

**LATE**  
**SB775**



**STATE OF HAWAII  
DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS**

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**LAI**

February 8, 2011

To: The Honorable Rosalyn H. Baker, Chair  
and Members of the Senate Committee on Commerce and Consumer Protection

The Honorable Carol Fukunaga, Chair  
and Members of the Senate Committee on Economic Development and Technology

Date: Tuesday, February 8, 2011

Time: 8:30 a.m.

Place: Conference Room 229, State Capitol

From: Dwight Y. Takamine, Interim Director  
Department of Labor and Industrial Relations

**S.B. No. 775 Relating to Construction Sites**

**I. OVERVIEW OF PROPOSED LEGISLATION**

Senate Bill 775 proposes to: continue the work of the Construction Site Inspection Task Force ("Task Force") for an additional year in order to support the findings of the small business working group; and appropriate funds for this activity.

**II. CURRENT LAW**

Not specifically applicable.

**III. SENATE BILL**

The Department of Labor and Industrial Relations supports the original intent of Act 121, Regular Session 2010. Legitimate business owners who pay their fair share of taxes and comply with all laws are being penalized by the "underground economy" of unlicensed businesses -- those who do not pay their fair share of taxes; who fail to provide necessary unemployment, workers' compensation, and other required insurance for workers; and those who ignore workplace safety laws. Concern is also apparent for Hawaii's workers who lose their jobs or are paid lower wages due to competition from undocumented workers.

However, we do not believe that anything more can be accomplished with a year's extension of the work of the task force. The recommendations of the Task Force are clear. The creation of a task force that would specifically address unlicensed contracting activity, undocumented workers, and worker safety violations is not necessary at this time because collaborative enforcement can occur on an as-needed basis without the creation for a task force. Instead, the report recommends the creation and maintenance of a shared contact list to facilitate strategic discussions on an ad hoc basis. The report further found that unlicensed contracting violations should carry both civil and criminal sanctions to be effective; and a myriad of state and federal confidentiality provisions prohibit an automated information database system and a centralized debt collection system at this time.

The largest issue, however, is one of resources. The two divisions in DLIR involved with the Task Force were the two divisions hit the hardest by the Reduction in Force (RIF) and other recent budget decisions. The Disability Compensation Division (DCD) suffered a total net reduction of 28 positions or 26% of its General-Funded staffing in FY 2010. Eleven vacant positions were abolished in FY 2010 budget to meet budgetary restrictions. Another eighteen filled positions were eliminated by the Reduction In Force (RIF) program in late 2009, while a one-position increase was authorized by the legislature in FY 2010. HIOSH lost 12 positions in the RIF and 17 due to abolishing vacancies (2008-2010) for a 50% reduction in workforce since 2008.

Any further diversion of these state funded resources will erode our ability to prevent workplace accidents and ensure appropriate compensation for workplace injuries.



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February 7, 2011

Senator Roz Baker, Chair  
Committee on Commerce and Consumer Protection  
Senator Carol Fukunaga  
Committee on Economic Development and Technology  
State Capitol, Room 229  
Honolulu, HI 96813

RE: SB775 "Relating to Construction Sites"

I am Greg Thielen, President and RME of Complete Construction Services. I am a Small Business Owner and have over 20 years experience in the Construction Industry.

I strongly support SB775 for the following reasons. Unlicensed construction activity is ruining this industry, making a mockery of the laws governing this industry and costing the State money. In the process of bidding on projects I regularly encounter people that decide to get Owner/Builder permits and hire unlicensed people to perform their work. These un-regulated people work for cash, do not pay mandated benefits such as health insurance or workers compensation insurance and they do not pay taxes. This makes for an un-fair competitive advantage in bidding, takes advantage of workers and deprives the State of needed income. SB775 will help combat this very large and serious problem.

Thank you for the opportunity to provide this testimony.

Sincerely,

Greg Thielen  
President/RME



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Testimony of C. Mike Kido  
External Affairs  
The Pacific Resource Partnership

Senate Committee on Commerce and Consumer Protection  
Senator Rosalyn H. Baker, Chair  
Senator Brian T. Taniguchi, Vice Chair

Senate Committee on Economic Development and Technology  
Senator Carol Fukunaga, Chair  
Senator Glenn Wakai, Vice Chair

SB 775 – Relating to Construction Sites  
Tuesday, February 8, 2011  
8:30 am  
Conference Room 229

Aloha Chair Rosalyn Baker, Chair Carol Fukunaga and Members of the Committees:

My name is C. Mike Kido, External Affairs of the Pacific Resource Partnership (PRP), a labor-management consortium representing over 240 signatory contractors and the Hawaii Carpenters Union.

PRP supports SB 775 – Relating to Construction Sites, which continues the work of the construction site task force for one year. This bill requires a final report and appropriates funds for the task force to complete any further recommended actions.

Underground business operations “cheat” our local people out of gainful employment and exploit illegal labor in these tough economic times for the sake of their “bottom line”. Underground business operations typically avoid licensing requirements and pay wages in cash, thereby avoiding income tax contributions that the rest of us pay that goes to support our schools and other social and infrastructure services.

Nearly 50% of unionized carpenters statewide are currently unemployed. The hiring of “illegal” workers “cheats” our local people from obtaining good paying work to support their families, while allowing unscrupulous contractors to increase profits at the expense of our own locally unemployed and those they seek to exploit .

Underground business operations are a threat to our State’s economy and thus PRP highly supports this measure but would ask for a more action oriented outcome this year through this legislation.

Testimony of C. Mike Kido  
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Thank you for the opportunity to share our views with you and we respectfully ask for your support for SB 775, SD1 – Relating to Construction Sites – a more action oriented legislation in a proposed SD1.

Chair Baker, Committee members  
SB 775

LAIE

Thank you for this opportunity to testify in favor of SB 775.

My name is Scotty Anderson, Chair of the State Contractors License Board and for better or for worse am the instigator of the legislation that became Act 121 and what this bill refers to.

I have read the final report of the committee that studied Act 121 and I do not agree with their findings.

While I agree that trying to put together a structure that includes both State and County agencies will be difficult it simply must be done to derail the underground economy that not only creates an unfair playing field for our licensed contractors, it cheats the citizens and the state and county governments out of millions of dollars.

The State of California is making millions of dollars from their enforcement division and we could be doing the very same thing. We do not have to invent a wheel, we can follow their lead and over a reasonable period of time put a stop to the current mess that we have.

An enforcement division devoted to contractors for now, but spreading to other areas in the future would allow the counties and state to collect monies owed without raising taxes or adding fees. You would be collecting what was legitimately owed.

I am committed to making this happen and am committed to assisting in any way possible.