

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
FINANCE

February 22, 2017, 3:00 PM

HOUSE BILL 1229 HD 1
PROCUREMENT; SUBCONTRACTOR LISTING
RELATING TO PROCUREMENT

Chair Luke, Vice-Chair Cullen and members of the committee, thank you for the opportunity to submit testimony on House Bill 1229 HD1.

The SPO opposes this bill and offers the following comments:

The SPO questions what data points the previous amount shown in the original bill was based on. The HD1 change now shows a Bill that has a blank space denoting a dollar threshold. This is highly alarming and the SPO questions who and how will this number be determined?

In addition, there is no statute or rule in the procurement code that mandates post-award contract management. Thus, any construction work that is conducted under the currently blank threshold will not have any formal process for checking the contractor(s) is licensed. There is an expectation that the Government hire responsible, licensed contractors to perform safe work on public facilities. The Government must do their due diligence and ensure the contractors they hire are licensed. Without a formal, mandatory process, it will be very easy for this check not to happen, and the risk of the public accessing unsafe government facilities along with the associated liability thereof will be high.

Thank you.

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Website: www.gcahawaii.org



GCA of Hawaii

GENERAL CONTRACTORS ASSOCIATION OF HAWAII

Quality People. Quality Projects.

Uploaded via Capitol Website

February 22, 2017

TO: HONORABLE SYLVIA LUKE, CHAIR, HONORABLE TY CULLEN, VICE CHAIR, COMMITTEE ON FINANCE

SUBJECT: **SUPPORT OF H.B. 1229, HD1 RELATING TO PROCUREMENT.** Requires public procurement construction bids to list subcontractors and joint contractors only for contracts with an unspecified total value; provided that bids lacking this list may be accepted if in the State's best interest. (HB1229 HD1)

HEARING

DATE: February 22, 2017
TIME: 3:00 p.m.
PLACE: Capitol Room 309

Dear Chair Luke, Vice Chair Cullen 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. 1229, HD1, Relating to Procurement, which requires that for construction contracts with a total value of more than a certain (currently blank) amount (previous draft was \$5,000,000) require a list of subcontractors that a bidder intends to use would be provided.

Some examples of recent projects that encountered issues related to subcontractor listing and caused delay in starting construction include, but are not limited to:

- Kamamalu Building (Oahu) - *Subcontractor listed by 4 lowest bidders considered non-responsive, thus awarded to fifth lowest bidder.*
 - Bid Date: May 2014
 - Project Awarded: *5 months after Bid Close* October 2014 at \$24.8 Million
 - **Awarded to 5th lowest bidder at increased of price of \$3.3 M over lowest bid**
- Kona Judiciary Complex (Big Island) *Issue raised over listed subcontractors among other issues.*
 - Bid Date: January 2016
 - Project Awarded: *10 months after Bid Close* October 2016 at \$79 Million
 - **Awarded to 3rd lowest bidder at increased price of \$1.7 M over lowest bid**
- Maui Car Rental Facility (Maui) – *Subcontractor listed alleged to be in error, among other protest issues that went to Office of Administrative Hearings for final disposition*
 - Bid Date: June 2014
 - Project Awarded: *18 months after Bid Close* December 2015 at \$331 million
 - **Awarded to 4th lowest bidder at increased price of \$3.8 M over lowest bid**

Under current law HRS, Section 103D-302(b) requires the bidding contractor to list subcontractors and joint contractors and their scope of work to be employed on all public works projects unless the prime contractor has the required specialty license or will do the work themselves. This bill proposes to limit which projects the subcontractor listing applies to based on the cost of the project. This measure does not preclude a state agency from requiring a list of subcontractors to be submitted prior to start of construction which would provide them with the information necessary to know who would be working on the project.

The GCA supports this bill because the challenges to the subcontractor listing requirements are increasing the cost of public works construction and delaying the delivery of projects due to contested bid submittals. Additionally, the mandated subcontractor listing requirement is not consistent with the *American Bar Association Model Procurement Code* (ABA Model Procurement Code), which Hawaii's Procurement Code is modeled after. Furthermore the federal government does not require subcontractor listing on any of their projects thus protests on this issue do not exist. While we understand the concern with regard to bid shopping and bid peddling, we have grave concerns about whether the original intent of the subcontractor listing law is still applicable in its entirety.

Background of the Subcontractor Listing Requirement

In the last decade, the subcontractor listing requirement has been used beyond its legislative intent by many non-low bidders to identify errors in bids that either fail to list a subcontractor or inadvertently commits a listing error in the haste to submit a bid by the deadline. As a result of the subcontractor listing requirement, the failure to list such subcontractor altogether or a subcontractor whose work would total more than one percent of the total contract could trigger an inquiry which could lead to a formal bid protest whereby a higher bidder could replace the apparent lowest bidder from being awarded the contract. These protests have historically resulted in delays in contract awards and in the event the low bidder is disqualified, there is additional cost to the agency and taxpayers if the contract is awarded to the higher bidder.

More recently, **the subcontractor listing has been one of the main reasons why public works projects are being awarded to non-low bidders.** Further the subcontractor listing requirement has led to administratively filed bid protests, resulting in increased cost of public projects, delay of contract award and further administrative burden for affected agencies

The subcontractor listing law has resulted in increased cost for taxpayers, delay in delivery of much needed projects, and the potential of lapsing funds for important projects. We appreciate this Committee's consideration of requiring that the subcontractor listing requirement be applied to projects either under or over a certain dollar threshold. Thank you for this opportunity to **support** this bill and we respectfully request the Committee to move this measure forward.

SAH - Subcontractors Association of Hawaii

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

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

February 22, 2017

Testimony To: House Committee on Finance
Representative Sylvia Luke, Chair

Presented By: Tim Lyons, President

Subject: H.B. 1229, HD 1 - RELATING TO PROCUREMENT

Chair Luke 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 just 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. So, while on its face this bill appears to be about raising the threshold for requiring subcontractor listing, in reality it is an attack on the need for subcontractor listing.

