

HOUSE BILL REPORT

HB 3349

As Reported by House Committee On:

Commerce & Labor

Appropriations

Title: An act relating to a sunrise review of the need for single-family residential contractor licensing.

Brief Description: Providing a review of the need for residential contractor licensing.

Sponsors: Representatives Ericks, Eddy, Kelley, Conway, Springer and Rolfes.

Brief History:

Committee Activity:

Commerce & Labor: 2/7/08 [DPS];

Appropriations: 2/11/08 [DP2S(w/o sub CL)].

Brief Summary of Second Substitute Bill

- Requires the Department of Licensing to conduct a sunrise review of the need for regulation of contractors involved in the repair, alteration, or construction of single-family homes.

HOUSE COMMITTEE ON COMMERCE & LABOR

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 6 members: Representatives Conway, Chair; Wood, Vice Chair; Condotta, Ranking Minority Member; Chandler, Assistant Ranking Minority Member; Crouse and Moeller.

Minority Report: Do not pass. Signed by 2 members: Representatives Green and Williams.

Staff: Jill Reinmuth (786-7134).

Background:

Contractor Registration

The Contractor Registration Act (Act) requires contractors to register with the Department of Labor and Industries. "Contractor" is defined as including any person who undertakes to

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.

construct, alter, repair, add to, subtract from, improve, develop, move, wreck, or demolish any building or other structure.

An applicant for registration must submit a form that contains certain information, including the applicant's Unified Business Identifier (UBI) number. The applicant must also file a surety bond and furnish proof of liability insurance.

An applicant is not required to have work experience, take classes, pass an examination, or otherwise demonstrate competence in the construction trade or knowledge of the applicable laws to register. (Applicants seeking to register as electrical and plumbing contractors, however, must meet additional requirements.)

Sunrise Review

The Legislature may request the Department of Licensing (DOL) to conduct a sunrise review of proposals for regulation of professions not currently regulated. The sunrise review law states legislative intent that a business profession should be regulated only to protect the public interest. Further, a business profession should be regulated by the state only when:

- unregulated practice can clearly harm or endanger the health, safety, or welfare of the public, and the potential for the harm is easily recognizable and not remote or dependent upon tenuous argument;
- the public needs and can reasonably be expected to benefit from an assurance of initial and continuing professional ability; and
- the public cannot be effectively protected by other means in a more cost-beneficial manner.

Under the sunrise review law, a group proposing to be regulated or any other interested party which proposes that a profession be regulated ("applicant group") must address a list of factors to the extent requested by the Legislature. These factors include a definition of the problem, the efforts made to address the problem, the alternatives considered, the benefit to the public if regulation is granted, and the extent to which regulation might harm the public.

The DOL has adopted a sunrise process, which includes conducting a public hearing on the report submitted by the applicant group. The DOL then reports to the Legislature on the background of the proposal, the DOL's findings, and the DOL's advisory recommendations.

Summary of Substitute Bill:

The Department of Licensing (DOL) is required to conduct a sunrise review of the need for regulation of contractors involved in the repair, alteration, or construction of single-family homes. In conducting the review, the DOL must:

- consult with representatives of and suppliers to residential contractors, consumer protection organizations and consumers, and legal authorities;

- examine regulatory and licensing programs in other states;
- evaluate consumer complaints, including complaints filed with the Department of Labor and Industries and the Office of the Attorney General; and
- conduct one or more public hearings to allow for industry and consumer testimony.

By October 1, 2008, the DOL must submit to appropriate legislative committees its recommendations regarding the need for regulation, and if regulation is recommended, the minimum qualifications that should be required.

Substitute Bill Compared to Original Bill:

The parties with whom the Department of Licensing must consult include consumers and legal authorities. Public hearings are required to allow for industry and consumer testimony. Data used in conducting the sunrise review includes data gathered throughout the research process.

Appropriation: None.

Fiscal Note: Available.

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

Staff Summary of Public Testimony:

(In support) There is support for both the original bill and the proposed substitute bill. There were issues raised last year regarding home warranties and contractor liability. During the interim, we examined the issue, met with stakeholders, and looked for a starting place. There is support from key stakeholders to begin with sunset review. They view this as the first order of business in considering contractor licensing.

We support this legislation. This is an inclusive, appropriate, and measured process. This is a useful, baseline inquiry. The proposed substitute bill, by adding public hearings, adds sunshine to sunrise review. It also makes sense to add legal authorities to the parties with whom the Department of Licensing will consult. We look forward to working on this issue over the interim.

(Neutral) Suggested changes are based on what we have learned while conducting other sunrise reviews.

(Opposed) None.

Persons Testifying: (In support) Representative Ericks, prime sponsor; Representative Eddy; Amy Brackenbury, Building Industry Association of Washington; Bill Stauffacher, Independent Insurance Agents and Brokers of Washington; and Mel Sorensen, Professional Insurance Agents Association of Washington.

(Neutral) Barbara Sandahl, Department of Licensing; and Patrick Woods, Department of Labor and Industries.

Persons Signed In To Testify But Not Testifying: None.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: The second substitute bill be substituted therefor and the second substitute bill do pass and do not pass the substitute bill by Committee on Commerce & Labor. Signed by 32 members: Representatives Sommers, Chair; Dunshee, Vice Chair; Alexander, Ranking Minority Member; Bailey, Assistant Ranking Minority Member; Haler, Assistant Ranking Minority Member; Anderson, Chandler, Cody, Conway, Darneille, Ericks, Fromhold, Grant, Green, Haigh, Hinkle, Hunt, Kagi, Kenney, Kessler, Kretz, Linville, McIntire, Morrell, Pettigrew, Priest, Ross, Schmick, Schual-Berke, Seaquist, Sullivan and Walsh.

Staff: Owen Rowe (786-7391).

Summary of Recommendation of Committee On Appropriations Compared to Recommendation of Committee On Commerce & Labor:

A null and void clause was added, making the bill null and void unless funded in the budget.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Second Substitute Bill: The bill takes effect 90 days after adjournment of session in which bill is passed. However, the bill is null and void unless funded in the budget.

Staff Summary of Public Testimony: None.

Persons Testifying: None.

Persons Signed In To Testify But Not Testifying: None.