure to list the required subcontractor. The percent of cost increases due to protests was 0.34% in fiscal year 2013 and 0.01% in fiscal year 2014. The final report of the Procurement Task Force suggests that protests for bids was a result of the subcontractor listing requirement however it goes on further to say "...after considerable discussion and analysis of the data collected, it was noted that the negative impact of the protest process was probably not as substantial as first thought and is not likely to outweigh its merits".

Again, this does not tell us why, and as the Task Force discovered, while some of the protests were over subcontractor listing, it was over issues of missing or unlicensed subcontractors. So in other words, where a general contractor forgot to list a sub or listed the wrong sub, or listed an unlicensed subcontractor, all items that fall into the responsibility of the general contractor, it was the Subcontractor Listing Clause that was blamed.

In other words, what about situations where the subcontractor who submitted the bid and was the apparent low was dismissed from the process because they were not properly licensed to do the work? So somebody cheated and now when we use a legitimate contractor it cost more. So are we going to cite that as a fault of the subcontractor listing requirement?

We also do not think that the purpose section of this bill fairly describes the listing requirement results as "consequences that the legislature did not intend". The legislative intent of the subcontractor listing requirement is purely to protect the subcontractors who are not in an economically equal bargaining position with general contractors who provide them with work. The legislative intent was to stop bid chiseling and bid shopping which it has done quite successfully. We see this bill as merely an opportunity to provide general contractors with additional time in order to shop the bids. We would like to remind this Committee that this is a low bid system which is quite different than negotiated work. The subcontractors are already providing the general contractor with their very lowest price that they feel they could do the job for. Additionally, we think you have to look beyond the legislative intent and that is when there is bid shopping and bid chiseling, to whose favor does it go? It does not reduce the cost of the job to the taxpayer, it only increases the left over money to the general contractor to put in his pocket.

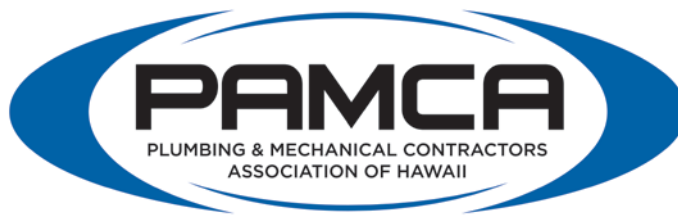
When the bidder has two (2) additional days after closing of the bids to provide the name of each subcontractor it only allows two (2) additional days for bid shopping to the advantage of the general contractor and to the disadvantage of the subcontractor.

We would also like to note to this Committee that there are a wide variety of contractors who refuse to bid federal work because there is no such similar requirement on federal procurement contracts. Because they have experienced constant bid shopping and chiseling by general contractors they refuse to participate in that process. We would not like to see the same thing happen to state and county contracts and experience any lessening of the competition.

Lastly, although this bill purports to reduce project delays, another recourse recently enacted by the legislature, requires the posting of a bond along with the protest and this has cut protests from being filed by almost 50% (36 to 15 in 2013 and 14 in 2014). That seems to be a better way to attack the problem.

In summary, we cannot support this bill. We think it will be a disastrous for subcontractors, the state procurement process and the taxpayer's.

Thank you.



1088 BISHOP STREET #408
HONOLULU, HI 96813
PH: (808) 597-1216

GREGG S. SERIKAKU
EXECUTIVE DIRECTOR

Via Email

January 31, 2017

Representative Aaron Ling Johanson, Chair
Representative Daniel Holt, Vice-Chair
House of Representatives Committee on Labor and Public Employment
The Twenty-Ninth Legislature, Regular Session of 2017

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

SUBJECT: HB1228 Relating to Procurement

My name is Gregg Serikaku. I am the Executive Director of the Plumbing and Mechanical Contractors Association of Hawaii.

The Association for which I speak is **strongly opposed** to HB1228.

The State Public Procurement Code (Chapter 103D) was developed to provide a fair, open and consistent method of procurement designed to protect public funds, however, this proposed bill allowing bidders two additional days to submit the subcontractor listing and scope of work does not comply with the intent of HRS 103D, nor does it resolve procurement issues, and will only serve to incite the predatory and unfair practice of bid shopping.

