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OFFICE OF THE DIRECTOR
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS**

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Testimony of the Department of Commerce and Consumer Affairs

**Before the
Senate Committee on Public Safety and Intergovernmental and Military Affairs
and**

**Senate Committee on Commerce and Consumer Protection
Wednesday, January 31, 2024**

9:40 AM

State Capitol, Conference Room 229

On the following measure:

S.B. 2977, RELATING TO UNLICENSED CONTRACTORS

Chair Wakai, Chair Keohokalole, and Members of the Committees:

My name is Mana Moriarty, and I am the Executive Director of the Department of Commerce and Consumer Affairs' (Department) Office of Consumer Protection. The Office of Consumer Protection supports this bill as a common-sense measure to protect consumers seeking to make improvements to their properties after a disaster, improvements including building a new structure on the property. The measure would achieve this result by providing for criminal and civil penalties for persons performing certain work which requires a contractor license without licensure.

The purposes of this bill are to: 1) Make it unlawful for an unlicensed contractor to offer or perform repairs or improvements to a residential or nonresidential structure or property, or add to or subtract from grounds in connection with structure or property, for damage or destruction caused by a natural disaster for which a state of emergency or disaster is proclaimed by the Governor; and 2) Require violations to be punished by a

fine of not more than \$10,000, imprisonment up to one year, or both, in addition to all other remedies or penalties.

In the period after the deadly Tubbs Wildfire (2017) and Camp Wildfire (2018) devastated communities in California, including Santa Rosa and Paradise, the State of California Department of the Attorney General and local California prosecuting authorities worked to advocate the passage of a similar new law to deter unlicensed contracting in those communities when property owners sought to build new structures where the fires had destroyed existing structures. Following passage of the California law, which provides for enhanced criminal and civil penalties for unlicensed contracting, the California Contractor License Board worked to promote public awareness of the new law. Prosecuting authorities investigated reports of unlicensed contracting and, in specific cases, successfully prosecuted offenders under the criminal provisions of the new law.

Existing Hawaii law provides for enhanced civil and criminal penalties for unlicensed contracting after a disaster, but only when a person without a contractor license is performing repairs that require a contractor's license to perform. This law was passed shortly after Hurricane Iniki caused widespread property damage on Kauai in particular and in some leeward Oahu communities. This existing law may deter unlicensed contracting after a disaster when the property damage resulting from the disaster is property damage that can be repaired. But it will not deter unlicensed contracting after a disaster when the property damage that results from the disaster is in fact, destruction of existing structures.

During the Maui wildfires in August 2023, the property damage that occurred was, to a large extent, destruction of existing structures. For property owners whose property is destroyed as a result of a disaster, and who wish to rebuild structures that were lost because of the disaster, this bill would provide civil and criminal penalties when persons without a contractor's license perform work to improve the property which requires a contractor's license, including building new structures on the property.

Thank you for the opportunity to testify on this bill.

Testimony of the Contractors License Board

**Before the
Senate Committee on Public Safety and Intergovernmental and Military Affairs
and
Senate Committee on Commerce and Consumer Protection
Wednesday, January 31, 2024
9:40 a.m.
Conference Room 229 and Videoconference**

**On the following measure:
S.B. 2977, RELATING TO UNLICENSED CONTRACTORS**

Chair Wakai, Chair Keohokalole, and Members of the Committees:

My name is Candace Ito, and I am the Executive Officer of the Contractors License Board (Board). The Board will discuss this bill at its next publicly noticed meeting on February 23, 2024, after which it will be able to provide an official position. The Board has supported similar measures in the past.

The purpose of this bill are to: (1) make it unlawful for an unlicensed contractor to offer or perform repairs or improvements to a residential or nonresidential structure or property, or add to or subtract from grounds in connection with the structure or property, for damage or destruction caused by a natural disaster for which a state of emergency or disaster is proclaimed by the Governor; and (2) require violations to be punished by a fine of not more than \$10,000, imprisonment up to one year, or both, in addition to all other remedies or penalties.

In the past the Board has supported similar measures that deter unlicensed individuals from performing work that requires a contractor license. This would accord with the Board's objective to protect the health, safety and welfare of persons contracting with the construction industry and afford the public effective and practical protection against the incompetent, inexperienced, unlawful, and unfair practices of contractors.

Thank you for the opportunity to testify on this bill.

