



**STATE OF HAWAII  
STATE PROCUREMENT OFFICE**

P.O. Box 119  
Honolulu, Hawaii 96810-0119  
Telephone: (808) 587-4700  
e-mail: [state.procurement.office@hawaii.gov](mailto:state.procurement.office@hawaii.gov)  
<http://spo.hawaii.gov>

**TESTIMONY  
OF  
SARAH ALLEN, ADMINISTRATOR  
STATE PROCUREMENT OFFICE**

**TO THE SENATE COMMITTEE  
ON  
LABOR & PUBLIC EMPLOYMENT  
FEBRUARY 6, 2015, 9:00AM**

**HOUSE BILL 517  
RELATING TO PROCUREMENT**

Chair Nakashima, Vice-Chair Keohokalole, and members of the committee, thank you for the opportunity to submit testimony on HB517. The State Procurement Office (SPO) supports this measure.

The SPO supports the repeal of Hawaii Revised Statutes §103-55.6 (Act 17, Session Laws of Hawaii 2009) – Public Works Construction; Apprenticeship Agreement.

Senate Concurrent Resolution 92, Senate Draft 2, of the twenty-seventh legislature requested the Comptroller to establish a Task Force to study the State procurement code and identify areas that could be amended to increase economy, efficiency, effectiveness, and impartiality in the procurement of public works construction projects, including a review of all bid preferences on public works projects. The Task Force was comprised of public works, procurement, and industry members.

The Department of Labor and Industrial Relations (DLIR) indicated that Act 17 made no noticeable difference in the usage of apprenticeship programs. Moreover, the operational result of this law impacts the procurement process. The bid evaluation process for this preference is time consuming and labor intensive. It is an administrative burden in enforcing the apprenticeship preference requirement when the preference can be challenging and subject to different interpretation among the procuring agencies. The application of the Act has resulted in a number of protests, delaying the bid process and construction date, and added cost. For these, and other reasons, by majority vote the Task Force recommended repeal of Act 17. SPO concurs with this recommendation.

A repeal of the apprenticeship preference will promote efficiency, effectiveness and impartiality in the procurement process which saves time and public money.

Thank you.

# **BIA-HAWAII**

## **BUILDING INDUSTRY ASSOCIATION**

THE VOICE OF THE CONSTRUCTION INDUSTRY

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

STREET  
94-487 AKOKI STREET,  
WAIPAHU, HAWAII 96797  
P 808.847.4666  
F 808.440.1198  
E INFO@BIAHAWAII.ORG

WWW.BIAHAWAII.ORG

## **Testimony to the House Committee on Labor & Public Employment**

### **Friday, February 6, 2015**

### **9:00 a.m.**

### **State Capitol - Conference Room 415**

### **RE: HOUSE BILL NO. 517 RELATING TO PROCUREMENT**

Chair Nakashima and Vice-Chair Keohokalole, and members of the committee:

My name is Gladys Marrone, Chief Executive Officer for the Building Industry Association of Hawaii (BIA-Hawaii), the Voice of the Construction Industry. We promote our members through advocacy and education, and provide community outreach programs to enhance the quality of life for the people of Hawaii. BIA-Hawaii is a not-for-profit professional trade organization chartered in 1955, and affiliated with the National Association of Home Builders.

BIA-Hawaii **supports** H.B. 517, which proposes to repeal Hawaii Revised Statutes Section 103-55.6, relating to the apprenticeship preference.

HRS §103-55.6 creates additional costs for government agencies through increased administration, delays, and higher winning bids. The additional hours and effort required by procurement officers to administer this preference represents serious inefficiencies and added costs. Delays caused by a longer process and higher chances of protest result in significant loss to the agency, the contractor, and the taxpayer. Furthermore, preferences prevent the agency from awarding the bid which offers the best value.

While BIA-Hawaii appreciates the intent of the apprenticeship preference to encourage growth of the construction workforce, we believe the costs and unintended consequences outweigh the benefits. This is particularly true today as there is no shortage of apprentices.

Thank you for the opportunity to share with you our views.