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 although the preface of this bill (Section 1) would have you believe otherwise, 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. Contrary to the preface, 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.

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?

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 a lowering of the threshold 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.

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% (from 36 to 15 in 2013 and to only 14 in 2014). That seems to be a better way to attack the problem.

In summary, we cannot support this bill. It has been tried when the legislature allowed UH to eliminate sublisting for projects under \$1,000,000.00. It was a failed experiment and some subcontractors completely stopped bidding to UH. That law was repealed three years later. Let's don't repeat that. This bill will be disastrous for subcontractors, the state procurement process and the taxpayer's.

Thank you.

IRONWORKERS STABILIZATION FUND

February 21, 2017

Sylvia Luke, Chair
Committee on Finance
House of Representative
State Capitol
415 S. Beretania Street
Honolulu, Hawaii 96813

Dear Honorable Chair Luke and Members of the Committee on Finance

Re: Strong Opposition for HB 1229 – Relating to Procurement

We are in strong opposition of HB 1229, Relating to Procurement; that requires public procurement bids to list subcontractors and joint contractors only for contracts of \$5,000,000 or more.

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 it is in the best interest of the public that they know all the subcontractors and joint contractors for any jobs. This will also ensure that the public can view if all the parties involved is licensed and has not had any wrong doing in the past. We perceive this bill is trying to hide information from the general public.

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.



February 21, 2017

TO: House Committee on Finance

FROM: Blake Parsons, Executive Director

SUBJECT: Opposition to *H.B. 1229 - Relating to Procurement*

Chair Luke and Members of the Committee:

My name is Blake Parsons. I am the Executive Director of the Sheet Metal Contractors Association (SMCA), a trade association that represents over 36 sheet metal and air conditioning contractors who, collectively, employ over 500 Hawaii Sheet Metal Workers (Local 293 - A.F.L.-C.I.O) and hundreds of projects managers, administrative staff and other construction related personnel.

The Association for which I speak **strongly opposes H.B. 1229.**

The bill disadvantages small and up-and-coming contractors who are protected by the subcontractor listing requirement. While the version of this bill does not specially state the amount of a project exempt from the sub-listing requirement, any attempt to exempt projects from the sub-listing requirement creates a greater ability for general contractors to prey on subcontractors by effectively sanctioning bid shopping.

This bill would especially harm taxpayers of the State of Hawaii by reducing the pool of interested subcontractor bidders. Many subcontractors would no longer participate in the process due to bid shopping and peddling, so common in the federal procurement arena.

A report published in 2016, created by the Procurement Task Force consisting of general contractors, subcontractors, labor, and state and city department representatives, found that there was no significant cost increase due to subcontractor listing protest issues. The report went on to say that, "*the negative impact of the protest process was not as substantial as first thought and is not likely to outweigh its merits.*"

SMCA
est. 1961
SHEET METAL
CONTRACTORS ASSOCIATION
HAWAII

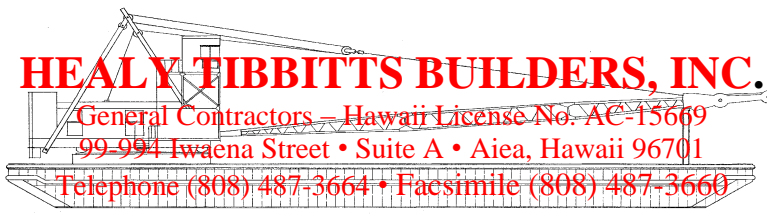
We feel the legislature has a duty to uphold the intent of the procurement code, protect small businesses, and ensure legislation is intended to benefit the taxpayers. H.B. 1229 does none of this.

Therefore, we **strongly oppose H.B. 1229.**

Mahalo,



Blake Parsons
Executive Director



February 21, 2017

Sent Via E-mail to: FINTestimony@capitol.hawaii.gov

TO: HONORABLE SYLVIA LUKE, CHAIR, HONORABLE TY CULLEN, VICE CHAIR, COMMITTEE ON FINANCE

SUBJECT: **SUPPORT OF H.B. 1229, HD1 RELATING TO PROCUREMENT.** Requires public procurement construction bids to list subcontractors and joint contractors only for contracts with an unspecified total value; provided that bids lacking this list may be accepted if in the State's best interest. (HB1229 HD1)

HEARING

DATE: February 22, 2017

TIME: 3:00 p.m.

PLACE: Capitol Room 309

Dear Chair Luke, Vice Chair Cullen and Members of the Committee:

Healy Tibbitts Builders, Inc. is a general contractor in the State of Hawaii and has been actively engaged in construction work in Hawaii since the early 1960's. In addition to being a general contractor, Healy Tibbitts also performs work as a subcontractor for foundation work.

Healy Tibbitts Builders, Inc. **supports** the passage of H.B. 1229, Relating to Procurement, which would amend the current procurement subcontractor listing requirement under Section 103D-302, HRS by limiting which projects the subcontractor listing requirement applies to based on a dollar threshold. Under this proposed change, the subcontractor list would still be required but only on projects either over or under a certain dollar threshold.

Under current law HRS, Section 103D-302(b) requires the bidding contractor to list subcontractors and joint contractors and their scope of work to be employed on all public works projects unless the prime contractor has the required specialty license or will do the work themselves. The listing of subcontractors has become a way in which bidders attack the responsiveness of a proposal, resulting in awards to non-low bidders, increased cost to the state and delay of projects due to a technicality in the submitted subcontractor list. As a result, not only does the lowest bidder and their listed subcontractors get disqualified from performing, but the state could end up paying millions of dollars more for the project. This bill proposes to limit which projects the subcontractor listing applies to based on the cost of the project, which will in turn limit these types of challenges.

