

HOUSE BILL REPORT

HB 2388

As Reported By House Committee On:
Commerce & Labor

Title: An act relating to penalties for multiple failures by a contractor or subcontractor to pay the prevailing rate of wage.

Brief Description: Providing penalties for multiple failures by a contractor or subcontractor to pay the prevailing rate of wage.

Sponsors: Representatives Conway, Heavey, H. Myers, Campbell, King and Anderson; by request of Department of Labor & Industries.

Brief History:

Reported by House Committee on:
Commerce & Labor, February 1, 1994, 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: Jim Kelley (786-7166).

Background: Contractors on public works contracts must pay prevailing wages to their employees. Any interested party may bring a complaint to the director of Labor and Industries who will investigate the complaint to determine whether prevailing wages have been paid. If the director determines that a violation may have occurred, a hearing will be conducted.

If prevailing wages have not been paid, the public agency which awarded the contract must withhold the amount of the unpaid wages from the retainage or any contract progress payments allocable to the contractor, and the director may proceed against the contractor's bonds. In addition, the director may assess a civil penalty of \$1,000, or 29 percent of the total prevailing wage violation, whichever is

greater. The civil penalty does not apply to inadvertent filing or reporting errors.

Penalties for violations of the requirement to file certain records regarding prevailing wage payments include a prohibition from bidding on public works projects for one year, when two violations of the filing requirements are found within a five-year period. That penalty does not extend to violations of the requirement to pay prevailing wages.

Summary of Substitute Bill: If a contractor or subcontractor is found to have participated in violating the requirement to pay prevailing wages for a second time within a five-year period, the contractor or subcontractor is subject to the statutory civil penalties and shall not be allowed to bid on any public works contract for two years. This sanction also applies when one of the violations was a violation of the requirement to pay the prevailing wage under federal or other state law. The bidding sanction does not apply to a contractor who failed to pay the prevailing wage because he or she relied on incorrect written information from the department.

Substitute Bill Compared to Original Bill: The proposed substitute bill makes the following changes to the original bill:

- 1) The sanction barring bidding on public works contracts is applied to contractors who "participated in violating" the requirement to pay the prevailing wage twice within five years rather than applying to those contractors who "violated" the requirement;
- 2) It is made clear that the bidding sanction does not apply to inadvertent filing or reporting errors;
- 3) New language is added providing that violations of the requirement to pay the prevailing wage under federal or other state law are counted toward the bidding sanction; and
- 4) New language is added providing that the bidding sanction should not be imposed on a contractor who failed to pay the prevailing wage because he or she relied on incorrect written information from the department.

Fiscal Note: Available.

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

Testimony For: (Original bill) Currently penalties for failure to pay the minimum wage are limited to recovery of the unpaid wages and a 20 percent monetary penalty. This penalty is not enough. If contractors are prohibited from bidding, it will serve as a strong deterrent.

Testimony Against: (Original bill) Contractors are not opposed to punishing intentional prevailing wage violations. However, clarifications are needed in this bill to ensure that paperwork violations do not result in a bidding sanction. Also, it is important that contractors not be penalized for relying on incorrect information from the department.

Witnesses: (In favor) Joe Brewer and Greg Mowat, Department of Labor and Industries; Allan Darr, Operating Engineers; (opposed to original bill) Rick Slunaker, Association of General Contractors; and Cliff Webster, Association of Builders and Contractors.