# Hawai'i Construction Alliance

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P.O. Box 179441  
Honolulu, HI 96817  
(808) 348-8885

February 5, 2015

The Honorable Mark M. Nakashima, Chair  
The Honorable Jarrett Keohokalole, Vice Chair  
and members  
House Committee on Labor and Public Employment  
Hawai'i State Legislature  
Honolulu, Hawai'i 96813

Dear Chair Nakashima, Vice Chair Keohokalole, and members:

The Hawai'i Construction Alliance is comprised of the Hawai'i Regional Council of Carpenters; the Operative Plasterers' and Cement Masons' Union, Local 630; International Union of Bricklayers & Allied Craftworkers, Local 1; the Laborers' International Union of North America, Local 368; and the Operating Engineers, Local Union No. 3. Together, the member unions of the Hawai'i Construction Alliance represent 15,000 working men and women in the basic crafts of Hawai'i's construction industry.

The Hawai'i Construction Alliance is in **strong opposition to HB517**, which seeks to repeal the five percent preference for bidders on public works construction contracts who are party to an apprenticeship agreement. Specifically, HB517 would repeal HRS §103-55.6, which was enacted through SB19, Act 17, SLH 2009.

When this program was passed in 2009, the Legislature observed through its conference committee report:

“As public works are expected to play a large role in immediate, as well as longer term, economic recovery efforts, it will be essential for the state to have a well-trained workforce skilled in the various construction trades. As many of these individuals gain their best knowledge of a particular trade through apprenticeship programs, providing incentives for contractors to offer and maintain these programs will work toward developing the necessary skilled workforce to carry on public works projects for years to come.”

These words were as true then as they are now. We strongly believe that it remains in our state's best interest to develop and cultivate a well-skilled labor force to ensure quality results on public works projects.

We note that the State has a long history of supporting apprenticeship programs, dating back to the 1941 creation of an Apprenticeship Council and Director of Apprenticeship through the Department of Labor and Industrial Relations. Since then, support by the State for apprenticeship programs has extended to the community college system, construction academies within high schools, programs through the Department of Hawaiian Home Lands, and funding for Building Industry Association facilities.

It would be a shame for the state back away from its strong support for apprenticeship programs by eliminating Act 17, especially at a time when there are concerns regarding the number of local workers available for the upcoming construction projects planned in the next several years.

Mahalo for the opportunity to provide these comments.

Aloha,

A handwritten signature in black ink, reading "Tyler Dos Santos-Tam". The signature is fluid and cursive, with the first name "Tyler" being more prominent and the last name "Santos-Tam" written in a continuous script.

Tyler Dos Santos-Tam  
Executive Director  
Hawai'i Construction Alliance  
[execdir@hawaiiconstructionalliance.org](mailto:execdir@hawaiiconstructionalliance.org)



**HAWAII ISLAND CONTRACTORS' ASSOCIATION**

494-C Kalanikoa Street \* Hilo, Hawaii 96720 \* Phone: 808/935-1316 \* Fax: 808/934-7779 \*

Email: [info@hicassociation.com](mailto:info@hicassociation.com)

**Testimony to the House Committee  
on Labor and Public Employment  
Friday, February 6, 2015  
House Conference Room 309**

**RE: HB 517 RELATING TO PROCUREMENT**

Dear Chair Nakashima, Vice-Chair Keohokalole, and members of the Committee,

The Hawaii Island Contractors Association strongly supports HB 517, which proposes to repeal section 103-55.6, Hawaii Revised statutes, the provision requiring a procurement preference to a bidder in a public works construction contract of not less than \$250,000, if the bidder is a party to an apprenticeship agreement registered with the department of labor and industrial relations for each apprenticeable trade the bidder will employ to construct the public works.

The Hawaii Island Contractors Association was established in 1961, and is comprised of over 150 licensed contractors, subcontractors and business professional. Our association's core purposes include protecting and preserving the contracting industry, maintaining its professional standards, promoting fair and cooperative relationships, preserving competition between those engaged in the contracting industry and seeking correction of any unfair or discriminatory business methods and practices.

We strongly believe that a full repeal of this law, will accomplish our mission for those engaged in the construction industry across the State of Hawaii.

A full repeal will:

- Save State and tax payer dollars by awarding contracts at a fair and reasonable price.



- Streamline the procurement process and alleviate enforcement problems within applicable agencies by reducing protests, and bid review time.
- Result in timely processing and awarding of contracts, saving the State time, money and resources, while allowing the timely start and completion of these projects
- Provide a fair and level playing field for neighbor island contractors, which in turn will providing the State with more qualified contractors, who would normally be disqualified.
- Provide for a consistent bidding and awarding process, benefitting the construction industry and the communities in which they serve.