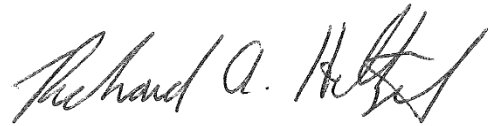
Given the large number of "C" specialty licenses (currently over 100 issued and growing), it becomes increasingly difficult for the general contractor to ensure that their submitted listing includes all necessary information. This will not change the law that requires that all contractors

Healy Tibbitts Builders, Inc.

on the project must be properly licensed, nor would it change the responsibility of the general contractor to ensure the project is completed.

Healy Tibbitts Builders, Inc. **supports** H.B. 1229, HD1 and recommends its passage.

Very truly yours,
Healy Tibbitts Builders, Inc.

A handwritten signature in black ink, appearing to read "Richard A. Heltzel". The signature is written in a cursive style with a large, stylized initial "R".

Richard A. Heltzel
President



Tom's Backhoe & Excavation Co., Inc.
651 Papipi Rd. , Kula, HI 96790
Ph. (808) 878-6233
Fax (808) 878-2783
info@tomsbackhoe.com
AC19828

Via E-mail: FINTestimony@capitol.hawaii.gov
Facsimile: 1-800-535-3859

February 21, 2017

TO: HONORABLE SYLVIA LUKE, CHAIR, HONORABLE TY CULLEN, VICE CHAIR, COMMITTEE ON FINANCE

SUBJECT: **SUPPORT OF H.B. 1229, HD1 RELATING TO PROCUREMENT.**

Requires public procurement construction bids to list subcontractors and joint contractors only for contracts with an unspecified total value; provided that bids lacking this list may be accepted if in the State's best interest. (HB1229 HD1)

HEARING

DATE: February 22, 2017
TIME: 3:00 p.m.
PLACE: Capitol Room 309

Dear Chair Luke, Vice Chair Cullen and Members of the Committee,

Tom's Backhoe & Excavation Co., Inc. supports the passage of H.B. 1229, Relating to Procurement, which would amend the current procurement subcontractor listing requirement under Section 103D-302, HRS by limiting which projects the subcontractor listing requirement applies to based on a dollar threshold. Under this proposed change, the subcontractor list would still be required but only on projects either over or under a certain dollar threshold.

Under current law HRS, Section 103D-302(b) requires the bidding contractor to list subcontractors and joint contractors and their scope of work to be employed on all public works projects unless the prime contractor has the required specialty license or will do the work themselves. The listing of subcontractors has become a way in which bidders attack the responsiveness of a proposal, resulting in awards to non-low bidders, increased cost to the state and delay of projects due to a technicality in the submitted subcontractor list. As a result not only does the lowest bidder and their listed subcontractors get disqualified from performing, but the state could end up paying millions of dollars more for the project. This bill proposes to limit which projects the subcontractor listing applies to based on the cost of the project, which will in turn limit these types of challenges.

Given the large number of "C" (currently over 100 issued and growing), it becomes increasingly difficult for the general contractor to ensure that their submitted listing includes all necessary information. This will not change the law that requires that all contractors on the project must be properly licensed, nor would it change the responsibility of the general contractor to ensure the project is completed.

Personally, we have lost a large project to a larger firm costing the County of Maui an additional \$200,000 or more with change orders due to this requirement. We have also



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AC19828

had other projects slowed down when dealing with project administrators whom are not familiar with licensing and what service are covered within a given license class.

Tom's Backhoe & Excavation Co., Inc. supports H.B. 1229, HD1 and recommends its passage.

Respectfully,

Gabriel Hoeffken – Vice President



SHARING YOUR VISION. BUILDING SUCCESS.

Via E-mail: FINTestimony@capitol.hawaii.gov
Facsimile: 1-800-535-3859

February 22, 2017

TO: HONORABLE SYLVIA LUKE, CHAIR, HONORABLE TY CULLEN, VICE CHAIR,
COMMITTEE ON FINANCE

SUBJECT: **SUPPORT OF H.B. 1229, HD1 RELATING TO PROCUREMENT.** Requires public procurement construction bids to list subcontractors and joint contractors only for contracts with an unspecified total value; provided that bids lacking this list may be accepted if in the State's best interest. (HB1229 HD1)

HEARING

DATE: February 22, 2017
TIME: 3:00 p.m.
PLACE: Capitol Room 309

Dear Chair Luke, Vice Chair Cullen and Members of the Committee,

Nordic PCL Construction, Inc. **supports** the passage of H.B. 1229, Relating to Procurement, which would amend the current procurement subcontractor listing requirement under Section 103D-302, HRS by limiting which projects the subcontractor listing requirement applies to based on a dollar threshold. Under this proposed change, the subcontractor list would still be required but only on projects either over or under a certain dollar threshold.

Under current law HRS, Section 103D-302(b) requires the bidding contractor to list subcontractors and joint contractors and their scope of work to be employed on all public works projects unless the prime contractor has the required specialty license or will do the work themselves. The listing of subcontractors has become a way in which bidders attack the responsiveness of a proposal, resulting in awards to non-low bidders, increased cost to the state and delay of projects due to a technicality in the submitted subcontractor list. As a result not only does the lowest bidder and their listed subcontractors get disqualified from performing, but the state could end up paying millions of dollars more for the project. This bill proposes to limit which projects the subcontractor listing applies to based on the cost of the project, which will in turn limit these types of challenges.

Given the large number of "C" licenses (currently over 100 issued and growing), it becomes increasingly difficult for the general contractor to ensure that their submitted listing includes all necessary information. This will not change the law that requires that all contractors on the project must be properly licensed, nor would it change the responsibility of the general contractor to ensure the project is completed.

Nordic PCL Construction, Inc. **supports** H.B. 1229, HD1 and recommends its passage.

