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**Commerce & Labor Committee**

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**HB 1554**

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

**Sponsors:** Representatives Conway, Chase, Dickerson, Green, Goodman, Rolfes, Morrell, Cody, Simpson, Campbell, Ormsby, Van De Wege, Appleton, Flannigan, Seaquist, Miloscia, Hunt, Blake, Williams, Hudgins, Kenney, Priest, Sullivan, Eddy, White, Hasegawa and Wood.

**Brief Summary of Bill**

- Authorizes the Director of the Department of Labor and Industries to issue a stop work against a contractor or electrician employer if the employer has failed to secure industrial insurance or knowingly misrepresented the amount of payroll or employee hours.

**Hearing Date:** 1/28/09, 1/30/09, 2/4/09

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

**Background:**

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. Employers who insure with the state fund must provide a true and accurate payroll to the Department of Labor and Industries (Department) and pay the appropriate premium. An employer who knowingly misrepresents the amount of payroll or employee hours is liable for up to 10 times the amount of the difference in premiums paid and what the employer should have paid, as well as the reasonable expenses of audit and collection.

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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.*

General and specialty contractors must register with the 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 provide for 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 or knowingly misrepresented the amount of payroll or employee hours, 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. All 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 penalties through a penalty 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. The stop-work order remains in effect during the period of reconsideration or appeal. In an appeal before the Board, the appellant has the burden of proceeding with the evidence to establish a prima facie case. The Administrative Procedure Act applies to judicial review, and the Department has the same right of review as do employers.

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.

**Rules Authority:** The bill contains a provision authorizing the exercise of rule-making authority by the Department of Labor and Industries.

**Appropriation:** None.

**Fiscal Note:** Available.

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