

# HOUSE BILL REPORT

## SSB 5613

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### As Passed House:

April 9, 2009

**Title:** An act relating to authorizing the department of labor and industries to issue stop work orders for violations of certain workers' compensation provisions.

**Brief Description:** Authorizing the department of labor and industries to issue stop work orders for violations of certain workers' compensation provisions.

**Sponsors:** Senate Committee on Labor, Commerce & Consumer Protection (originally sponsored by Senators Kohl-Welles, Keiser, Franklin, Kline, McDermott, Tom and Fraser).

### Brief History:

#### Committee Activity:

Commerce & Labor: 3/24/09, 3/25/09 [DP].

#### Floor Activity

Passed House: 4/9/09, 60-38.

### Brief Summary of Substitute Bill

- Authorizes the Director of the Department of Labor and Industries to issue a stop-work order against a contractor or electrician employer if the employer has failed to secure industrial insurance.

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## HOUSE COMMITTEE ON COMMERCE & LABOR

**Majority Report:** Do pass. Signed by 5 members: Representatives Conway, Chair; Wood, Vice Chair; Green, Moeller and Williams.

**Minority Report:** Do not pass. Signed by 3 members: Representatives Condotta, Ranking Minority Member; Chandler and Crouse.

**Staff:** Joan Elgee (786-7106)

### Background:

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

Employers in the state must secure payment of industrial insurance by either insuring with the state fund or qualifying as a self-insurer. An employer who fails to secure industrial insurance is liable for a penalty of \$500 or a sum double the amount of premiums incurred prior to securing payment, whichever is greater. Criminal penalties may also apply.

General and specialty contractors must register with the Department of Labor and Industries (Department) and a contractor who fails to register is subject to an order issued by the Director of the Department to restrain further construction work at the job site by the contractor. General and specialty electrical contractors must obtain a license from the Department.

At least six states authorize stop-work orders.

**Summary of Bill:**

If the Director of the Department of Labor and Industries (Director) determines after an investigation that a general or specialty contractor or a general or specialty electrical contractor has failed to secure payment of industrial insurance, the Director may issue a stop-work order against the employer.

A stop-work order may be served on a worksite by posting a copy in a conspicuous location, in which case the order is effective as to the employer's operations on that worksite. A stop-work order may be served on the employer, in which case the order is effective as to all employer worksites for which the employer is not in compliance. Business operations of the employer must cease immediately upon service. An employer who violates a stop-work order is subject to a \$1,000 penalty for each day not in compliance.

A stop-work order remains in effect until the Director: (1) releases the order upon finding that the employer has come into compliance and paid any premiums, penalties, and interest owing under industrial insurance; or (2) issues an order of conditional release. The Director may issue a conditional release order if the employer has complied with the coverage requirements and has agreed to pay premiums, penalties, and interest through a payment schedule. If the terms of the payment schedule are not met, the stop-work order may be reinstated.

An employer against whom a stop-work order has been issued may request reconsideration from the Department of Labor and Industries (Department) or appeal to the Board of Industrial Insurance Appeals (Board) within 10 days of receiving the stop-work order. A reconsideration must be concluded within 10 days of the request. The stop-work order remains in effect during the period of reconsideration or appeal unless the employer posts a cash deposit or bond of \$5,000 or \$1,000 per covered worker, whichever is greater. Procedures for Board appeals and judicial review are referenced.

Stop-work orders and penalties are effective against any successor corporation or business entity that has one or more of the same principals or officers as the employer under the stop-work order and which is engaged in the same or equivalent trade or activity.

The Department may adopt rules to carry out the provisions.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.

**Staff Summary of Public Testimony:**

(In support) This is a well-worked bill. The concerns expressed earlier have been addressed. The bill will have a sentinel effect on employers coming into the state, knowing their work may be stopped if they are not registered for workers' compensation. Washington is on the right track, although more work is left to be done. Other states are also working on this issue. Ohio, for example, is losing \$900 million a year in revenue.

(Opposed) None.

**Persons Testifying:** Senator Kohl-Welles, prime sponsor; Randy Loomans, International Union of Operating Engineers Local 302; David Johnson, Washington State Building and Construction Trades Council; and Rick Slunaker, Associated General Contractors of Washington.

**Persons Signed In To Testify But Not Testifying:** None.