Yours truly,

NORDIC PCL 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



S & M SAKAMOTO, INC.
GENERAL CONTRACTORS

Via E-mail: FINTestimony@capitol.hawaii.gov
Facsimile: 1-800-535-3859

February 22, 2017

TO: HONORABLE SYLVIA LUKE, CHAIR, HONORABLE TY CULLEN, VICE CHAIR,
COMMITTEE ON FINANCE

SUBJECT: **SUPPORT OF H.B. 1229, HD1 RELATING TO PROCUREMENT.** Requires public procurement construction bids to list subcontractors and joint contractors only for contracts with an unspecified total value; provided that bids lacking this list may be accepted if in the State's best interest. (HB1229 HD1)

HEARING

DATE: February 22, 2017
TIME: 3:00 p.m.
PLACE: Capitol Room 309

Dear Chair Luke, Vice Chair Cullen and Members of the Committee,

S & M Sakamoto, Inc. **supports** the passage of H.B. 1229, Relating to Procurement, which would amend the current procurement subcontractor listing requirement under Section 103D-302, HRS by limiting which projects the subcontractor listing requirement applies to based on a dollar threshold. Under this proposed change, the subcontractor list would still be required but only on projects either over or under a certain dollar threshold.

Under current law HRS, Section 103D-302(b) requires the bidding contractor to list subcontractors and joint contractors and their scope of work to be employed on all public works projects unless the prime contractor has the required specialty license or will do the work themselves. The listing of subcontractors has become a way in which bidders attack the responsiveness of a proposal, resulting in awards to non-low bidders, increased cost to the state and delay of projects due to a technicality in the submitted subcontractor list. As a result not only does the lowest bidder and their listed subcontractors get disqualified from performing, but the state could end up paying millions of dollars more for the project. This bill proposes to limit which projects the subcontractor listing applies to based on the cost of the project, which will in turn limit these types of challenges.

Given the large number of "C" (currently over 100 issued and growing), it becomes increasingly difficult for the general contractor to ensure that their submitted listing includes all necessary information. This will not change the law that requires that all contractors on the project must be properly licensed, nor would it change the responsibility of the general contractor to ensure the project is completed.

S & M Sakamoto, Inc. **supports** H.B. 1229, HD1 and recommends its passage.

Very truly yours,
S & M Sakamoto, Inc.

Gerard Sakamoto
Chairman of the Board



Alan Shintani INC.
GENERAL CONTRACTOR BC 13068

February 22, 2017

TO: HONORABLE SYLVIA LUKE, CHAIR, HONORABLE TY CULLEN, VICE
CHAIR, COMMITTEE ON FINANCE

SUBJECT: **SUPPORT OF H.B. 1229, HD1 RELATING TO PROCUREMENT.** Requires
public procurement construction bids to list subcontractors and joint contractors
only for contracts with an unspecified total value; provided that bids lacking this
list may be accepted if in the State's best interest. (HB1229 HD1)

HEARING

DATE: February 22, 2017
TIME: 3:00 p.m.
PLACE: Capitol Room 309

Dear Chair Luke, Vice Chair Cullen and Members of the Committee,

Alan Shintani, Inc. supports the passage of H.B. 1229, Relating to Procurement, which would amend the current procurement subcontractor listing requirement under Section 103D-302, HRS by limiting which projects the subcontractor listing requirement applies to based on a dollar threshold. Under this proposed change, the subcontractor list would still be required but only on projects either over or under a certain dollar threshold.

Under current law HRS, Section 103D-302(b) requires the bidding contractor to list subcontractors and joint contractors and their scope of work to be employed on all public works projects unless the prime contractor has the required specialty license or will do the work themselves. The listing of subcontractors has become a way in which bidders attack the responsiveness of a proposal, resulting in awards to non-low bidders, increased cost to the state and delay of projects due to a technicality in the submitted subcontractor list. As a result not only does the lowest bidder and their listed subcontractors get disqualified from performing, but the state could end up paying millions of dollars more for the project. This bill proposes to limit which projects the subcontractor listing applies to based on the cost of the project, which will in turn limit these types of challenges.

Given the large number of "C" (currently over 100 issued and growing), it becomes increasingly difficult for the general contractor to ensure that their submitted listing includes all necessary information. This will not change the law that requires that all contractors on the project must be properly licensed, nor would it change the responsibility of the general contractor to ensure the project is completed.

Alan Shintani, Inc. supports H.B. 1229, HD1 and recommends its passage.

Sincerely,

Alan Shintani
President



Testimony by:
FORD N. FUCHIGAMI
DIRECTOR

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

IN REPLY REFER TO:

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

February 22, 2017
3:00 p.m.
State Capitol, Room 308

H.B. 1229, H.D. 1
RELATING TO PROCUREMENT

House Committee on Finance

The Department of Transportation (DOT) **opposes** this bill which proposes a revision to the subcontractor listing by including a total value threshold for the requirement to list a subcontractor. The original bill listed the threshold at \$5 million.

The purpose of the proposed revision is to “reduce the number of subcontractors that must be listed in the bid proposal, thereby reducing the number of opportunities to challenge bids on the basis of subcontractor listing errors.”

The legislative intent behind the requirement for the subcontractor to be listed by the general contractor on bids submitted on construction projects was to prevent bid shopping and bid peddling. As proposed, this bill will not further the original intent of the subcontractor listing law.

Thank you for the opportunity to provide testimony.

PRESIDENT
EVAN FUJIMOTO
GRAHAM BUILDERS, INC.

PRESIDENT-ELECT
DEAN UCHIDA
SSFM INTERNATIONAL, INC.

VICE PRESIDENT
MARSHALL HICKOX
HOMEWORKS CONSTRUCTION, INC.

SECRETARY
DWIGHT MITSUNAGA
DM PACIFIC, INC.

TREASURER
MICHAEL WATANABE
JW, INC.

SPECIAL APPOINTEE-BUILDER
CURT KIRIU
CK INDEPENDENT LIVING BUILDERS

SPECIAL APPOINTEE-BUILDER
MARK KENNEDY
HASEKO CONSTRUCTION MANAGEMENT
GROUP, INC.

