

FINAL BILL REPORT

SHB 1555

C 432 L 09
Synopsis as Enacted

Brief Description: Addressing the recommendations of the joint legislative task force on the underground economy in the construction industry.

Sponsors: House Committee on Commerce & Labor (originally sponsored by Representatives Conway, Chase, Green, Dickerson, Rolfes, Goodman, Campbell, Morrell, Cody, Simpson, Ormsby, Van De Wege, Seaquist, Appleton, Miloscia, Hunt, Blake, Williams, Hudgins, Kenney, Sullivan, Priest, Eddy and Wood).

House Committee on Commerce & Labor
House Committee on Ways & Means
Senate Committee on Labor, Commerce & Consumer Protection
Senate Committee on Ways & Means

Background:

In 2007 the Legislature established a Joint Legislative Task Force on the Underground Economy in the Construction Industry (Task Force). The Task Force met during the 2007 interim and developed recommendations which led to the passage of two bills in 2008, ESHB 3122 and 2SSB 6732. In addition, budget provisos were enacted. The 2008 legislation also extended the Task Force for an additional year. The Task Force met during the 2008 interim and submitted a final report to the Legislature. The final report contains a number of recommendations.

Summary:

Provisions are adopted addressing contractor registration, workers' compensation education and outreach, liens on public works retainage, and unemployment record-keeping:

- A contractor must maintain, and have available for inspection by the Department of Labor and Industries (L&I), a list of all direct subcontractors and a copy of their certificate of registration.
- Before issuing a business license to a person required to be registered as a contractor, a city, town, or county may verify that the person is registered and report violations to

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L&I. The Department of Licensing must conduct the verification for cities that participate in the Master License System.

- The L&I is directed to conduct education and outreach to employers on workers' compensation requirements and premium responsibilities, including independent contractor issues. The L&I must work with new employers on an individual basis and also establish mass education campaigns.
- The L&I and the Employment Security Department (ESD) have a priority lien on retainage on public works projects following the Department of Revenue (DOR). After payment of the contractor's employees who were not paid the prevailing wage, and payment of amounts owing to the DOR with respect to the contract and other amounts owing to the DOR, the ESD and L&I have a lien for taxes, increases, and penalties due with respect to the contract. Other amounts owing to L&I and the ESD are a lien after other statutory lien claims (laborers and suppliers) have been paid.
- A penalty is created for employers who fail to keep and preserve unemployment insurance records. The penalty may not exceed \$250 or 200 percent of the quarterly tax for each offense, whichever is greater.

The L&I, the ESD, and the DOR must report to the appropriate committees of the Legislature by December 1 each year on the effectiveness of efforts implemented since July 1, 2008, to address the underground economy. The agencies must use benchmarks and measures established by the Washington Institute for Public Policy and other measures it determines appropriate.

The Joint Legislative Task Force, originally scheduled to expire on July 1, 2009, is extended to December 15, 2009, and the scope is extended beyond construction. The membership of the committee is modified. A representative of cities and a representative of counties is added, and the business and labor members are no longer limited to construction representatives. In conducting its 2009 study, the task force may consider issues previously discussed by the task force and whether these issues need to be addressed in nonconstruction industries, the role of local governments in monitoring the underground economy, and the need to establish additional measures and benchmarks. The task force must report its findings and recommendations to the Legislature by December 1, 2009.

Votes on Final Passage:

House	95	1	
Senate	31	16	(Senate amended)
House	95	1	(House concurred)

Effective: July 26, 2009
October 1, 2009 (Section 11)