Further, as can be seen in testimony from past years, this type of bill pits general contractors against subcontractors as well as various trades against each other which is costly for the construction industry, reduces competition, and ultimately increases prices on public works projects.

This issue of subcontractor listing and its effect on the procurement process has been debated numerous times in past legislative sessions and finally in 2013 the Legislature passed SCR92 which convened a task force to look at the overall efficiency of the procurement process for public works projects. From 2013-2015 this task force, which included the major state and county procurement agencies, labor groups, general contractors, subcontractors and various trade associations, convened regularly to gather data on procurement delays, discuss issues impacting the procurement process, and to provide possible solutions to these issues.

One of the most important duties of the task force was to collect accurate unbiased data on protests so that the parties involved could rationally determine whether a problem exists, the size of the problem if any, and to make measured recommendations on possible solutions.

In this regard, the data gathered by the task force indicated that the total number of protests during the 2013/2014 fiscal year actually represented a very small percentage (less than 5%) of the total construction jobs procured by the reporting agencies, and that the increase in the contract price of bids going to the non low bidder due to protests was less than 1%. These percentages are further minimized when segregating those protests where the subcontractor listing was identified as an issue.

These results clearly show that the number and costs of protests are minimal, and in most cases prime bidders were able to correctly follow the procurement rules and subcontractor listing requirements.

Therefore, while our Association supports an expeditious procurement process and minimizing frivolous protests, we do not feel that degrading the subcontractor listing requirement by allowing extra time for submission is the correct answer.

We propose that representatives from both the prime bidders and subcontractors work together on language that will help to address each parties' specific concerns to minimize frivolous protests, while maintaining a fair bidding environment.

We therefore respectfully urge the committee to hold this bill.

Respectfully yours,



Gregg S. Serikaku
Executive Director



February 1, 2017

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

SUBJECT: **SUPPORT OF H.B. 1228, RELATING TO PROCUREMENT** Provides a bidder of a public works construction project with two working days after the closing of bids to provide the name of each joint contractor or subcontractor and the nature and scope of the work to be performed by each. Allows the bidder to replace a subcontractor that is not in compliance with these requirements, provided that the price of the total bid remains the same.

HEARING

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

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

TOMCO CORP. supports the passage of H.B. 1228, Relating to Procurement, which would amend the current procurement subcontractor listing requirement under Section 103D-302, HRS by allowing bidders two days to submit the list of subcontractors or joint contractors working on the project to the agency. Under this proposed change, the procurement officer would close the bidding in the usual manner, but would not open the bids until after the subcontractor lists have been submitted.

The proposed change will permit the bidder to insure that all subcontractors who have submitted bids to the general contractor have met all of the requirements to perform work on state and county projects, including meeting all licensing, bonding and insurance requirements, as applicable. The additional time is necessary because in most cases the general contractor does not receive bid prices from the various subcontractors until shortly before the bid must be submitted to the state agency. This will reduce the likelihood of errors and result in reducing the number of bid protests which often delay public works projects and in some cases increase the cost of public works project for the state.

We believe that this proposed amendment will result in more complete and accurate bid submittals and reduce the number of potential bid protests.

TOMCO CORP. supports H.B. 1228 and recommends its passage.

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Lic# ABC 16941



general contractor license #ABC 21576

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February 1, 2017

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

SUBJECT: **SUPPORT OF H.B. 1228, RELATING TO PROCUREMENT** Provides a
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closing of bids to provide the name of each joint contractor or subcontractor
and the nature and scope of the work to be performed by each. Allows the
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requirements, provided that the price of the total bid remains the same.

HEARING

DATE: Thursday, February 1, 2017
TIME: 9:00 a.m.
PLACE: Conference Room 309

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

LYZ, Inc. supports the passage of H.B. 1228, Relating to Procurement, which would amend the current procurement subcontractor listing requirement under Section 103D-302, HRS by allowing bidders two days to submit the list of subcontractors or joint contractors working on the project to the agency. Under this proposed change, the procurement officer would close the bidding in the usual manner, but would not open the bids until after the subcontractor lists have been submitted.