SPECIAL APPOINTEE-ASSOCIATE
PETER ELDRIDGE
RAYNOR OVERHEAD DOORS & GATES

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CRAIG WASHOFSKY
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D.R. HORTON, SCHULER DIVISION

DOUGLAS PEARSON
CASTLE & COOKE HOMES

PAUL D. SILEN
HAWAIIAN DREDGING
CONSTRUCTION CO. INC.

ALAN TWU
HK CONSTRUCTION CORP.

MAILING:
P.O. BOX 970967
WAIPAHU, HAWAII 96797-0967

PHYSICAL:
94-487 AKOKI STREET
WAIPAHU, HAWAII 96797

LATE

**Testimony to the House Committee on Finance
February 22, 2017
3:00 pm
Conference Room 308**

RE: HB 1229 HD1 – Relating to Procurement

Chair Luke, Vice-Chair Cullen, 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 H.B. 1229 HD1, Relating to Procurement, which would amend the current procurement subcontractor listing requirement under Section 103D-302, HRS by limiting which projects the subcontractor listing requirement applies to based on a dollar threshold. Under this proposed change, the subcontractor list would still be required but only on projects either over or under a certain dollar threshold.

Under current law HRS, Section 103D-302(b) requires the bidding contractor to list subcontractors and joint contractors and their scope of work to be employed on all public works projects unless the prime contractor has the required specialty license or will do the work themselves. The listing of subcontractors has become a way in which bidders attack the responsiveness of a proposal, resulting in awards to non-low bidders, increased cost to the state and delay of projects due to a technicality in the submitted subcontractor list. As a result not only does the lowest bidder and their listed subcontractors get disqualified from performing, but the state could end up paying millions of dollars more for the project. This bill proposes to limit which projects the subcontractor listing applies to based on the cost of the project, which will in turn limit these types of challenges.

Given the large number of "C" (currently over 100 issued and growing), it becomes increasingly difficult for the general contractor to ensure that their submitted listing includes all necessary information. This will not change the law that requires that all contractors on the project must be properly licensed, nor would it change the responsibility of the general contractor to ensure the project is completed.

Thank you for the opportunity to share our views on this matter.



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

GREGG S. SERIKAKU
EXECUTIVE DIRECTOR

Via Email

February 21, 2017

Representative Sylvia Luke, Chair
Representative Ty J.K. Cullen, Vice-Chair
House of Representatives Committee on Finance
The Twenty-Ninth Legislature, Regular Session of 2017

LATE

Chair Luke, Vice Chair Cullen, and Members of the Committee:

SUBJECT: HB1229 HD1 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 HB1229 HD1.

This bill would create an arbitrary and unnecessary dollar threshold for contracts requiring a subcontractor listing. While the threshold in this draft is of an unspecified amount, we believe the inclusion of a threshold would only serve to disadvantage those subcontractors whose value of work falls below the threshold by subjecting them to the unethical and predatory practice of bid shopping. We also believe this change will degrade the integrity of the procurement process and ultimately increase bid challenges.

The inclusion of a threshold is unnecessary. In 2015 the procurement task force culminated 2 years of data gathering, meetings and discussion with stakeholders, with a report to the legislature that looked at the overall efficiency of procurement on government projects. The data from this report indicates that only a very small percentage of the total construction jobs procured by the reporting agencies were protested, and that the increase in the contract price of bids going to the non low bidder due to protests was less than 1%. 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 currently in place.

In summary, there is no substantiated need to dilute the sublisting requirement by implementing a listing threshold. Other dollar thresholds that have been proposed in the past represent sizable contracts for many contractors especially for the small and medium sized companies which form the backbone of the local construction industry, and these companies should not be discounted and exposed to bid shopping.

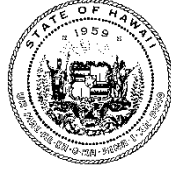
We therefore respectfully urge the committee to hold this bill.

Respectfully yours,

A handwritten signature in black ink that reads "Gregg S. Serikaku".

Gregg S. Serikaku
Executive Director

DAVID Y. IGE
GOVERNOR



LATE

RODERICK K. BECKER
Comptroller

AUDREY HIDANO
Deputy Comptroller

STATE OF HAWAII
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES

P.O. BOX 119, HONOLULU, HAWAII 96810-0119

TESTIMONY OF
RODERICK K. BECKER, COMPTROLLER
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES
TO THE
HOUSE COMMITTEE ON FINANCE
ON
WEDNESDAY, FEBRUARY 22, 2017
3:00 P.M.
CONFERENCE ROOM 308

H.B. 1229, H.D. 1

RELATING TO PROCUREMENT.

Chair Luke, Vice Chair Cullen, and members of the Committee, thank you for the opportunity to submit testimony on H.B. 1229, H.D. 1.

The Department of Accounting and General Services (DAGS) opposes this bill and offers the following comments for the committee's consideration:

1. The Protest Mechanism Works: The protest process is a mechanism for settling disputes that arise during the procurement process for construction projects in an impartial and fair manner, which allows bidders to trust the procurement process.
2. Perception: Large dollar value construction jobs, which are often the higher profile projects, are more likely to be protested because more is at stake. The public perceives that protests are a large problem in the procurement process; however, the statistics do not support this.
3. Basis for Proposed Changes: The source of the problem is not the protests or the statutory requirement to list subcontractors. It is the quality and completeness of the subcontractor listings. Therefore, the goal should be to reduce errors in the subcontractor listing.

4. Threshold Amount: Establishing a high threshold for the subcontractor listing requirement:
 - A. Will result in the elimination of some protests;
 - B. May do little, if anything, to improve the accuracy of subcontractor listings, which would reduce the likelihood of protests for the larger and more high profile construction projects; and
 - C. May increase the potential for bid shopping on projects below the threshold value. It should be noted that cost reduction due to bid shopping does not get passed on to the government since the price offered is already determined, and bid shopping could also negatively affect the quality of construction.

DAGS is also concerned that setting any dollar value threshold by statute for the subcontractor listing requirement will also require periodic review of the issue to determine whether the threshold needs to be adjusted.

