

FINAL BILL REPORT

SB 5795

C 155 L 19
Synopsis as Enacted

Brief Description: Increasing contractor bonding requirements.

Sponsors: Senators Zeiger and Saldaña; by request of Department of Labor & Industries.

Senate Committee on Labor & Commerce
House Committee on Labor & Workplace Standards

Background: General and specialty contractors must register with the Department of Labor and Industries (L&I). A general contractor works in more than one building trade or craft upon a single job or project or under a single building permit. A specialty contractor works in one trade or craft. To register as a general or specialty contractor, an applicant must file a bond and proof of insurance and pay a fee with the submission of the application.

The bond amount is \$12,000 for a general contractor and \$6,000 for a specialty contractor. The bond is conditioned upon the contractor paying for the following: persons performing labor for the contractor; persons furnishing material or renting or supplying equipment to the contractor; amounts adjudged against the contractor for breach of contract; and taxes due to the state. A contractor may file an assigned savings account in lieu of a bond.

The director of L&I may require an applicant applying to renew, reinstate, or apply for a new registration to file a bond up to three times the normal amount if the director determines the applicant has had, in the past five years, three final judgments involving a residential single-family dwelling on two or more different structures.

Summary: The director's authority to require a higher bond amount is modified to allow the director to require up to three times the normal bond amount if there has been one judgment against the contractor involving a residential single-family dwelling.

L&I must convene a work group by August 1, 2019, to consider additional safeguards for consumers who engage contractors. Work group participants must include:

- L&I staff;
- large and small contractors that primarily contract with residential homeowners, those that build new and rehabilitate residences, and other interested contractors;
- surety bond companies;
- realtors or their representatives;
- workers and their representatives or both;

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- representatives from the consumer protection division of the Office of the Attorney General;
- consumers and consumer advocates or both; and
- local building officials.

The work group must submit a report with recommendations to L&I and, if applicable, to the appropriate committees of the Legislature by June 30, 2020. The report must address whether:

- bond amounts are sufficient and appropriate to protect consumers, workers, and suppliers, and meet tax obligations;
- additional criteria for contractors would provide a greater level of protection;
- strategies to discourage the transfer of a business to a different entity to evade penalties or judgements should be implemented;
- any other registration requirements or options for consumer recovery should be changed to increase protections for consumers; and
- incentives to adopt industry best practices would increase consumer protection.

Votes on Final Passage:

Senate	48	0
House	96	0

Effective: July 28, 2019