For the preceding reasons, The Hawaii Island Contractors' Association **strongly supports** HB 517, and respectfully requests that your committee do the same.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read 'Leslie Isemoto', written in a cursive style.

Leslie Isemoto, Legislative Committee Co-Chair

Loeffler Construction, Inc.  
1451 Kionoole Street  
Hilo, HI 96720  
(808)935-4422  
Fax: 961-5588  
cloeffler@interpac.net

February 5, 2015

## STRONG SUPPORT FOR REPEAL OF SECTION 103-55.6

*Regarding:* HB517 Repealing section 103-55.6, Hawaii Revised Statutes, the provision requiring a procurement preference to bidder in a public works construction contract of not less than \$250,000, if the bidder is a party to an apprenticeship agreement registered with the department of labor and Industrial relations for each apprenticeable trade the bidder will employ to construct the Public Works.

For the following reasons, Loeffler Construction is in STRONG SUPPORT to repeal section 103-55.6

1. The existing law is UNCONSTITUTIONAL. This law gives an unfair advantage to bidders with apprenticeship programs.
2. The existing law is AMBIGUOUS. The interpretation of this law has caused for various interpretations, added time and costs for the Departments.
3. There are no Apprenticeship Programs available on the Outer Islands.
4. Many license categories have NO apprenticeship programs available in our State.
5. The existing law has affected our company with loss of revenue and laying off of employees.
6. There is NOTHING in place that monitors the use of apprentices on projects awarded with the existing law.
7. The existing law has WASTED excessive additional tax dollars.
8. The existing law affects the backbone of our industry....the SMALL BUSINESS (Construction)
9. The existing law has caused less CIP money for other projects.
10. The existing law has changed the definition of heads up bidding for all contractors.

For the above reasons, we are in STRONG SUPPORT TO REPEAL SECTION 103-55.6, currently known as Act 17.

Thank you for taking the time to read this and PLEASE SUPPORT and PASS HB517

Respectfully,

Carolyn and William (Buddy) Loeffler



***Kalama Evans Construction, LLC***

*614 Kilauea Avenue, Suite 103 Hilo, HI 96720*

*Ofc 935-5225 • Fax 935-5226 • Cell 443.9299*

*License# BC 28108 • 28109 • 33072*

February 5, 2015

## **STRONG SUPPORT FOR REPEAL OF SECTION 103-55.6**

**Regarding:** HB517 Repealing section 103-55.6, Hawaii Revised Statutes, the provision requiring a procurement preference to bidder in a public works construction contract of not less than \$250,000, if the bidder is a party to an apprenticeship agreement registered with the department of labor and Industrial relations for each apprenticeable trade the bidder will employ to construct the Public Works.

Kalama Evans Construction, LLC **strongly supports the repeal of Section 103-55.6** because it is unconstitutional and there is a huge disadvantage to outer-island businesses by not providing the programs. Small construction businesses like ours struggle to compete by not having the resources available to us.

Please consider this testimony and we thank you for your time.

Regards,

Tuesday Evans  
Licensed General Contractor  
33072  
808.443.9299

*Visit our website at [www.kalamaevans.com](http://www.kalamaevans.com) or email us at [tuesdayevans@gmail.com](mailto:tuesdayevans@gmail.com)*





P.O. Box 898 • Kailua-Kona, HI 96745

Testimony to the House Committee  
on Labor and Public Employment  
Friday, February 6, 2015  
House Conference Room 309

RE: HB 517 RELATING TO PROCUREMENT

Dear Chair Nakashima, Vice-Chair Keohokalole, and members of the Committee,

Bolton, Inc. strongly supports HB 517, which proposes to repeal section 103-55.6, Hawaii Revised statutes, the provision requiring a procurement preference to a bidder in a public works construction contract of not less than \$250,000, if the bidder is a party to an apprenticeship agreement registered with the department of labor and industrial relations for each apprenticeable trade the bidder will employ to construct the public works.

The Hawaii Island Contractors Association was established in 1961, and is comprised of over 150 licensed contractors, subcontractors and business professional. Our association's core purposes include protecting and preserving the contracting industry, maintaining its professional standards, promoting fair and cooperative relationships, preserving competition between those engaged in the contracting industry and seeking correction of any unfair or discriminatory business methods and practices.