5. Evaluation: DAGS recommends that all bills that may impact the construction procurement process be reviewed to ensure that they contribute to making the process more streamline, transparent, and efficient.

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



RALPH S. INOUE CO LTD
GENERAL CONTRACTOR

500 Alakawa St., #220E
Honolulu, Hawaii 96817

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License No. ABC-457
Founded in 1962

LATE

Via E-mail: FINTestimony@capitol.hawaii.gov
Facsimile: 1-800-535-3859

February 21, 2017

TO: HONORABLE SYLVIA LUKE, CHAIR, HONORABLE TY CULLEN, VICE CHAIR,
COMMITTEE ON FINANCE

SUBJECT: **SUPPORT OF H.B. 1229, HD1 RELATING TO PROCUREMENT.** Requires public procurement construction bids to list subcontractors and joint contractors only for contracts with an unspecified total value; provided that bids lacking this list may be accepted if in the State's best interest. (HB1229 HD1)

HEARING

DATE: February 22, 2017
TIME: 3:00 p.m.
PLACE: Capitol Room 308

Dear Chair Luke, Vice Chair Cullen 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. 1229, Relating to Procurement, which would amend the current procurement subcontractor listing requirement under Section 103D-302, HRS by limiting which projects the subcontractor listing requirement applies to based on a dollar threshold. Under this proposed change, the subcontractor list would still be required but only on projects either over or under a certain dollar threshold.

Under current law HRS, Section 103D-302(b) requires the bidding contractor to list subcontractors and joint contractors and their scope of work to be employed on all public works projects unless the prime contractor has the required specialty license and will do the work themselves. The listing of subcontractors has become a way in which bidders attack the responsiveness of a proposal, resulting in awards to non-low bidders, increased cost to the state and delay of projects due to a technicality in the submitted subcontractor list. As a result not only does the lowest bidder and their listed subcontractors get disqualified from performing, but the state could end up paying millions of dollars more for the project. This bill proposes to limit which projects the subcontractor listing applies to based on the cost of the project, which will in turn limit these types of challenges.

Given the large number of "C" (currently over 100 issued and growing), it becomes increasingly difficult for the general contractor to ensure that their submitted listing includes all necessary information. This will not change the law that requires that all contractors on the project must be properly licensed, nor would it change the responsibility of the general contractor to ensure the project is completed.

RSI **supports** H.B. 1229, HD1 and recommends its passage.



LATE

P.O. Box 4088
Honolulu, HI 96812-4088
Phone: (808) 735-3211

Via E-mail: FINTestimony@capitol.hawaii.gov

February 21, 2017

TO: HONORABLE SYLVIA LUKE, CHAIR, HONORABLE TY CULLEN, VICE CHAIR, COMMITTEE ON FINANCE

SUBJECT: **SUPPORT OF H.B. 1229, HD1 RELATING TO PROCUREMENT.** Requires public procurement construction bids to list subcontractors and joint contractors only for contracts with an unspecified total value; provided that bids lacking this list may be accepted if in the State's best interest. (HB1229 HD1)

HEARING
DATE: February 22, 2017
TIME: 3:00 p.m.
PLACE: Capitol Room 309

Dear Chair Luke, Vice Chair Cullen and Members of the Committee,

Hawaiian Dredging Construction Company, Inc. supports the passage of H.B. 1229, Relating to Procurement, which would amend the current procurement subcontractor listing requirement under Section 103D-302, HRS by limiting which projects the subcontractor listing requirement applies to based on a dollar threshold. Under this proposed change, the subcontractor list would still be required but only on projects either over or under a certain dollar threshold.

Under current law HRS, Section 103D-302(b) requires the bidding contractor to list subcontractors and joint contractors and their scope of work to be employed on all public works projects unless the prime contractor has the required specialty license or will do the work themselves. The listing of subcontractors has become a way in which bidders attack the responsiveness of a proposal, resulting in awards to non-low bidders, increased cost to the state and delay of projects due to a technicality in the submitted subcontractor list. As a result not only does the lowest bidder and their listed subcontractors get disqualified from performing, but the state could end up paying millions of dollars more for the project. This bill proposes to limit which projects the subcontractor listing applies to based on the cost of the project, which will in turn limit these types of challenges.

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Support of HB 1229, Relating to Procurement
February 21, 2017
Page 2

Hawaiian Dredging Construction Company, Inc. supports H.B. 1229, HD1 and recommends its passage.

With best regards,


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





LATE

87-2020 Farrington Highway ■ Waianae, Hawaii 96792 ■ Tel: 808 668-4561 ■ FAX: 808 668-1368 ■ Website: www.pvtland.com

Via E-mail: FINTestimony@capitol.hawaii.gov
Facsimile: 1-800-535-3859

February 22, 2017

TO: HONORABLE SYLVIA LUKE, CHAIR, HONORABLE TY CULLEN, VICE CHAIR, COMMITTEE ON FINANCE

SUBJECT: **SUPPORT OF H.B. 1229, HD1 RELATING TO PROCUREMENT.**
Requires public procurement construction bids to list subcontractors and joint contractors only for contracts with an unspecified total value; provided that bids lacking this list may be accepted if in the State's best interest. (HB1229 HD1)

HEARING
DATE: February 22, 2017
TIME: 3:00 p.m.
PLACE: Capitol Room 309

Dear Chair Luke, Vice Chair Cullen and Members of the Committee,

PVT Land Company supports the passage of H.B. 1229, Relating to Procurement, which would amend the current procurement subcontractor listing requirement under Section 103D-302, HRS by limiting which projects the subcontractor listing requirement applies to based on a dollar threshold. Under this proposed change, the subcontractor list would still be required but only on projects either over or under a certain dollar threshold.

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Given the large number of "C" (currently over 100 issued and growing), it becomes increasingly difficult for the general contractor to ensure that their submitted listing includes all necessary information. This will not change the law that requires that all

contractors on the project must be properly licensed, nor would it change the responsibility of the general contractor to ensure the project is completed.