The proposed change will permit the bidder to insure that all subcontractors who have submitted bids to the general contractor have met all of the requirements to perform work on state and county projects, including meeting all licensing, bonding and insurance requirements, as applicable. The additional time is necessary because in most cases the general contractor does not receive bid prices from the various subcontractors until shortly before the bid must be submitted to the state agency. This will reduce the likelihood of errors and result in reducing the number of bid protests which often delay public works projects and in some cases increase the cost of public works project for the state.

We believe that this proposed amendment will result in more complete and accurate bid submittals and reduce the number of potential bid protests.

LYZ, Inc. supports H.B. 1228 and recommends its passage.

A handwritten signature in black ink, appearing to read 'James N. Kurita', is written over a circular stamp or seal.

James N. Kurita
Vice President/ Chief Operating Officer



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GENERAL CONTRACTOR

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Founded in 1962

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February 1, 2017

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

SUBJECT: **SUPPORT OF H.B. 1228, RELATING TO PROCUREMENT** Provides a bidder of
a public works construction project with two working days after the closing of bids
to provide the name of each joint contractor or subcontractor and the nature and
scope of the work to be performed by each. Allows the bidder to replace a
subcontractor that is not in compliance with these requirements, provided that the
price of the total bid remains the same.

HEARING

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

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

Ralph S Inouye Co, Ltd (RSI), a Hawaii general contractor and member of the General Contractors Association of Hawaii, **supports** the passage of H.B. 1228, Relating to Procurement, which would amend the current procurement subcontractor listing requirement under Section 103D-302, HRS by allowing bidders two days to submit the list of subcontractors or joint contractors working on the project to the agency. Under this proposed change, the procurement officer would close the bidding in the usual manner, but would not open the bids until after the subcontractor lists have been submitted.

The proposed change will provide time for the bidder to insure that all subcontractors it intends to list meet all of the requirements to perform the work described, including meeting all licensing, bonding and insurance requirements, as applicable. The additional time is necessary because in many cases the general contractor does not receive bids from the various subcontractors until shortly before the bid must be submitted to the state agency. This will reduce the likelihood of errors and potentially reduce the number of bid protests which often delay public works projects and in some cases increase the cost of public works project for the state.

Thank you for your kind consideration.



P.O. Box 4088
Honolulu, HI 96812-4088
Phone: (808) 725-2244

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February 1, 2017

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

SUBJECT: **SUPPORT OF H.B. 1228, RELATING TO PROCUREMENT** Provides a bidder of a public works construction project with two working days after the closing of bids to provide the name of each joint contractor or subcontractor and the nature and scope of the work to be performed by each. Allows the bidder to replace a subcontractor that is not in compliance with these requirements, provided that the price of the total bid remains the same.

HEARING

DATE: Thursday, February 1, 2017
TIME: 9:00 a.m.
PLACE: Conference Room 309

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

Hawaiian Dredging Construction Company, Inc. supports the passage of H.B. 1228, Relating to Procurement, which would amend the current procurement subcontractor listing requirement under Section 103D-302, HRS by allowing bidders two days to submit the list of subcontractors or joint contractors working on the project to the agency. Under this proposed change, the procurement officer would close the bidding in the usual manner, but would not open the bids until after the subcontractor lists have been submitted.

The proposed change will permit the bidder to insure that all subcontractors who have submitted bids to the general contractor have met all of the requirements to perform work on state and county projects, including meeting all licensing, bonding and insurance requirements, as applicable. The additional time is necessary because in most cases the general contractor does not receive bid prices from the various subcontractors until shortly before the bid must be submitted to the state agency. This will reduce the likelihood of errors and result in reducing the number of bid protests which often delay public works projects and in some cases increase the cost of public works project for the state.

We believe that this proposed amendment will result in more complete and accurate bid submittals and reduce the number of potential bid protests.

Hawaiian Dredging Construction Company, Inc. supports H.B. 1228 and recommends its passage.

