

STAND. COM. REP. NO.

2411

Honolulu, Hawaii

FEB 16 2018

RE: S.B. No. 2600
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Twenty-Ninth State Legislature
Regular Session of 2018
State of Hawaii

Sir:

Your Committee on Government Operations, to which was referred S.B. No. 2600 entitled:

"A BILL FOR AN ACT RELATING TO PROCUREMENT,"

begs leave to report as follows:

The purpose and intent of this measure is to:

- (1) Require the listing of all joint contractors and subcontractors for construction contracts subject to the procurement code where the total estimated contract value is \$5,000,000 or higher; and
- (2) Require the listing of joint contractors and subcontractors in the trades of electrical, plumbing, asbestos, elevators, or boilermaker for construction contracts subject to the procurement code where the total estimated contract value is less than \$5,000,000.

Your Committee received testimony in support of this measure from the Department of Budget and Fiscal Services of the City and County of Honolulu; General Contractors Association of Hawaii; Ralph S. Inouye Co, Ltd.; S & M Sakamoto, Inc.; Alan Shintani, Inc.; Healy Tibbitts Builders, Inc.; Nordic PCL Construction, Inc.; Lindemann Construction Inc.; Hawaiian Dredging Construction Company, Inc.; Isemoto Contracting Co., Ltd.; LYZ, Inc.; Building Industry Association of Hawaii; and one individual. Your



Committee received testimony in opposition to this measure from the Plumbing and Mechanical Contractors Association of Hawaii, Ironworkers Stabilization Fund, Electrical Contractor's Association of Hawai'i, and Subcontractors Association of Hawaii. Your Committee received comments on this measure from the State Procurement Office.

Your Committee finds that requiring the listing of joint contractors and subcontractors for all public works construction projects may result in unnecessary bid protests, award delays, and increased project costs paid by taxpayer dollars. Such circumstances often lead to inefficiencies in completing public work projects. Your Committee finds that this has been an ongoing problem that requires action. Therefore, your Committee supports placing limits on the public works construction bids that require joint contractor and subcontractor listings. However, your Committee understands the many concerns raised by those in the construction industry during testimony about the viability and effectiveness of the proposals. Accordingly, your Committee finds that conducting a pilot program through the University of Hawaii is an effective method of testing the workability of the measure's proposals.

Your Committee has amended this measure by:

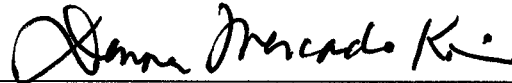
- (1) Applying the subcontractor listing requirements to a two-year pilot program to be conducted by the University of Hawaii, rather than mandating subcontractor listing requirements for all public works contracts at this time;
- (2) Changing the \$5,000,000 threshold to \$3,000,000;
- (3) Requiring the University of Hawaii to report to the Legislature on the effectiveness of the pilot program prior to the Regular Session of 2020; and
- (4) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Government Operations that is attached to this report, your Committee is in accord with the intent and purpose of



S.B. No. 2600, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2600, S.D. 1, and be referred to your Committee on Ways and Means.

Respectfully submitted on
behalf of the members of the
Committee on Government
Operations,



DONNA MERCADO KIM, Chair



The Senate
Twenty-Ninth Legislature
State of Hawai'i

Record of Votes
Committee on Government Operations
GVO

Bill / Resolution No.:* <i>SB 2000</i>	Committee Referral: <i>GVO, NATM</i>	Date: <i>2/13/18</i>		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
KIM, Donna Mercado (C)	X			
RUDERMAN, Russell E. (VC)	X			
GALUTERIA, Brickwood	X			
KEITH-AGARAN, Gilbert S.C.				X
RHOADS, Karl		X		
TOTAL	<i>3</i>	<i>1</i>	<i>0</i>	<i>1</i>
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature:				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

*Only one measure per Record of Votes