PVT Land Company supports H.B. 1229, HD1 and recommends its passage.



RALPH S. INOUYE CO LTD
GENERAL CONTRACTOR

500 Alakawa St., #220E
Honolulu, Hawaii 96817

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LATE

Via E-mail: FINTestimony@capitol.hawaii.gov
Facsimile: 1-800-535-3859

February 21, 2017

TO: HONORABLE SYLVIA LUKE, CHAIR, HONORABLE TY CULLEN, VICE CHAIR,
COMMITTEE ON FINANCE

SUBJECT: **SUPPORT OF H.B. 1229, HD1 RELATING TO PROCUREMENT.** Requires public procurement construction bids to list subcontractors and joint contractors only for contracts with an unspecified total value; provided that bids lacking this list may be accepted if in the State's best interest. (HB1229 HD1)

HEARING

DATE: February 22, 2017
TIME: 3:00 p.m.
PLACE: Capitol Room 308

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RSI supports H.B. 1229, HD1 and recommends its passage.

LATE

TOMCO CORP.
General Contractors

February 21, 2017

TO: HONORABLE SYLVIA LUKE, CHAIR, HONORABLE TY CULLEN, VICE CHAIR,
COMMITTEE ON FINANCE

SUBJECT: **SUPPORT OF H.B. 1229, HD1 RELATING TO PROCUREMENT.**

Requires public procurement construction bids to list subcontractors and joint contractors only for contracts with an unspecified total value; provided that bids lacking this list may be accepted if in the State's best interest. (HB1229 HD1)

HEARING
DATE: February 22, 2017
TIME: 3:00 p.m.
PLACE: Capitol Room 309

Dear Chair Luke, Vice Chair Cullen and Members of the Committee,

TOMCO CORP. supports the passage of H.B. 1229, Relating to Procurement, which would amend the current procurement subcontractor listing requirement under Section 103D-302, HRS by limiting which projects the subcontractor listing requirement applies to based on a dollar threshold. Under this proposed change, the subcontractor list would still be required but only on projects either over or under a certain dollar threshold.

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TOMCO CORP. supports H.B. 1229, HD1 and recommends its passage.

1007 Makepono Street, Honolulu, Hawaii 96819
Telephone #: (808) 845-0755 Fax #: (808) 845-1021
Lic# ABC 16941



LATE

Via E-mail: FINTestimony@capitol.hawaii.gov
Facsimile: 1-800-535-3859

February 22, 2017

TO: HONORABLE SYLVIA LUKE, CHAIR, HONORABLE TY CULLEN, VICE CHAIR, COMMITTEE ON FINANCE

SUBJECT: **SUPPORT OF H.B. 1229, HD1 RELATING TO PROCUREMENT.**
Requires public procurement construction bids to list subcontractors and joint contractors only for contracts with an unspecified total value; provided that bids lacking this list may be accepted if in the State's best interest. (HB1229 HD1)

HEARING

DATE: February 22, 2017
TIME: 3:00 p.m.
PLACE: Capitol Room 309

Dear Chair Luke, Vice Chair Cullen and Members of the Committee,

Layton Construction Company, LLC supports the passage of H.B. 1229, Relating to Procurement, which would amend the current procurement subcontractor listing requirement under Section 103D-302, HRS by limiting which projects the subcontractor listing requirement applies to based on a dollar threshold. Under this proposed change, the subcontractor list would still be required but only on projects either over or under a certain dollar threshold.

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www.laytonconstruction.com

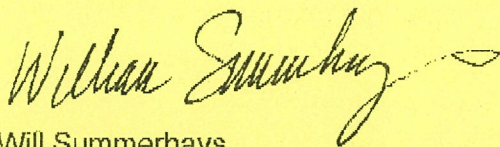
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EOE/AA | LICENSE NUMBER BC-34763

House Committee on Finance
February 22, 2017
Page 2

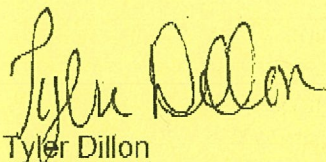
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Layton Construction Company, LLC supports H.B. 1229, HD1 and recommends its passage.

Respectfully,



Will Summerhays
Executive Vice President of Preconstruction
Layton Construction Company, LLC
4463 Pahe'e Street – Suite 210 | **Lihue, HI 96766**
707 Richards Street – Suite PH-1A | Honolulu, HI 96813
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wsummerhays@laytonconstruction.com



Tyler Dillon
Executive Vice President of Operations
Layton Construction Company, LLC
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PHOENIX | BOISE | IRVINE | SAN JOSE | SALT LAKE CITY | ORLANDO | HAWAII | NASHVILLE
EOE/AA | LICENSE NUMBER BC-34753



general contractor license #ABC 21576

LATE

Via E-mail: FINTestimony@capitol.hawaii.gov
Facsimile: 1-800-535-3859

February 22, 2017

TO: HONORABLE SYLVIA LUKE, CHAIR, HONORABLE TY CULLEN, VICE CHAIR,
COMMITTEE ON FINANCE

SUBJECT: **SUPPORT OF H.B. 1229, HD1 RELATING TO PROCUREMENT.** Requires public procurement construction bids to list subcontractors and joint contractors only for contracts with an unspecified total value; provided that bids lacking this list may be accepted if in the State's best interest. (HB1229 HD1)

HEARING

DATE: February 22, 2017
TIME: 3:00 p.m.
PLACE: Capitol Room 309

Dear Chair Luke, Vice Chair Cullen and Members of the Committee,

LYZ, Inc. supports the passage of H.B. 1229, Relating to Procurement, which would amend the current procurement subcontractor listing requirement under Section 103D-302, HRS by limiting which projects the subcontractor listing requirement applies to based on a dollar threshold. Under this proposed change, the subcontractor list would still be required but only on projects either over or under a certain dollar threshold.