JOSH GREEN, M.D.
GOVERNOR
KE KIA'ĀINA



KENNETH S. HARA
DIRECTOR OF EMERGENCY
MANAGEMENT

JAMES DS. BARROS
ADMINISTRATOR OF
EMERGENCY MANAGEMENT

STATE OF HAWAII
KA MOKU'ĀINA O HAWAI'I
DEPARTMENT OF DEFENSE
KA 'OIHANA PILI KAUA
HAWAI'I EMERGENCY MANAGEMENT AGENCY
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STATE OF HAWAI'I
DEPARTMENT OF DEFENSE
HAWAI'I EMERGENCY MANAGEMENT AGENCY

TESTIMONY ON SENATE BILL 2977,
RELATING TO EMERGENCY MANAGEMENT

BEFORE THE SENATE COMMITTEE ON
PUBLIC SAFETY AND INTERGOVERNMENTAL AND MILITARY AFFAIRS

BY

JAMES DS. BARROS
ADMINISTRATOR
HAWAI'I EMERGENCY MANAGEMENT AGENCY

JANUARY 31, 2024

Aloha Chair Wakai, Vice-Chair Elefante, and Members of the Committee:

Thank you for the opportunity to submit testimony to **SUPPORT** SB2977.

The Hawai'i Emergency Management Agency is expressing its support for Senate Bill 2977, which makes it unlawful for unlicensed contractors to offer or perform repairs or improvements to a residential or nonresidential structure or property.

The wildfires in Maui resulted in significant property damage, including the destruction of Lahaina Town. As a result of these losses, former homeowners and business owners in Lahaina will be seeking building and repair services to address the damage caused. It is anticipated that some individuals without the required state licensure, may offer their services for these repairs.

Hiring unlicensed contractors poses risks to Hawai'i property owners, such as poor workmanship and jobsite injuries. Moreover, it increases the likelihood of contractor fraud, where payment is received but no work is incomplete work is delivered.

HI-EMA supports this legislation as it aims to prevent negative consequences during the repair and reconstruction process following the August 2023 Maui wildfires, as well as future natural disasters. This bill will help to establish civil and legal measures.

Thank you for the opportunity to provide testimony on Senate Bill 2977.

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SAH - Subcontractors Association of Hawaii

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January 31, 2024

Testimony To: Senate Committee on Public Safety and Intergovernmental and Military Affairs
Senator Glenn Wakai, Chair

Senate Committee on Commerce and Consumer Protection
Senator Jarrett Keohokalole, Chair

Presented By: Tim Lyons, President

Subject: S.B. 2977 – RELATING TO UNLICENSED CONTRACTORS.

Chair Wakai, Chair Keohokalole and Members of the Joint Committees:

I am Tim Lyons, President of the Subcontractors Association of Hawaii. The SAH represents the following nine separate and distinct contracting trade organizations.

HAWAII FLOORING ASSOCIATION

ROOFING CONTRACTORS ASSOCIATION OF HAWAII

HAWAII WALL AND CEILING INDUSTRIES ASSOCIATION

ELECTRICAL CONTRACTORS ASSOCIATION OF HAWAII

TILE CONTRACTORS PROMOTIONAL PROGRAM

PLUMBING AND MECHANICAL CONTRACTORS ASSOCIATION OF HAWAII

SHEETMETAL AND AIR CONDITIONING NATIONAL CONTRACTORS ASSOCIATION OF HAWAII

PAINTING AND DECORATING CONTRACTORS ASSOCIATION

PACIFIC INSULATION CONTRACTORS ASSOCIATION

We support this bill.

This legislature provided for a framework for the licensing of contractors for very good reasons. There are unfortunately some in the industry who refuse to follow the law and oftentimes will take advantage of homeowners who are not knowledgeable about construction practices for their own profit. It is unfortunate that disasters oftentimes bring out the worst in these unlicensed contractors and they prey upon individuals that are sorely in need of repairs; sometimes immediate repairs.

It is often difficult to find a contractor and as a result, owners tend to settle for whomever answers the phone call. It is no way to do business and does not provide any protection for the homeowner. When homeowners deal with licensed contractors, they are protected by a large number of consumer protections including the requirement for a written contract, disclosure of lien rights, stating the percentage of work that will be subcontracted out, advising homeowners of the Contractors Repair Act and the benefits of the actions of the Regulated Industries Complaint Office. There are so many reasons to deal with only a licensed contractor however when homeowners are desperate they often do not take into consideration the protections that are there.

This bill addresses the situation when they have not done that and now the unlicensed activity is discovered. A fine of \$10,000.00 will serve as a deterrent to those "contractors" that like to practice illegally.

Based on the above, we support this bill and recommend your passage.

Thank you.

SB-2977

Submitted on: 1/30/2024 8:41:09 AM

Testimony for PSM on 1/31/2024 9:40:00 AM

Submitted By	Organization	Testifier Position	Testify
Yvonne Alvarado	Individual	Support	Written Testimony Only

Comments:

I, Yvonne L Alvarado is in support of Bill 2977