

**PRESENTATION OF THE  
CONTRACTORS LICENSE BOARD**

**TO THE HOUSE COMMITTEE ON ECONOMIC REVITALIZATION,  
BUSINESS, & MILITARY AFFAIRS**

**TWENTY-FIFTH LEGISLATURE  
Regular Session of 2009**

**Tuesday, January 27, 2009  
8:30 a.m.**

**TESTIMONY ON HOUSE BILL NO. 133, RELATING TO CONTRACTORS.**

**TO THE HONORABLE ANGUS L.K. MCKELVEY, CHAIR,  
AND MEMBERS OF THE COMMITTEE:**

My name is Denny Sadowski, Legislative Committee Chair of the Contractors License Board ("Board"). The Board appreciates the opportunity to testify in opposition to House Bill No. 133, which proposes to exclude the cost of materials in determining whether a project qualifies for the contractor license "handyman" exemption. Currently, the exemption does not apply to projects over \$1,000, including labor, materials, taxes, and all other items.

The Board feels that allowing individuals to exclude materials from their contracts for the purpose of qualifying for this exemption would open the door to abuses of the licensing statute, contribute to the problem of unlicensed activity, and provide a loophole for material suppliers. For example, a supplier of carpeting, cabinetry, tile, paint, etc., would be allowed to perform projects of any size, without a contractor license, if they provide "free installation" or charge installation costs of up to \$1,000. For these reasons, the Board is opposed to H.B. No. 133.

Thank you for the opportunity to testify on this bill.

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REPRESENTATIVE ISAAC W. CHOY  
via Fax



**HAWAII BUILDING AND CONSTRUCTION TRADES COUNCIL, AFL-CIO**

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**NOLAN MORIWAKI**  
President  
Bricklayers & Ceramic Tile Setters  
Local 1 & Plasterers/Cement  
Masons Local 630

January 26, 2009

**JOSEPH O'DONNELL**  
Vice President  
Iron Workers Local 625

**DAMIEN T. K. KIM**  
Financial Secretary  
International Brotherhood of  
Electrical Workers Local 1166

Honorable Representative Angus L. K. McKelvey, Chair  
Honorable Representative Issac W. Choy, Vice Chair  
Members of the House Committee on Economic Revitalization,  
Business, and Military Affairs  
Hawaii State Capital  
415 South Beretania Street  
Honolulu, HI 96813

**ARTHUR TOLENTINO**  
Treasurer  
Sheet Metal Workers I.A. Local 293

**MALCOLM K. AHLO**  
Sergeant-At-Arms  
Carpenters, Linoleum, & Soft Tile  
Local 1296

RE: **IN SUPPORT OF HB 133**  
**RELATING TO CONTRACTORS**  
Hearing: Tuesday, January 27, 2009, 8:30 a.m.

**REGINALD CASTANARES**  
Trustee  
Plumbers & Fitters Local 675

Dear Chair McKelvey, Vice Chair Choy and the House Committee on  
Economic Revitalization, Business, and Military Affairs:

**THADDEUS TOMEI**  
Elevator Constructors Local 128

For the Record my name is Buzz Hong the Executive Director for  
the Hawaii Building & Construction Trades Council, AFL-CIO. Our  
Council is comprised of 16-construction unions and a membership  
of 26,000 statewide.

**JOSEPH BAZEMORE**  
Drywall, Tapers, & Finishers  
Local 1944

**RICHARD TAGGERE**  
Glaziers, Architectural Metal &  
Glassworkers Local Union 1686

The Council SUPPORTS the passage of HB133 that excludes cost of  
materials in determining whether cost of project is less than \$1,000  
for purposes of exemption from contractor licensing law.

**JAUGHN CHONG**  
Roofers, Waterproofers & Allied  
Workers United Union of Roofers  
Local 221

Thank you for the opportunity to submit this testimony in support  
of HB133.