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Given the large number of "C" (currently over 100 issued and growing), it becomes increasingly difficult for the general contractor to ensure that their submitted listing includes all necessary information. This will not change the law that requires that all contractors on the project must be properly licensed, nor would it change the responsibility of the general contractor to ensure the project is completed.

LYZ, Inc. supports H.B. 1229, HD1 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



JAYAR CONSTRUCTION, INC.

1176 Sand Island Parkway ▼ Honolulu, Hawaii 96819
Tel (808) 843-0500 ▼ Fax (808) 843-0067
Contractor's License ABC-14156

LATE

Via Fax to: (808)535-3859

February 21, 2017

TO: HONORABLE SILVIA LUKE, CHAIR, HONORABLE TY CULLEN, VICE CHAIR,
COMMITTEE ON FINANCE

SUBJECT: **SUPPORT OF H.B. 1229, HD1 RELATING TO PROCUREMENT.** Requires public procurement construction bids to list subcontractors and joint contractors only for contracts with an unspecified total value; provided that bids lacking this list may be accepted if in the State's best interest.

Hearing Date: February 22, 2017

Hearing Time: 3:00 P.M.

Place: Capitol Room 309

Dear Chair Luke, Vice Chair Cullen and Members of the Committee,

Jayar Construction is a locally owned general contractor that has been in business for over 28 years. We currently have over 100 employees and have worked on many State and County projects.

Jayar Construction, Inc. supports the passage of H.B. 1229, HD1 Relating to Procurement, which would amend the current procurement subcontractor listing requirement by limiting which projects the subcontractor listing requirements applies to based on a dollar threshold.

Currently HRS, Section 103D-302(b) requires the bidding contractor to list subcontractors and joint contractors and their scope of work on all public projects unless the prime contractor has the required specialty license and will do the work themselves. The listing of subcontractors has become a way in which non-low bidders attack the responsiveness of a proposal, resulting in delays in the awarding of contracts and awards at higher cost to the state due to a technicality in the low-bidders subcontractor list. This bill proposes to limit which projects the subcontractor listing applies to based on the size of the project so it would limit these challenges.

Given the large number of "C" categories for specialty contractors (currently over 100 categories and growing), it becomes increasingly difficult for the general contractor to ensure that their submitted listing includes all necessary information. This bill will not change the requirement that all contractors be properly licensed.

Jayar supports H.B. 1229, HD1 and recommends passage.

Sincerely,


Stephen Yoshida,
CFO and Human Resource Manager

"An Equal Opportunity Employer"

LATE



Via E-mail: FINTestimony@capitol.hawaii.gov
Facsimile: 1-800-535-3859

February 22, 2017

TO: HONORABLE SYLVIA LUKE, CHAIR, HONORABLE TY CULLEN, VICE
CHAIR, COMMITTEE ON FINANCE

SUBJECT: **SUPPORT OF H.B. 1229, HD1 RELATING TO PROCUREMENT.**

Requires public procurement construction bids to list subcontractors and joint contractors only for contracts with an unspecified total value; provided that bids lacking this list may be accepted if in the State's best interest.
(HB1229 HD1)

HEARING
DATE: February 22, 2017
TIME: 3:00 p.m.
PLACE: Capitol Room 309

Dear Chair Luke, Vice Chair Cullen and Members of the Committee,

Layton Construction Company, LLC supports the passage of H.B. 1229, Relating to Procurement, which would amend the current procurement subcontractor listing requirement under Section 103D-302, HRS by limiting which projects the subcontractor listing requirement applies to based on a dollar threshold. Under this proposed change, the subcontractor list would still be required but only on projects either over or under a certain dollar threshold.

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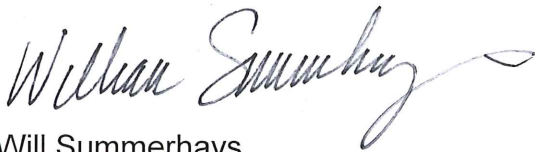
www.laytonconstruction.com

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Layton Construction Company, LLC supports H.B. 1229, HD1 and recommends its passage.

Respectfully,



Will Summerhays
Executive Vice President of Preconstruction
Layton Construction Company, LLC
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LATE

**HAWAII OPERATING ENGINEERS
INDUSTRY STABILIZATION FUND**



*Uniting our strengths and working together
for a better tomorrow.*

Affiliated AFL-CIO
OPEIU - 3 - AFL-CIO (3)

February 22, 2017

Honorable Sylvia Luke, Chair
Honorable Ty Cullen, Vice Chair
Honorable Members of the house committee on Finance

RE: **SUPPORT OF H.B. 1229 HD1, RELATING TO PROCUREMENT**

Dear Chair Luke and Vice Chair Cullen and Members of the Committee,

The Hawaii Operating Engineers Industry Stabilization Fund (HOEISF) is a labor management fund representing 4000 unionized members in the heavy engineering site work and 500 general contractors specializing in heavy site and vertical construction.

Hawaii Operating Engineers Industry Stabilization Fund supports the passage of H.B. 1229, Relating to Procurement, which would amend the current procurement subcontractor listing requirement under Section 103D-302, HRS by limiting which projects the subcontractor listing requirement applies to based on a dollar threshold. Under this proposed change, the subcontractor list would still be required but only on projects either over or under a certain dollar threshold.

Under current law HRS, Section 103D-302(b) requires the bidding contractor to list subcontractors and joint contractors and their scope of work to be employed on all public works projects unless the prime contractor has the required specialty license or will do the work themselves. The listing of subcontractors has become a way in which bidders attack the responsiveness of a proposal, resulting in awards to non-low bidders, increased cost to the state and delay of projects due to a technicality in the submitted subcontractor list. As a result not only does the lowest bidder and their listed subcontractors get disqualified from performing, but the state could end up paying millions of dollars more for the project. This bill proposes to limit which projects the subcontractor listing applies to based on the cost of the project, which will in turn limit these types of challenges.

Sincerely,

Pane Meatoga III
Community Liaison
Hawaii Operating Engineers Industry Stabilization Fund