We strongly believe that a full repeal of this law, will accomplish our mission for those engaged in the construction industry across the State of Hawaii.

A full repeal will:

- Save State and tax payer dollars by awarding contracts at a fair and reasonable price.
- Streamline the procurement process and alleviate enforcement problems within applicable agencies by reducing protests, and bid review time.
- Result in timely processing and awarding of contracts, saving the State time, money and resources, while allowing the timely start and completion of these projects
- Provide a fair and level playing field for neighbor island contractors, which in turn will providing the State with more qualified contractors, who would normally be disqualified.
- Provide for a consistent bidding and awarding process, benefitting the construction industry and the communities in which they serve.

For the preceding reasons, The Bolton, Inc. strongly supports HB 517, and respectfully requests that your committee do the same.

Respectfully Submitted,

Daniel Bolton  
Vice President

*Bolton, Inc. is an Equal Opportunity Employer*

Telephone (808) 329-8240 • Fax (808) 326-1247 • Lic. #ABC-14458

West Hawaii Excavating Inc,  
PO Box 191  
Captain Cook HI 96704  
(808)-323-2240 phone  
(808) 322-6411 Fax  
bobwhx@hawaiiantel.net email  
February 5, 2015

## STRONG SUPPORT FOR REPEAL OF SECTION 103-55.6

*Regarding:* HB517 Repealing section 103-55.6, Hawaii Revised Statutes, the provision requiring a procurement preference to bidder in a public works construction contract of not less than \$250,000, if the bidder is a party to an apprenticeship agreement registered with the department of labor and Industrial relations for each apprenticeable trade the bidder will employ to construct the Public Works.

For the following reasons, West Hawaii Excavating Inc is in STRONG SUPPORT to repeal section 103-55.6

1. The existing law is UNCONSTITUTIONAL. This law gives an unfair advantage to bidders with apprenticeship programs.
2. The existing law is AMBIGUOUS. The interpretation of this law has caused for various interpretations, added time and costs for the Departments.
3. There are no Apprenticeship Programs available on the Outer Islands.
4. Many license categories have NO apprenticeship programs available in our State.
5. The existing law has affected our company with loss of revenue and laying off of employees.
6. There is NOTHING in place that monitors the use of apprentices on projects awarded with the existing law.
7. The existing law has WASTED excessive additional tax dollars.
8. The existing law affects the backbone of our industry....the SMALL BUSINESS (Construction)
9. The existing law has caused less CIP money for other projects.
10. The existing law has changed the definition of heads up bidding for all contractors.

For the above reasons, we are in STRONG SUPPORT TO REPEAL SECTION 103-55.6, currently known as Act 17.

Thank you for taking the time to read and consider this.

Respectfully,

Robert E. Cowell

From: mailinglist@capitol.hawaii.gov  
Sent: Thursday, February 05, 2015 11:29 AM  
To: LABtestimony  
Cc: rkuwaye@gmail.com  
Subject: Submitted testimony for HB517 on Feb 6, 2015 09:00AM  
Attachments: image.jpg

**HB517**

Submitted on: 2/5/2015

Testimony for LAB on Feb 6, 2015 09:00AM in Conference Room 309

Submitted By	Organization	Testifier Position	Present at Hearing
Russell Kuwaye	Individual	Support	No

Comments: Attached diwnloaded is my testimony to support ACT517

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

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

IN REPLY REFER TO:

Feb. 6, 2015  
9:00 a.m.  
State Capitol, Room 309

**HB 517**  
**RELATING TO PROCUREMENT**

House Committee on Labor and Public Employment

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The Department of Transportation (DOT) **supports** this bill which proposes to repeal the five (5) percent preference for bidders on public works construction contracts who are party to an apprenticeship agreement.

Application of the Apprenticeship Preference has been arduous and subject to differing interpretation since it became law during the 2009 Hawaii Legislative Session.

As a result of the difficulty in applying the apprenticeship preference, the Hawaii State Department of Accounting and General Services (DAGS) issued four (4) Comptroller Memos to clarify the law. Additionally, the 2011 Legislature introduced a bill to repeal the apprenticeship preference law citing the potential cost increase to public works projects, the difficulties in enforcing such a requirement, and the legal problems such a preference would pose to out-of-state contractors.