With best regards,

Joseph P. Majkut
President
Hawaiian Dredging Construction Company, Inc.



SHARING YOUR VISION. BUILDING SUCCESS.

LATE LATE LATE

Sent via email to LABtestimony@capitol.hawaii.gov
Fax to (808) 586-6189

February 1, 2017

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

SUBJECT: **SUPPORT OF H.B. 1228, RELATING TO PROCUREMENT** Provides a bidder of
a public works construction project with two working days after the closing of bids
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subcontractor that is not in compliance with these requirements, provided that the
price of the total bid remains the same.

HEARING

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

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

Nordic PCL Construction, Inc. **supports** the passage of H.B. 1228, Relating to Procurement, which would amend the current procurement subcontractor listing requirement under Section 103D-302, HRS by allowing bidders two days to submit the list of subcontractors or joint contractors working on the project to the agency. Under this proposed change, the procurement officer would close the bidding in the usual manner, but would not open the bids until after the subcontractor lists have been submitted.

The proposed change will permit the bidder to insure that all subcontractors who have submitted bids to the general contractor have met all of the requirements to perform work on state and county projects, including meeting all licensing, bonding and insurance requirements, as applicable. The additional time is necessary because in most cases the general contractor does not receive bid prices from the various subcontractors until shortly before the bid must be submitted to the state agency. This will reduce the likelihood of errors and result in reducing the number of bid protests which often delay public works projects and in some cases increase the cost of public works project for the state.

We believe that this proposed amendment will result in more complete and accurate bid submittals and reduce the number of potential bid protests.

Nordic PCL Construction, Inc. **supports** H.B. 1228 and recommends its passage.

Yours truly,

NORDIC CONSTRUCTION, INC.

Glen Kaneshige, President

NORDIC PCL CONSTRUCTION, INC.

1099 Alakea Street, Suite 1600, Honolulu, HI 96813
Telephone: 808-541-9101 ♦ Fax: 808-541-9108 ♦ www.nordicpcl.com

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LATE**LATE****LATE****Testimony to the House Committee on Labor & Public Employment****February 2, 2017****9:00 am****Conference Room 309****RE: HB 1228 – Relating to Procurement**

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

My name is Gladys Quinto Marrone, CEO of the Building Industry Association of Hawaii (BIA-Hawaii). Chartered in 1955, the Building Industry Association of Hawaii is a professional trade organization affiliated with the National Association of Home Builders, representing the building industry and its associates. BIA-Hawaii takes a leadership role in unifying and promoting the interests of the industry to enhance the quality of life for the people of Hawaii.

BIA-Hawaii supports the passage of HB 1228, Relating to Procurement, which would amend the current procurement subcontractor listing requirement under Section 103D-302, HRS by allowing bidders two days to submit the list of subcontractors or joint contractors working on the project to the agency. Under this proposed change, the procurement officer would close the bidding in the usual manner, but would not open the bids until after the subcontractor lists have been submitted.

The proposed change would permit the bidder to insure that all subcontractors who have submitted bids to the general contractor have met all of the requirements to perform work on state and county projects, including meeting all licensing, bonding and insurance requirements, as applicable. The additional time is necessary because in most cases the general contractor does not receive bid prices from the various subcontractors until shortly before the bid must be submitted to the state agency. This will reduce the likelihood of errors and result in reducing the number of bid protests which often delay public works projects and in some cases increase the cost of public works project for the state.

We believe that this proposed amendment will result in more complete and accurate bid submittals and reduce the number of potential bid protests.

Thank you for the opportunity to express our support of this legislation.

LATE

LATE

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HEARING BEFORE THE HOUSE COMMITTEE ON LABOR AND EMPLOYMENT

House Bill 1228
Relating To Procurement

Chair Johanson and Members of the Committee:

Thank you for this opportunity to submit testimony on behalf of the Painting Industry of Hawaii Labor Management Cooperation Trust Fund, Hawaii Tapers Market Recovery Trust Fund, Hawaii Glaziers, Architectural Metal Glassworkers Local Union 1889 AFL-CIO Stabilization Trust Fund, and Carpet, Linoleum and Soft Tile Local Union 1926 Market Recovery Trust Fund in **strong opposition** to House Bill 1228, which seeks to alter State law requiring the listing of subcontractors in public construction projects to allow a general contractor up to two days to name its subcontractors on the project.

