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**Commerce & Labor Committee**

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**2SSB 6575**

**Brief Description:** Concerning the recommendations of the joint legislative task force on the underground economy.

**Sponsors:** Senate Committee on Ways & Means (originally sponsored by Senators Kohl-Welles, Keiser, Kline, Franklin and McDermott).

**Brief Summary of Second Substitute Bill**

- Requires contractors who fail to register with the Department of Labor and Industries to take a training class, in addition to registering, to be eligible for a reduced penalty for a first-time offense.
- Provides that a contractor who engages in certain unregistered contractor activity after a third final infraction for such activity commits a class C felony.

**Hearing Date:** 2/19/10

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

**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 and 2008 interims and developed recommendations which were incorporated into legislation. In 2009 the Legislature expanded the scope of the Task Force beyond the construction industry. The Task Force made a number of recommendations based on its 2009 interim work.

The Contractor Registration Act (Act) requires general and specialty contractors to register with the Department of Labor and Industries (Department). Under the Act, a contractor who fails to register is subject to a fine of not less than \$1,000 and not more than \$5,000. The Director of the Department may reduce the fee to no less than \$500 for a first offense if the contractor registers within 10 days of receiving a notice of infraction. It is also a gross misdemeanor for a contractor

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to work without being registered, work while a registration is suspended or revoked, or commit certain other acts.

**Summary of Bill:**

The penalty for a first offense of failure to register as a contractor is modified. To receive a reduced penalty, a contractor must register for and complete a contractor training class, in addition to registering as a contractor. Once a contractor receives a notice of infraction, the contractor has 10 days to register as a contractor and register for a class, and 120 days to complete the class. A contractor must also pay any class fees upon registration to receive the reduced penalty.

The Department will conduct or approve contractor training classes. The Department may charge a fee that covers the cost of administering a class. In addition, the Department may adopt rules on the number of classes to be offered, and the class locations, fees, and curriculum. In determining class locations, the Department may consider offering online classes and ensure that classes are reasonably accessible in eastern and western Washington. Class fees are deposited into the General Fund.

A contractor commits a class C felony if he or she engages in unregistered contractor activity after receiving a third final infraction for working while unregistered, while his or her registration is suspended or revoked, or under a registration issued to another contractor.

A double amendment regarding retainage on public works contracts is corrected.

**Appropriation:** None.

**Fiscal Note:** Available.

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