

Honolulu, Hawaii

FEB 28 2019

RE: S.B. No. 767
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Thirtieth State Legislature
Regular Session of 2019
State of Hawaii

Sir:

Your Committee on Commerce, Consumer Protection, and Health,
to which was referred S.B. No. 767 entitled:

"A BILL FOR AN ACT RELATING TO CONTRACTORS,"

begs leave to report as follows:

The purpose and intent of this measure is to raise the threshold under the contractor licensing law's handyman exemption from \$1,000 to \$1,500 and make it applicable only to the cost of labor.

Your Committee received testimony in support of this measure from the Hawai'i Association of REALTORS; National Association of Residential Property Managers, Oahu Chapter; National Association of Residential Property Managers, Maui Chapter; REALTORS Association of Maui, Inc.; Young Hawaii Homes, Inc.; Woodstock Properties, Inc.; Gustafson Real Estate, LLC; Lani Properties Corporation; and twenty-five individuals. Your Committee received testimony in opposition to this measure from the Painting and Decorating Contractors Association of Hawaii; Hawaii Regional Council of Carpenters; Painting Industry of Hawaii Labor Management Cooperation Trust Fund; Hawaii Tapers Market Recovery Trust Fund; Hawaii Glaziers, Architectural Metal Glassworkers Local Union 1889 AFL-CIO Stabilization Trust Fund; Carpet, Linoleum and Soft Tile Local Union 1926 Market Recovery Trust Fund; International Union of Painters and Allied Trades - District Council 50; Hawaii Building and Construction Trades Council,



AFL-CIO; Electrical Contractors Association of Hawai'i; Subcontractors Association of Hawaii; Abbey Carpet of Maui; Plumbing and Mechanical Contractors Association of Hawaii; Pacific Resource Partnership; Sheet Metal and Air Conditioning Contractors' Association, Hawaii Chapter; Hawaii Wall and Ceiling Industry Association; Guy's Superior Interiors, Inc.; two individuals; and a form letter signed by over one hundred fifty individuals.

Your Committee finds that handymen provide a valuable service by doing maintenance, minor jobs, and projects that are too small for a licensed contractor to take on because of their higher overhead costs. Waiting for a contractor to be available can often take months, delaying the completion of necessary jobs. Handymen are especially utilized in rural areas and neighbor islands where there is a smaller pool of contractors available. Your Committee notes that the costs of living, housing, materials, and inflation have increased since the handyman exemption was last raised in 1992; however, penalties and sanctions have increased five-fold without any increase to the exemption amount. A modest increase of the handyman exemption helps keep pace with current increases in these costs.

Your Committee has heard the testimony expressing concern that increasing the handyman exemption to \$1,500, applicable solely to labor costs, will result in far more unlicensed work, posing a risk to public health and general safety. Unlicensed contractors or handymen are not required to maintain liability or workers' compensation insurance, which potentially exposes homeowners to damages with no recourse. According to testimony received by your Committee, many contractors in the finishing trades and their union employees would be adversely affected because it would make them less competitive against an unlicensed handyman who does not have to bear the substantially greater costs of being a licensed contractor.

Accordingly, your Committee has amended this measure by:

- (1) Clarifying that the threshold under the contractor licensing law's handyman exemption is \$1,500 per project or operation, which includes the aggregate cost of labor, materials, taxes, and other expenses, and applies



only to residential repairs or minor renovation projects;

- (2) Restoring existing statutory language that specifies that the exemption does not apply in any case where a building permit is required regardless of the aggregate contract price;
- (3) Requiring persons performing projects or operations under the handyman exemption to provide their name and contact information to the Department of Commerce and Consumer Affairs;
- (4) Requiring the Department of Commerce and Consumer Affairs to adopt rules and make annual reports to the Legislature detailing any complaints received regarding projects or operations performed under the handyman exemption;
- (5) Updating the purpose section;
- (6) Inserting a sunset date of June 30, 2024;
- (7) Inserting an effective date of July 1, 2050, to encourage further discussion; and
- (8) 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 Commerce, Consumer Protection, and Health that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 767, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 767, S.D. 1, and be placed on the calendar for Third Reading.



Respectfully submitted on
behalf of the members of the
Committee on Commerce, Consumer
Protection, and Health,



ROSALYN H. BAKER, Chair



The Senate
Thirtieth Legislature
State of Hawai'i

Record of Votes
Committee on Commerce, Consumer Protection, and Health
CPH

Bill / Resolution No.:*	Committee Referral:	Date:		
SB 767	CPH	2/22/19		
<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 checked="" 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
BAKER, Rosalyn H. (C)	✓			
CHANG, Stanley (VC)				✓
KEOHOKALOLE, Jarrett	✓			
NISHIHARA, Clarence K.	✓			
RUDERMAN, Russell E.	✓			✓
THIELEN, Laura H.	✓			
FEVELLA, Kurt	✓			
TOTAL	5		1	2
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: <div style="text-align:center; font-family: cursive;">Clarence K. Nishihara</div>				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

*Only one measure per Record of Votes