

DAVID Y. IGE  
GOVERNOR

SHAN S. TSUTSUI  
LIEUTENANT GOVERNOR



LINDA CHU TAKAYAMA  
DIRECTOR

LEONARD HOSHIJO  
DEPUTY DIRECTOR

**STATE OF HAWAII  
DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS**

830 PUNCHBOWL STREET, ROOM 321  
HONOLULU, HAWAII 96813  
[www.labor.hawaii.gov](http://www.labor.hawaii.gov)  
Phone: (808) 586-8844 / Fax: (808) 586-9099  
Email: [dlir.director@hawaii.gov](mailto:dlir.director@hawaii.gov)

February 7, 2017

TO: The Honorable Gilbert Keith-Agaran, Chair,  
The Honorable Karl Rhoads, Vice Chair, and  
Members of the Senate Committee on Judiciary and Labor

Date: Tuesday, February 7, 2017  
Time: 9:00 a.m.  
Place: Conference Room 016, State Capitol

From: Linda Chu Takayama, Director  
Department of Labor and Industrial Relations (DLIR)

**Re: S.B. No. 615 Relating to Workforce Development**

**I. OVERVIEW OF PROPOSED LEGISLATION**

SB615 proposes to add a new chapter to Hawaii Revised Statutes (HRS) to establish within the department a maritime industry grant program in which the department would award grants to qualified shipyards based on criteria developed by the department.

DLIR supports the intent of this proposal provided its passage does not replace or adversely affect priorities identified in the Governor's Supplemental Budget request and requests amendments as offered below. DLIR notes that the program would require funding and resources to pay for the cost of administering, operating, and marketing the grant program.

Projects eligible to receive grants shall include:

- (1) Capital improvement projects to foster efficiency, competitive operations, and quality ship construction, repair, and ship reconfiguration;
- (2) Workforce development and training projects to improve employee skills in maritime industry; and
- (3) Purchase of machinery and equipment for use in ship construction, repair, and ship reconfiguration.

The measure requires the department to determine if grants applications are economically viable and beneficial.

## **II. CURRENT LAW**

There is no current law pertaining specifically to workforce development in maritime industry.

## **III. COMMENTS ON THE SENATE BILL**

This bill builds upon the success of a pilot project that was collaboratively designed and implemented in 2015 by the department to develop local talent for maritime welding and ship repair. The pilot included three (3) employers from the shipyard in Honolulu Harbor as well as Honolulu Community College and DLIR. This pilot project was developed because employers were forced to import mainland talent at a high cost and with high turnover due to an insufficient number of local qualified workers.

The pilot project provided recruitment services, internship, and an accelerated maritime welding course that resulted in 13 trainees being hired by the shipyard. The funding source was primarily federal. Employers also contributed to the cost by covering the cost of criminal background checks and equipment for all the selected applicants.

This bill would enable the department, college, and employers to expand upon and refine the pilot project so that more local qualified workers can be developed to fill more high-skill occupations in the shipyard. Therefore, the department supports this bill provided its passage does not replace or adversely affect priorities identified in the Governor's Supplemental Budget request.

DLIR offers the following suggested amendments to the Senate Bill for the Committee's consideration:

1. Page 3, line 12, after "shipyards" add the phrase, "or training providers"
2. Page 3, lines 15-17, replace the phrase beginning with "(a) The department shall award grants ..." with the phrase, "(a) The department shall award grants for the maritime industry grant program only to qualified shipyards or training providers that: "
3. Page 4, lines 14-16, referring to capital improvement projects—recommend deleting this section because the department does not have the authority to implement capital improvement projects.
4. Page 4, lines 20-21, and page 5 lines 1-2, - relating to purchase of machinery and equipment building or ship repair—recommend deleting

because DLIR does not have the requisite expertise to determine feasibility of equipment purchases for those purposes.

5. Page 5, line 4, after “shipyard” add the phrase, “or training providers”.
6. Page 5, lines 12-13, relating to the report on actual economic benefit— recommend deleting because DLIR does not have the expertise to determine projected economic benefits of projects.
7. Page 5, line 17, replace the word, “shall”, with the word, “may”.

DAVID Y. IGE  
GOVERNOR



SARAH ALLEN  
ADMINISTRATOR  
MARA SMITH  
ASSISTANT ADMINISTRATOR

**STATE OF HAWAII  
STATE PROCUREMENT OFFICE**

P.O. Box 119  
Honolulu, Hawaii 96810-0119  
Tel: (808) 586-0554  
email: [state.procurement.office@hawaii.gov](mailto:state.procurement.office@hawaii.gov)  
<http://spo.hawaii.gov>  
Twitter: [@hawaiispo](https://twitter.com/hawaiispo)

TESTIMONY  
OF  
SARAH ALLEN, ADMINISTRATOR  
STATE PROCUREMENT OFFICE

TO THE SENATE COMMITTEE  
ON  
JUDICIARY AND LABOR  
February 7, 2017, 9:00 A.M.

SENATE BILL 615  
RELATING TO WORKFORCE DEVELOPMENT

Chair Keith-Aragon, Vice-Chair Rhoads, and members of the committee, thank you for the opportunity to submit testimony on Senate Bill 615. The State Procurement Office's (SPO) opposes the exemption language on page 5, SECTION 2, lines 19 to 20 set forth below:

“§ -6 Exemptions. Grants made pursuant to this chapter shall be exempt from chapters 42F, 103D, and 103F.”