**MARY AYCOCK**  
Boilermakers, Ironship Builders  
Local 627

Sincerely,

**YNN KIRNEY**  
District Council 80  
Painters & Allied Trades  
Local 1791

*W. Hong/dg*

William "Buzz" Hong  
Executive Director

**ALANI MAHOE**  
Operating Engineers Local 3

WBH/dg

**EDWARD SEBRESOS**  
International Assoc. of  
Cement & Frost Insulators  
Allied Workers Local 132

*Skilled Craftsmanship Makes the Difference.*



# ***SAH - Subcontractors Association of Hawaii***

***820 Mililani Street, Suite 810, Honolulu, Hawaii 96813-2938***

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

January 26, 2009

Testimony To: House Committee on Economic Revitalization, Business & Military Affairs  
Representative Angus L.K. McKelvey, Chair

Presented By: Tim Lyons, President

Subject: H.B. 133 – RELATING TO CONTRACTORS

Chair McKelvey and Members of the Committee:

I am Tim Lyons, President of the Subcontractors Association of Hawaii and we strongly oppose this bill. The Subcontractors Association represents the following nine separate and distinct contracting associations who have combined their testimony in the interest of saving time and resources.

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

We find it somewhat ironic that this bill comes before a committee interested in economic revitalization because in our opinion it will only cause the economic downturn of many established although struggling small businesses. Although the construction industry is one industry it is composed of many different niche contractors. The contractors involved in some large projects, many middle sized projects and those doing federal work are moving along and still seeing relatively stable business...at least for a while.

Those smaller contractors, engaged in primarily homeowner activity however, have seen the downturn become a reality and are feeling the pinch. It is those very contractors that this bill effects.

It is quite typical in many construction trades that about 50% of the price is associated with labor and about 50% with materials. So when you raise the current \$1000 exemption amount for needing a contractor's license by excluding the materials, you are in effect raising the ceiling for the types of jobs that qualify for no license from \$1000 to \$2000.

Now some may say that \$2000 is nothing and dependent on the type of project that may be correct. As an example, \$2000 as part of room addition project is minor but the construction industry is composed of many different subcontractors who very often are engaged just to do one item such as tile a bathroom floor, roof a carport, paint a room, install new living room carpet, put in all new screens, install raingutters and so on. Every item I have just mentioned can be done for under \$1000 in labor and no building permit is required.

The problem is that this bill allows two separate and distinct sectors to go after the same work. One is regulated and the other is not. Because there are direct costs associated with regulation it creates a very unlevel playing field for the regulated side of the business. In these and the upcoming tough times, when competition will be fierce, we feel that this is hardly the time for government to interfere and tip the scales to one side.

The individuals that perform the work under \$1000 are most commonly referred to as handymen and there is no regulatory structure or benefits of regulation for the consumer who deals with these individuals. The current law allows those who perform work under \$1000 to run under the radar. It is unfortunate that we have never, ever heard of a case where a handyman turned down a job because it came in at over \$1000. It just doesn't happen with over \$1000 jobs and it would not happen with jobs over \$2000 or even \$5000. Contrary to that, the legislature has already determined that those in the construction industry require regulation in order to protect the public.

What is it about the consumers who deal with these individuals that make them any less deserving of protection than those who engage a contractor for \$1500 or \$2500? Why should those homeowners be unknowingly exposed to lawsuits from injured employees of the handyman; why should the contractor not have to tell the consumer of their rights before engaging handyman services and, why do they not deserve the benefit of a mandatory written contract to avoid disputes just like when they deal with a licensed contractor for a \$2000 job?

In short, this bill might have good intentions but it has horrible unintended consequences not only for the industry but also for the average consumer and we oppose it.

Thank you.



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January 26, 2009

**The Honorable Angus L.K. McKelvey, Chair**

House Committee on Economic Revitalization, Business, & Military Affairs

State Capitol, Room 312

Honolulu, Hawaii 96813

**RE: H.B. 133 Relating to Contractors**

Aloha Chair McKelvey and members of the Committee:

On behalf of our 9,600 members in Hawai'i, the Hawai'i Association of REALTORS® (HAR) **supports** H.B. 133. Because of changes in the cost of living, inflation, and other increased costs associated with basic repairs, the proposed change to the handyman exemption would allow Hawai'i residents to use contractors' services more efficiently and without delays.