During fiscal year 2013, there were added cost increases to DOT projects because of the application of the apprenticeship preference in situations where the apparent low bid was not awarded because the bidder was not a party to an apprenticeship program. The apparent second low bidder was awarded instead because of the five (5) percent preference. There was also a delay in project construction because of a protest to the DOT based on the application of the apprenticeship preference.

Thank you for the opportunity to provide testimony.

1065 Ahua Street  
Honolulu, HI 96819  
Phone: 808-833-1681 FAX: 839-4167  
Email: [info@gcahawaii.org](mailto:info@gcahawaii.org)  
Website: [www.gcahawaii.org](http://www.gcahawaii.org)



# GCA of Hawaii

GENERAL CONTRACTORS ASSOCIATION OF HAWAII

Quality People. Quality Projects.

Uploaded via Capitol Website

February 6, 2015

TO: HONORABLE MARK NAKASHIMA, CHAIR, HONORABLE JARRETT  
KEOHOKALOLE AND MEMBERS OF THE HOUSE COMMITTEE ON  
LABOR AND PUBLIC EMPLOYMENT

SUBJECT: **COMMENTS REGARDING H.B. 517, RELATING TO PROCUREMENT.**  
Repeals section 103-55.6, Hawaii Revised statutes, the provision requiring a procurement preference to a bidder in a public works construction contract of not less than \$250,000, if the bidder is a party to an apprenticeship agreement registered with the department of labor and industrial relations for each apprenticeable trade the bidder will employ to construct the public works.

Hearing

DATE: Friday, February 6, 2015  
TIME: 9:00 a.m.  
PLACE: Room 309

Dear Chair Nakashima, Vice Chair Keohokalole and Committee Members,

The General Contractors Association of Hawaii (GCA) is an organization comprised of over five hundred eighty (580) 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.

The GCA is opposed to all procurement preferences in public works construction because it generally complicates the administration of the procurement process. Furthermore, such preferences ultimately cost the State of Hawaii and its taxpayer's additional funds and often do not achieve the goals intended in passage of the initial legislation.

**Background Apprenticeship Programs in Hawaii**

In Hawaii, there are currently over 30 state recognized apprenticeship programs, both union and non-union, that allow applicants to learn a trade through on-the-job experience and related classroom instruction. These apprenticeship programs continually recruit individuals that are interested in a particular trade and work with the employers for employee retention. Due to the recent economic downturn, some apprenticeship programs have been unable to direct apprentices to employment, thus increasing the availability of the workforce in certain trades. For more information on Hawaii's apprenticeship programs, visit <http://www.honolulu.hawaii.edu/apprenticeship>.

**Act 17, SLH, 2009 - Apprenticeship preference Adopted in Hawaii**

Act 17, SLH 2009 was enacted to spur creation of additional skilled construction workforce in Hawaii and provide well paid construction jobs for Hawaii's citizens. However, since the passage of Act 17, there are no statistics available to indicate that there have been any significant additional apprentices being trained due to the apprenticeship preference. GCA believes that the marketplace better dictates when and how many apprentices will enter the work place. Construction companies will not take on additional apprentices unless they feel they will have additional jobs or will need to replace members of their current work force. Additionally, potential a will likely not seek positions as apprentices unless they believe that journeyman positions will be available at the end of their training, which is governed by the market conditions.

The GCA believes that while well intended the current apprenticeship law pursuant to Act 17, SLH 2009, merely complicates and potentially causes further delay in the procurement process which is already complex with regard to administration. While GCA remains sensitive to the intent of the apprenticeship preference, its' intended improvements have not been met.

Thank you for the opportunity to share our comments.



From: mailinglist@capitol.hawaii.gov  
Sent: Thursday, February 05, 2015 9:45 PM  
To: LABtestimony  
Cc: brianbilltracker@gmail.com  
Subject: \*Submitted testimony for HB517 on Feb 6, 2015 09:00AM\*

**HB517**

Submitted on: 2/5/2015

Testimony for LAB on Feb 6, 2015 09:00AM in Conference Room 309

Submitted By	Organization	Testifier Position	Present at Hearing
Brian Ninomoto	Individual	Support	No

Comments:

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

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