

**PRESENTATION OF THE  
CONTRACTORS LICENSE BOARD**

TO THE HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE

TWENTY-FIFTH LEGISLATURE  
Regular Session of 2009

Thursday, January 29, 2009  
2:00 p.m.

**TESTIMONY ON HOUSE BILL NO. 365, RELATING TO CONTRACTORS.**

TO THE HONORABLE ROBERT N. HERKES, 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. 365, which proposes to raise the "handyman exemption" from \$1,000 to \$1,600, and to determine whether a project qualifies for the exemption based on labor costs alone. Currently, the exemption does not apply to projects over \$1,000, including labor, material, taxes, and all other items.

The Board is opposed to raising the exemption beyond the current limit of \$1,000 because of the potential for consumer harm. In the past, no contractor's license was required if the aggregate contract price for the work performed was under \$100. This exemption amount was raised to \$1,000 in 1992, mainly because consumers were having difficulty finding a contractor to perform small jobs. Since then, the Board has not received any information to justify raising the exemption any further.

The Board also believes that determining the exemption amount on labor costs alone would open the door to abuses of the licensing statute by providing a loophole for all work that does not require a permit. An unlicensed individual would be allowed to

Testimony on House Bill No. 365  
January 29, 2009  
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perform projects of any size, merely by inflating the costs of materials and charging no more than \$1,600 for "labor". For these reasons, the Board is opposed to House Bill No. 365.

Thank you for the opportunity to testify on this bill.



Honorable Representative Robert N. Herkes, Chair  
COMMITTEE ON CONSUMER PROTECTION & COMMERCE  
415 South Beretania Street  
State Capitol, Room 325  
Honolulu, Hawaii 96813

Dear Chair Herkes,

Subject: House Bill No. 365, RELATING TO CONTRACTORS, Excludes cost of materials, taxes and all other items in determining whether cost of project is less than \$1,600 for purposes of exemption from contractor licensing law

My name is Dean Uchida, Vice President of the Hawaii Developers' Council (HDC). We represent over 200 members and associates in development-related industries. The mission of Hawaii Developers' Council (HDC) is to educate developers and the public regarding land, construction and development issues through public forums, seminars and publications.

It is also the goal of HDC to promote high ethics and community responsibility in real estate development and related trades and professions. HDC questions the need for excluding material cost from the value of repair work which currently must be less than \$1,600 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 \$1,600 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. 365.

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

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

**(CPC) House Committee on Consumer Protection & Commerce**

**Thursday January 29, 2009. Room 325. 2:00 pm**

**RE: HOUSE BILL 365 – RELATING TO CONTRACTORS**

Chair Herkes, Vice Chair Wakai, 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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***SAH - Subcontractors Association of Hawaii***  
***820 Mililani Street, Suite 810, Honolulu, Hawaii 96813-2938***  
***Phone: (808) 537-5619 ✦ Fax: (808) 533-2739***

January 29, 2009

Testimony To: House Committee on Consumer Protection & Commerce  
Representative Robert N. Herkes, Chair

Presented By: Tim Lyons, President

Subject: H.B. 365 – RELATING TO CONTRACTORS

Chair Herkes 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 eight 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

In our opinion this bill 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 to \$1600 and exclude the materials and taxes, you are in effect raising the ceiling for the types of jobs that qualify for no license from \$1000 to around \$3500.

Now some may say that \$3500 is nothing and dependent on the type of project that may be correct. As an example, \$3500 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 rain gutters and so on. Every item I have just mentioned can be done for under \$3500 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 work currently 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 \$3500 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 \$3500? 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 \$4000 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 28, 2009

**The Honorable Robert N. Herkes, Chair**  
House Committee on Consumer Protection & Commerce  
State Capitol, Room 325  
Honolulu, Hawaii 96813

**RE: H.B. 365 Relating to Contractors**

Aloha Chair Herkes, Vice Chair Wakai 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. 365 which amends the "handyman exemption" to the contractor licensing law to include contracts that are no more than \$1600 for labor, exclusive of materials, taxes and other items.

The amount in the present law, \$1000, applies to the aggregate contract price for labor, materials, and all other items. However, the cost and the price of materials and labor has continued to increase. One of the problems with the current law is that it was set over 17 years ago and is unrealistically low by current standards. Factoring in Hawai'i's traditionally higher cost of living and the Consumer Price Index's price of goods, consumers now pay 30 to 40 percent higher prices for goods and services than in 1992 when the present amount was set.