State law requiring the listing of subcontractors is the primary protection for subcontractors from predatory bid shopping or bid peddling practices. These unethical practices inure to the benefit of the general contractor only, not to the landowner or procurement agency. Allowing the general contractor two days to name its subcontractors eviscerates all protections for the subcontractor because it gives the general contractor two days in which to bid shop subcontractors who have already submitted their best prices. This practice undermines public confidence in the procurement system and promotes substandard work and/or delays.

We also strongly disagree with the findings section of this Bill which implies that subcontractor listing is a significant problem causing delays and increased cost for public construction projects. The State Procurement Task Force convened pursuant to Senate Concurrent Resolution 92, S.D. 2 (2013) studied data relating to bid protests filed with respect to construction contracts over a mulch-year period and concluded that bid protests related to subcontractor listing issues are simply not a statistically significant problem. The Task Force decided not to recommend any changes to the State's procurement law with respect to subcontractor listing.

Finally, any suggestion that subcontractor listing laws should be weakened because of time constraints faced by general contractors in the bid submission process are entirely merit less. All parties are aware of the deadlines involved, and a general contractor has the freedom and power to dictate to subcontractors when their bids must be submitted to the general contractor to be considered for work on the project. The general contractor is free to exclude from consideration any subcontractor that does not timely submit such a bid.

For all of these reasons, we respectfully ask that you defer this measure indefinitely. Thank you again for this opportunity to share our strong opposition to this measure.

LABtestimony

LATE

From: mailinglist@capitol.hawaii.gov
Sent: Wednesday, February 1, 2017 6:30 PM
To: LABtestimony
Cc: raechele.a.joyo@hawaii.gov
Subject: Submitted testimony for HB1228 on Feb 2, 2017 09:00AM

LATE

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HB1228

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.

Do not reply to this email. This inbox is not monitored. For assistance please email webmaster@capitol.hawaii.gov



S & M SAKAMOTO, INC.
GENERAL CONTRACTORS

LATE

LATE

Sent via email to LABtestimony@capitol.hawaii.gov
Fax to (808) 586-6189

February 1, 2017

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

SUBJECT: **SUPPORT OF H.B. 1228, RELATING TO PROCUREMENT** Provides a bidder of a
public works construction project with two working days after the closing of bids to
provide the name of each joint contractor or subcontractor and the nature and scope of
the work to be performed by each. Allows the bidder to replace a subcontractor that is not
in compliance with these requirements, provided that the price of the total bid remains the
same.

HEARING

DATE: Thursday, February 1, 2017
TIME: 9:00 a.m.
PLACE: Conference Room 309

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

S & M Sakamoto, Inc. supports the passage of H.B. 1228, Relating to Procurement, which would
amend the current procurement subcontractor listing requirement under Section 103D-302, HRS by
allowing bidders two days to submit the list of subcontractors or joint contractors working on the project to
the agency. Under this proposed change, the procurement officer would close the bidding in the usual
manner, but would not open the bids until after the subcontractor lists have been submitted.

The proposed change will permit the bidder to insure that all subcontractors who have submitted bids to
the general contractor have met all of the requirements to perform work on state and county projects,
including meeting all licensing, bonding and insurance requirements, as applicable. The additional time is
necessary because in most cases the general contractor does not receive bid prices from the various
subcontractors until shortly before the bid must be submitted to the state agency. This will reduce the
likelihood of errors and result in reducing the number of bid protests which often delay public works
projects and in some cases increase the cost of public works project for the state.

We believe that this proposed amendment will result in more complete and accurate bid submittals and
reduce the number of potential bid protests.

S & M Sakamoto, Inc. supports H.B. 1228 and recommends its passage.

Very truly yours,
S & M Sakamoto, Inc.

Gerard Sakamoto
Chairman of the Board