In 1992, the Legislature raised the handyman's exemption from \$100 to \$1,000. This amount applies to the aggregate contract price for labor, materials, and all other items. A decade later in 2002, S.B. 2468 was introduced to lower the amount back to \$100. The bill went as far as conference committee, but no agreement was reached.

It's now 2009, and the price of materials is continually increasing. One of the problems with the present law is that it was set over 17 years ago and is unrealistically low by current standards, especially since the cap includes labor and materials. Factoring in Hawai'i's traditionally higher cost of living and the Consumer Price Index's price of goods, consumers expected to pay 30 to 40 percent higher prices for goods and services than in 1992. Even with the recent economic woes that have produced a lack of confidence in consumer spending, prices are still higher than they were in 1992.

The \$1,000 exemption has created numerous problems in its application. For many years, residents who wish to remodel their space have waited months before a contractor's schedule opened up to accommodate them. This problem is exacerbated by the fact that many homeowners are unfamiliar with the law and unsure if they would be required under the law to hire a licensed contractor to do small jobs, such as replacing jalousie cranks or fixing screens.

HAR believes that the law, as intended in 1992, works as it was supposed to but should be updated to reflect the recent increase – prohibition from working on structural components, plumbing, electrical work and other safety areas. H.B. 133 would provide some benefit for the public by giving them greater options for small projects while still protecting the public from being harmed through unqualified work.

HAR looks forward to working with our state lawmakers in building better communities by supporting quality growth, seeking sustainable economies and housing opportunities, embracing the cultural and environmental qualities we cherish, and protecting the rights of property owners.

Mahalo for the opportunity to testify.

**BIA-HAWAII**  
BUILDING INDUSTRY ASSOCIATION

January 27, 2009

Honorable Angus McKelvey, Chair  
Committee on Economic Revitalization, Business & Military Affairs  
415 South Beretania Street  
State Capitol, Room 312  
Honolulu, Hawaii 96813

Dear Chair McKelvey,

Subject: House Bill No. 133, RELATING TO CONTRACTORS, Excludes cost of materials in determining whether cost of project is less than \$1,000 for purposes of exemption from contractor licensing law

I am Karen Nakamura, Chief Executive Officer 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 questions the need for excluding material cost from the value of repair work which currently must be less than \$1,000 to be exempt from the contractor licensing law.

As the economy worsens, we would question the wisdom of allowing more work to be done by non-licensed contractors. Those in the industry are already well aware of the problem of unlicensed contractors who not only are taking work away from licensed contractors but also, in certain instances, avoid paying the applicable taxes and fees.

The bill also is not clear on what exactly the problem is that it is attempting to address. The bill essentially will allow unlicensed contractors to charge up to \$1,000 per job for their services. There needs to be better oversight in monitoring licensed and non-licensed contractors doing work in this price range before government considers allowing the proposed legislation.

We are opposed to the amendments proposed in H.B. No. 133.

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



Executive Vice President/Chief Executive Officer  
BIA-Hawaii

**Testimony of Gerald Peters**  
**and The Hawaii Lumber Products Association**

**(EBM) House Committee on Economic Revitalization, Business, & Military Affairs Tuesday**  
**January 27, 2009. Room 312. 8:30 am**

**RE: HOUSE BILL 133 – RELATING TO CONTRACTORS**

Chair McKelvey, Vice Chair Choy, and Members;

My name is Gerald Peters. I am testifying on behalf of The Hawaii Lumber Products Association, as well as myself as an individual, in strong opposition to this legislation which in our and my opinion will undermine the intent of the contractor licensing law, cause free range misuse of so called labor versus materials computations, and thus put a large number of home and condo owners and renters at risk of poor and harmful lack of quality, and financial deception by opportunistic so-called handymen.

