

FINAL BILL REPORT

SSB 5101

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Synopsis as Enacted

Brief Description: Protecting consumers in contractor transactions.

Sponsors: Senate Committee on Labor, Commerce & Financial Institutions (originally sponsored by Senators Prentice, Winsley, Kohl-Welles, Fairley and Fraser; by request of Department of Labor & Industries).

Senate Committee on Labor, Commerce & Financial Institutions
House Committee on Commerce & Labor
House Committee on Appropriations

Background: Consumer complaints against building contractors are consistently in the top ten of all complaints received by the Attorney General's Office.

General contractors must file a \$6,000 surety bond and specialty contractors must file a \$4,000 surety bond with the Department of Labor and Industries when applying for registration. An action to recover against the bond must be filed in superior court within one year of the expiration of the current certification. The amount of insurance required of a contractor is \$20,000 for property damage, \$50,000 for injury or death to one person, and \$100,000 for injury or death to more than one person.

Registration certificates are issued for one year. The department denies an application for registration if the applicant has previously registered and has an unsatisfied final judgment under the previous registration. A contractor must give notice to a customer at the start of a construction project about the availability of the bond.

The maximum penalty for violation of statutory registration, advertising, identification and solicitation requirements is \$5,000.

Current law does not require that a registered contractor demonstrate professional business competency.

The department is prohibited from charging a contractor's registration fee of more than \$50.

Contractors, subcontractors, or suppliers may file a lien against property if they have not been paid, even if the prime contractor has been paid in full. Notice on the right to claim a lien must be given in certain circumstances.

Summary: The Department of Labor and Industries (L&I) must deny a contractor's application for registration and suspend an active registration if the applicant or registrant was a major participant in a contracting company with an unsatisfied final judgment, or has failed to maintain a valid unified business identifier if required by the Department of Revenue.

The amount of the surety bond required is increased to \$12,000 for general contractors and \$6,000 for specialty contractors. One-half of the bond amount for general contractors and one-third of the bond amount for specialty contractors must be reserved for claims by residential homeowners. The amount of the surety bond required may be increased if the director determines there have been six final judgments in the past five years against a contractor involving at least two residential single-family dwellings. Residential homeowners have up to two years to file against the bond after the work was completed or abandoned.

The amount of insurance required of a contractor is increased to \$50,000 for property damage; to \$100,000 for personal injury or death of one person; and to \$200,000 for personal injury or death of more than one person.

Registration certificates are issued for two years. Impairment of a bond or termination of an insurance policy automatically suspends a contractor's registration.

The department is authorized to establish a process to collect payments, penalties, or fines due from contractors.

The state's contract registration requirements do not apply to mobile or manufactured home purveyors if they use registered contractors to set up or repair homes.

The maximum penalty for false advertising is increased to \$10,000.

The notice that a contractor must give to a customer about the contractor's bond is to include statements that: (1) the bond might not be sufficient to pay a customer's claim; (2) retaining funds can provide greater protection; (3) the customer's property can be liened; and (4) the customer should get lien releases.

An unregistered contractors enforcement team is established with staff from the Department of Revenue, L&I, and Employment Security. The department is to increase consumer and contractor awareness.

The \$50 limitation on contractor registration fees is changed to a \$100 fee for the 2001-2003 biennium and is changed in the future consistent with the fiscal growth factor.

Votes on Final Passage:

Senate	49	0	
House	95	0	(House amended)
Senate	47	0	(Senate concurred)

Effective: July 22, 2001