

# SENATE BILL REPORT

## SB 5994

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As Reported By Senate Committee On:  
Commerce & Labor, March 5, 1997

**Title:** An act relating to registration of contractors.

**Brief Description:** Regulating registration of contractors.

**Sponsors:** Senators Schow, Heavey and Horn; by request of Department of Labor & Industries.

**Brief History:**

**Committee Activity:** Commerce & Labor: 3/4/97, 3/5/97 [DPS].

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### SENATE COMMITTEE ON COMMERCE & LABOR

**Majority Report:** That Substitute Senate Bill No. 5994 be substituted therefor, and the substitute bill do pass.

Signed by Senators Schow, Chair; Horn, Vice Chair; Anderson, Franklin, Fraser, Heavey and Newhouse.

**Staff:** Aurora Almeda (786-7488)

**Background:** The Department of Labor and Industries has identified a number of areas in the contractor registration law which require changes to ensure the flow of information is timely and accurate, strengthen the agency's enforcement authority, and improve the administrative efficiency of the system for registration of contractors.

**Summary of Substitute Bill:** A contractor— includes any registered or unregistered person, firm, or corporation.

Notice. A contractor whose registration has been suspended or revoked is prohibited from participating or advertising to do work as a contractor.

The department is required to notify a suspended contractor within 48 hours after suspension by certified and first class mail.

Bonds. A contractor's surety bond is continuous until canceled or a judgment has been filed against the bond. The bond amount for an applicant who is a general contractor is \$6,000, and the bond amount for a specialty contractor is \$4,000. The bond may be canceled by the surety upon written notice to the director of the department. Registration of a contractor is suspended if there is a cancellation or revocation of the bond, or withdrawal of the surety from the bond.

The bond must be conditioned so that the contractor's payment obligations include amounts that may be adjudged against the contractor by reason of breach of contract.

Penalties. A contractor is guilty of a separate misdemeanor for each day worked if the contractor is unregistered, or while his or her registration has been suspended or revoked. The department may deny registration to a contractor if the applicant has either two final noncompliance infractions or one misdemeanor conviction in the past five years.

Authority to Audit. The department is required to establish a two-year audit program for contractors who become registered after they receive an infraction. The department is required to share information related to such contractors with the departments of Revenue and Employment Security.

Technical modifications also are made to update the language of the chapter.

**Substitute Bill Compared to Original Bill:** The requirement that a bond be continuous and on file with the department is clarified, and repetitive language is removed. The provision which entitles a prevailing party in a bond claim to costs, interest, and attorneys fees, is removed. The requirement of payment by parties wishing to contest a notice is removed.

**Appropriation:** None.

**Fiscal Note:** Not requested.

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

**Testimony For:** The Department of Labor and Industries is burdened with the various filing requirements for contractor registration. A continuous bond will expedite the renewal registration process, and help the department provide consumers and contractors with more timely and accurate information.

**Testimony Against:** Requiring a continuous bond is contrary to consumer protection. The bond company is the only party which benefits from the new requirement. Unlike a surety bond, which is the only secure source of default credit for the consumer or subcontractor, performance bonds may provide larger default credit, but are not always available in small-to medium size projects. If a contractor defaults on his or her obligations, a continuous bond would put a cap on the amount of money available to consumers and subcontractors each year.

**Testified:** PRO: Kevin Morris, Department of Labor & Industries; Suzanne Major, Department of Labor & Industries; Dan Sexton, United Association of Plumbers and Pipe fitters; Ray Munson, MCHA; Larry Stevens, CBIC - Contractors Bonding/USA-Subcontractors; Heidi Lundren (w/concerns), 40-Rentals NACM; CON: Lance Colvin, National Association of Credit Management; Pamela Watson, Mathews Lumber; Jerry Klein; Tammy Manz, Washington Cedar and Supply.