In today's poor economy, more and more licensed contractors are advertising and providing handyman type services on all islands. This legislation would punish the legitimate contractors and licensed handymen, such as my own company and individuals on Oahu and Maui, and soon on The Big Island and put them/us in a huge disadvantage because of the added costs of fulfilling the requirements of the contractor licensing law.

The presumption that licensed contracting services are not available and thus this change to the law must be made are not substantiated other than by hearsay, in our opinion.

In my opinion, the starting point for dealing with so called handymen, is to at least have them possess General Excise Tax Licenses and pay something towards participating in our state business community legitimately, and find a way to get them out of the underground economy. Not only do these people often deal in cash inducements to get home and condo owner and renter business, but furthermore they more often than not misrepresent their experience and abilities to do work, and wade into electrical and plumbing issues which can cause fires and flooding long after they have grabbed the consumers' money.

We and I urge you to hold this potentially consumer harmful legislation. The unintended consequences would be severe.

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# **SMCA** *Sheet Metal Contractors Association*

905 Umi Street, Suite 305, Honolulu, HI 96819-2377, Ph (808) 845-9393, Fax (808) 845-9395 email: smcasmif@aol.com

HARRY M. UYEMA  
Executive Director

January 26, 2009

Honorable Angus McKelvey, Chairman and Members of the Committee  
House Economic Revitalization, Business, and Military Affairs Committee  
Hawaii State Legislature  
State of Hawaii

Mr. Chairman and Members of the Committee

**SUBJECT: H. B. 133 – Relating to Contractors**

Members of this Association have gone on record to unanimously oppose HB 133.

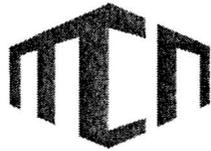
This bill as proposed to be amended will primarily only apply to “handyman” contractors.

This statute when previously passed provided exemption to the Contractors License Statutes for any contract in their “aggregate” of \$1,000.00 or less. The reason for the limit was because many handyman contractors in the past, in their effort to evade the statute were dividing their projects into segments of \$1,000.00. This proposal as amended will now give the handyman a better avenue to evade the statutes by increasing the price of the materials higher than their actual cost so that he will now be able to perform larger projects but still be within the statutes. If any contractor wants do projects larger than \$1,000.00, they should be subjected to the same licensing process as licensed contractors who must pass tests to show that they possess the necessary skills and knowledge to perform the tasks they are being paid. For the protection of the public as the Contractors License Statutes were enacted to do, we should continue to maintain the statutes as currently written.

We strongly urge that this bill not be passed or altered in any manner.

Sincerely,

*/s/Harry M. Uyema*  
Harry M. Uyema  
Executive Director



# MAUI CONTRACTORS ASSOCIATION

January 26, 2009

Honorable Angus McKelvey, Chair  
Committee on Economic Revitalization, Business & Military Affairs  
415 South Beretania Street  
State Capitol, Room 312  
Honolulu, HI 96813

Re: House Bill No. 133, Relating to Contractors

Dear Chair McKelvey and Committee,

I am Jacqueline Haraguchi, Executive Director of the Maui Contractors Association. Maui Contractors Association has over 220 members and has been the voice of the Building Industry in Maui County for over 40 years.

MCA strongly opposes HB133. Maui Contractors Association feels that allowing unlicensed contractors (handymen) to exclude materials from their contracts would be extremely hard to enforce and would only make the abuse of unlicensed activity worse. It is my experience that unlicensed activity in Maui County is already out of control.

Many unlicensed contractors mislead consumers by saying their licensed by having a GET license. I have received many, many phone calls from consumers who have lost thousands of dollars to unlicensed contractors. This bill is a detriment to our industry and community.

Thank you for the opportunity to provide testimony in opposition of this bill.

Sincerely,

Jacqueline Haraguchi  
Executive Director