HAR has historically supported changes to the handyman exemption through factoring in cost of living, inflation, and other increased labor and material costs associated with basic repairs. As such, HAR supports the increase in amount for the handyman exemption.

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 29, 2009

Honorable Representative Robert N. Herkes, Chair  
COMMITTEE ON CONSUMER PROTECTION & COMMERCE  
415 South Beretania Street  
State Capitol, Room 325  
Honolulu, Hawaii 96813

Dear Chair Herkes,

Subject: House Bill No. 365, RELATING TO CONTRACTORS, Excludes cost of materials, taxes and all other items in determining whether cost of project is less than \$1,600 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 \$1,600 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 \$1,600 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. 365.

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



Executive Vice President/CEO  
BIA-Hawaii

# **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 28, 2009

Honorable Robert Herkes, Chairman and Members of the Committee  
House Committee on Consumer Protection and Commerce  
Hawaii State Legislature  
State of Hawaii

Mr. Chairman and Members of the Committee:

SUBJECT: H. B. 365 – Relating to Contractors

Members of this Association have gone on record to unanimously oppose HB 365.

This bill as proposed is no different than HB 133, except that it increases the dollar amount of exemption from \$1,000.00 to \$1,600.00. We also opposed HB 133.

This bill will increase the “handyman” exemption from licensing laws so long as the labor cost for the contract does not exceed \$1,600.00 and excludes materials, taxes, and all other items in the total cost of the contract. As stated in our testimony opposing HB 133, the Contractors License Statutes were enacted **for the protection of the public**. If any contractor wants to do projects larger than \$1,000.00, they should be subjected to the same licensing process as licensed contractors, who must pass tests and show that they possess the necessary skills and knowledge to perform the tasks they are being paid.

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 Robert N. Herkes, Chair  
Committee on Consumer Protection & Commerce  
415 South Beretania Street  
State Capitol, Room 325  
Honolulu, HI 96813

Re: House Bill No. 365, Relating to Contractors

Dear Chair Herkes 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 HB365. Our organization questions the need to increase the current amount of a \$1,000.00. Hiring licensed contractors protects the consumer because the licensed contractor has the necessary insurance coverage's for liability and workers compensation. Increasing the unlicensed contractor limit to \$1600.00 and eliminating materials from the contract price would only contribute to the current unlicensed situation. In Maui County the unlicensed activity is out of control and has gotten worse over the past three years. It has been my experience that unlicensed contractors abuse the current threshold.

MCA believes that we should be working together to get unlicensed contractors licensed. During these hard economic times, we should be finding ways to assist the licensed contractors to ensure longevity of their companies.

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

Sincerely,



# MAUI CONTRACTORS ASSOCIATION

Jacqueline Haraguchi  
Executive Director

House Committee on Consumer Protection and Commerce  
Representative Robert Herkes/Chairman

Dear Honorable Representative Robert Herkes,

This testimony is in reference to HB-365 Relating to Contractors and is a **TESTIMONY AGAINST THIS BILL**

My name is Guy Akasaki and am the Founder/Chairman of three contracting companies registered to do business in the State of Hawaii; Commercial Roofing & Waterproofing Hi, Inc, Honolulu Roofing Company Inc & Allied Pacific Builders Inc. licensed and in compliance with all of the State of Hawaii laws and statutes instituted to protect the consumers of the State of Hawaii against unlicensed activity. I am also a member of the Contractor License Board and have had to address unlicensed contracting activities "gone bad" many by handymen.....seen the duress on the uneducated consumer.....and witness the unnecessary financial burden put upon the State of Hawaii Agencies of DCCA and RICO to cite, determine fault, address penalties and police resolution.

This bill will only further encourage unlicensed activity and **I, GUY AKASAKI, AM AGAINST THIS BILL....**

Sincerely,

Guy Akasaki/Chairman  
Commercial Roofing & /Waterproofing Hi, Inc.  
Honolulu Roofing Company Inc.  
Allied Pacific Builders Inc.

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**From:** David Leong  
**Sent:** Thursday, January 29, 2009 6:39 AM  
**To:** Michael Leong  
**Subject:** RE: HB-365 Relating to Contractors

I David Leong president of David's Custom Roofing + Painting  
Against the bill

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