

HOUSE BILL REPORT

HB 1505

As Reported By House Committee On:
Commerce & Labor

Title: An act relating to registration of contractors.

Brief Description: Requiring verification of registration of contractors.

Sponsors: Representatives Heavey, Kremen, King, Lisk, G. Cole, Linville, Springer, Vance and R. Johnson.

Brief History:

Reported by House Committee on:
Commerce & Labor, March 2, 1993, DPS.

HOUSE COMMITTEE ON COMMERCE & LABOR

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 9 members: Representatives Heavey, Chair; G. Cole, Vice Chair; Lisk, Ranking Minority Member; Chandler, Assistant Ranking Minority Member; Conway; Horn; King; Springer; and Veloria.

Staff: Chris Cordes (786-7117).

Background: Persons who engage in the construction business are required to register with the Department of Labor and Industries. Construction contractors are not permitted to advertise, offer to work, submit a bid, or perform work as a contractor unless they are registered. To register, contractors must obtain liability insurance and a surety bond of \$6,000 for general contractors or \$4,000 for specialty contractors.

Construction contractors must include their registration number in certain advertising. If a violation of the advertising requirements occurs, the department or administrative law judge must hold the person who purchased the advertising responsible for the violation.

When cities and counties issue building permits, the permitting agencies are required to verify that the contractor is registered. The statute does not specify a process for verifying the registration number.

Some persons who engage in construction are not required to be registered. The exemptions include persons performing projects of less than \$500, persons working on their own property or on their own residence -- unless the improvement is made with the intention of selling the improved property, owners of commercial property when the work is performed by the employees of the property owner, and persons licensed under other laws as architects, engineers, electricians, or plumbers, when acting within the scope of the license.

It is a misdemeanor for a contractor who has knowledge of the registration requirements to advertise, offer to do work, submit a bid, or perform work without being registered or with a suspended registration, or to transfer a valid registration to an unregistered contractor. If an unregistered contractor offers to do work, submits a bid, or works as a contractor, it is an infraction subject to civil penalty.

Summary of Substitute Bill: The Department of Labor and Industries and the Department of Revenue are encouraged to coordinate to identify unregistered contractors.

Persons selling advertisements may not accept an advertisement that is required to include a contractor registration number if the contractor fails to provide the number.

Cities or counties that issue construction building permits and that fail to verify the contractor registration number are subject to a civil penalty of up to \$5,000. The permitting agency is also responsible for printing the contractor registration number on the building permit and for providing the permit applicant with a written notice informing him or her of the potential risk of using an unregistered contractor.

Verification of a registration number means receiving and duplicating a contractor registration card that is current on its face.

If a building permit is obtained by an applicant who falsifies information to obtain an exemption from contractor registration requirements, the permit is forfeited.

The requirement that a contractor know of the registration requirements before he or she may be found guilty of a misdemeanor for failing to register is changed to delete the "knowledge" requirement. The violations under the civil infraction authority of the department are amended to include, as an infraction, advertising by a contractor without being registered or with a suspended registration,

or transferring a valid registration to an unregistered contractor or allowing an unregistered contractor to work under another contractor's registration.

Substitute Bill Compared to Original Bill: The substitute bill changes the penalty for municipalities that fail to verify the contractor's registration number. Instead of imposing liability in the amount as is imposed on sureties, the municipality is subject to the same civil penalty that applies to contractors who do not include their registration number in an advertisement -- a penalty of not more than \$5,000. The requirement for persons selling advertising is changed to delete requirements for verifying the contractor number. Provisions establishing penalties for violations by persons selling advertising are deleted. Persons selling advertisements may not accept the advertisement if the contractor fails to provide a required number. The following provisions are added to the substitute bill: (1) the requirement that a contractor know of the registration requirements before he or she may be found guilty of a misdemeanor is changed to delete the "knowledge" requirement; (2) the civil infraction authority of the Department of Labor and Industries is amended to include, as a violation of the chapter, advertising as a contractor without being registered or with a suspended registration, or transferring a valid registration to an unregistered contractor or allowing an unregistered contractor to work under another contractor's registration.

Fiscal Note: Available.

Effective Date of Substitute Bill: Ninety days after adjournment of session in which bill is passed.

Testimony For: The problems associated with unregistered contractors are large. For example, the loss of revenue to the state is estimated at \$200 to \$400 million dollars. The large number of unregistered contractors also creates a competitive disadvantage for the legitimate contractors. Consumers often get less professional work when dealing with unregistered contractors. This bill addresses the need for additional enforcement of the registration requirements. Advertisers are benefiting from the revenues generated by illegal ads, but are not willing to assist in identifying those contractors who are buying the ads.

Testimony Against: This bill requires one industry to regulate another. In trial runs, it was found that verification of the contractor number was very difficult. These requirements may be very burdensome to small family operated newspapers. The advertiser cannot always know when an ad must contain the registration number. Agencies

granting building permits try to verify contractor registrations, but if the owner requests the permit, it is difficult to know whether an exemption may apply.

Witnesses: (In favor): Bill Huyette, Bob Blayden, Dale Layton, and Dick Ducharme, Building Industry Association of Washington; and Joe Brewer, Department of Labor and Industries. (Opposed): Rowland Thompson, Allied Daily Newspapers; Diana Kramer, Newspaper Publishers Association; Becky Bogard, Washington State Association of Broadcasters; Tom Walker, U.S. West Communications; and Tony Meinhardt, Independent Business Association. (No position indicated): Blair Patrick, Washington Association of Building Officials.