The Hawaii Public Procurement Code (Code) is the single source of public procurement policy to be applied equally and uniformly, while providing fairness, open competition, a level playing field, government disclosure and transparency in the procurement and contracting process vital to good government.

Public procurement's primary objective is to provide everyone equal opportunity to compete for government contracts, to prevent favoritism, collusion, or fraud in awarding of contracts. To legislate that any one entity should be exempt from compliance with both HRS chapter 103D and 103F conveys a sense of disproportionate equality in the law's application.

Exemptions to the Code mean that all procurements made with taxpayer monies to pay for the cost of administering, operating, and marketing the grant program, as determined by the director of business, economic development, and tourism will not have the same oversight, accountability and transparency requirements mandated by those procurements processes provided in the code. It means that there is no requirement for due diligence, proper planning or consideration of protections for the state in contract terms and conditions, nor are there any set requirements to conduct cost and price analysis and market research or post-award contract management. As such, Agencies can choose whether to compete any procurement or go

directly to one contractor. As a result, leveraging economies of scale and cost savings efficiencies found in the consistent application of the procurement code are lost. It also means Agencies are not required to adhere to the Code's procurement integrity laws.

The National Association of State Procurement Officials state: "Businesses suffer when there is inconsistency in procurement laws and regulations. Complex, arcane procurement rules of numerous jurisdictions discourage competition by raising the costs to businesses to understand and comply with these different rules. Higher costs are recovered through the prices offered by a smaller pool of competitors, resulting in unnecessarily inflated costs to state and local governments."

When public bodies, are removed from the state's procurement code it results in the harm described above. As these entities create their own procurement rules, businesses are forced to track their various practices. Moreover, a public body often can no longer achieve the benefits of aggregation by using another public body's contract because different state laws and regulations may apply to the various public bodies making compliance more difficult.

Each year new procurement laws are applied to state agencies causing state agency contracts to become more complex and costly, while other public bodies, such as agencies with strong legislative influence, are exempted. Relieving some public bodies from some laws by exempting or excluding them from compliance with a common set of legal requirements creates an imbalance wherein the competitive environment becomes different among the various jurisdictions and the entire procurement process becomes less efficient and costlier for the state and vendors.

Thank you.



---

SENATE COMMITTEE ON JUDICIARY AND LABOR  
The Honorable Gilbert S.C. Keith-Agaran, Chair  
The Honorable Karl Rhoads, Vice Chair

**S.B. No. 615, Relating to Workforce Development**

Hearing: Tuesday, February 7, 2017, 9:00 a.m.

---

The Office of the Auditor **supports the access-to-information provision of S.B. No. 615**, Relating to Workforce Development, which establishes a maritime industry grant program to enhance maritime productivity and workforce development. The department of labor and industrial relations would be responsible for developing and administering the program to award grants to qualified shipyards that meet several criteria. One qualifying criterion is that the shipyard must allow the department, legislative committees, and the auditor “full access to the shipyard’s records, files, and other related documents and information for the purposes of monitoring, measuring the effectiveness of, and ensuring proper expenditure of the grant.” Should the legislature request us to evaluate the maritime industry grant program, access to such shipyard information and records would be essential to our performing such an evaluation. Accordingly, we strongly support the provision that would ensure we have such access.

Thank you for considering our testimony related to S.B. No. 615.

**From:** [mailinglist@capitol.hawaii.gov](mailto:mailinglist@capitol.hawaii.gov)  
**To:** [JDLTestimony](#)  
**Cc:**  
**Subject:** Submitted testimony for SB615 on Feb 7, 2017 09:00AM  
**Date:** Friday, February 3, 2017 2:19:34 PM

---

**SB615**

Submitted on: 2/3/2017

Testimony for JDL on Feb 7, 2017 09:00AM in Conference Room 016

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
ann chung	Pacific Shipyards	Support	Yes

Comments: We strongly support SB615. The ship repair industry in Hawaii has diversified into critical industrial sectors that insures Hawaii's ship repair industrial base remains robust and viable. It employs over 750 HIGHLY SKILLED TRADE EMPLOYEES and their related support team personnel and TOTAL INDUSTRY REVENUE EXCEEDS \$100M. Due to our geographic isolation and high cost of labor and materials costs, the ship repair industry must REMAIN COMPETITIVE. It must also provide the level of customer service that is expected or the norm elsewhere. Today's vessel owners are increasingly providing computer aided design drawings of things that they need repaired or fabricated. Machinery and equipment used in ship repair are now faster, more precise and increasingly relies upon computer technology. THE SHIP REPAIR INDUSTRY IS AN IMPORTANT INDUSTRY WITH A CLEAR NEXUS TO HAWAII. HAWAII'S SHIPYARDS NEED TO PROVIDE THEIR WORKERS WITH THE RIGHT TOOLS AND TRAINING TO REMAIN COMPETITIVE - AND RETAIN THESE HIGH SKILLED JOBS AND REVENUE IN HAWAII. We request one amendment to the bill – Page 3, lines 5-7 – to conform to SBA NAICS codes. Replace existing language with the following: "Qualified Shipyard" means a company primarily engaged in ship/boat building or repair and meets the SBA small business size standard for either NAICS code 336611 or 336612 and has waterfront facilities located in Honolulu." Mahalo,

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](mailto:webmaster@capitol.hawaii.gov)