

# HOUSE BILL ANALYSIS

## HB 2599

**Brief Description:** Regulating the licensing of residential contractors.

---

**Sponsors:** Ogden and Carlson

Hearing: January 26, 1998

### **BACKGROUND:**

The Department of Labor and Industries administers and enforces the contractor registration statute. Under the statute, general and speciality contractors are required to register with the Department. A person wishing to do construction services must meet the requirements established by the statute relating to registration, bonding and insurance, and notification to customers. Penalties for violating the statute are established.

A contractor includes any person who is covered by the definition in the statute, whether registered or not. A residential contractor is not defined.

**Application for registration as a contractor:** An applicant must submit certain documents, including his or her social security number, identification numbers for various taxes, and information on the type of contracting activity. Registration is valid for one year and must be renewed on or before its expiration date.

**Bond:** With each application for registration or renewal of registration, a bond of \$6,000 for general contractors, and \$4,000 for speciality contractors is required. The surety on a bond is not liable in an aggregate amount beyond the amount named in the bond nor for any monetary penalties assessed for an infraction. The surety's liability does not cumulate where the bond has been renewed or extended. The bond is continuous, and may be canceled by the surety on written notice to the director. The department may suspend a registration after notice, if a final judgment impairs the bond or the bond is canceled, or the contractor's insurance is canceled.

**Notice:** A contractor who repairs, alters, or constructs up to four residential units totaling \$1,000 or more is required to supply the customer with a disclosure statement. The statement alerts the customer to possible negligent construction, breach of contract, and lien claims

against the customer's property. The contractor may not bring or maintain an action for collection of amounts due if he or she did not provide a disclosure notice to the customer.

## **SUMMARY OF BILL:**

**Residential contractors license:** Engaging in the business of a residential construction contractor without a residential contractor license is unlawful. The license is valid for two years. A person wishing to do residential construction services must meet the requirements relating to registration, bonding and insurance, and notification to customers in the contractor registration statute.

**Bond:** The volume of work of a residential construction contractor determines the bond amount. When the volume of work is: (1) \$10 Million and more, the bond is \$100,00; (2) more than \$5 Million and less than \$10 Million, the bond is \$75,000; (3) more than \$1 Million and less than \$5 Million, the bond is \$50,000; (4) more than \$500,00 and less than \$1 Million, the bond is \$25,000; and (5) less than \$500,00, the bond is \$15,000. Applicants for registration must also meet the bonding and insurance or financial responsibility requirements of the contractor registration statute.

**Residential Construction Contractors Board:** Creates a nine-member, residential construction contractors Board. The Board's members are appointed by the Governor, with the advice of the Director of Labor and Industries for 4-year staggered terms. The Board is composed of: (1) Three registered contractors who primarily work on residential structures, (2) One registered contractor who primarily works in the residential remodeling business, (3) Two public members, (4) Two representatives of governing bodies of local government, one of whom must represent a county, and (5) One registered contractor who primarily works on nonresidential structures.

The Board is responsible for establishing a residential contractor license program, and administering a written examination for initial and renewal applications for residential contractor licenses. Before a license is renewed, the Board requires an applicant to complete a maximum of 12 hours of education relating to business practices and laws that affect residential contractors.

**Residential contractor's license account:** Establishes a residential contractor's license account. All receipts from application and license fees fund the account. Monies from the account may only be used for administering the residential contractor licensing program

**Residential contractors' recovery fund:** Establishes a residential contractors' recovery fund.

An applicant for a residential contractor license, or renewal of a license must pay \$6,000 into the fund. The fund is used to award persons up to a maximum of twenty thousand dollars for injuries sustained by acts of a licensed residential contractor. The award is limited to actual damages. No attorney's fees or costs are allowed, unless the matter is appealed. A person may not recover damages from the fund for injuries caused by a residential contractor who was not licensed at the time he or she made a contract with the residential contractor.

**Notice:** Any job over \$1,000 requires the residential contractor to give a disclosure notice to the customer. A residential contractor may not bring a lien claim if he or she did not supply the notice to the customer. Failure of a residential contractor to give the customer the notice is an infraction. Speciality contractors must also give the customer the disclosure notice.

**State building code council:** Establishes a training course and examination for local government building inspectors of single and multi-family buildings. After January 1, 2000 all local government inspectors must be certified to inspect single or multi-family buildings.

**RULES AUTHORITY:** The bill does contain provisions addressing the rule-making powers of an agency.

**FISCAL NOTE:** Not requested.

**EFFECTIVE DATE:** Ninety days after adjournment of a session in which bill is passed.