

# HOUSE BILL REPORT

## ESHB 1505

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As Amended by the Senate

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

**Brief Description:** Requiring verification of registration of contractors.

**Sponsors:** By House Committee on Commerce & Labor (originally sponsored by Representatives Heavey, Kremen, King, Lisk, G. Cole, Linville, Springer, Vance and R. Johnson.)

**Brief History:**

Reported by House Committee on:  
Commerce & Labor, March 2, 1993, DPS;  
Passed House, March 9, 1993, 95-0;  
Amended by Senate.

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### 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:** Chris Cordes (786-7117).

**Background:** Persons who engage in the construction business are required to register with the Department of Labor and Industries. Construction contractors are not permitted to advertise, offer to work, submit a bid, or perform work as a contractor unless they are registered.

Construction contractors must include their registration number in certain advertising. Contractors who violate this requirement are subject to a civil penalty of \$5,000. If a violation of the advertising requirements occurs, the department or administrative law judge must hold the person who purchased the advertising responsible for the violation.

When cities and counties issue building permits, the permitting agencies are required to verify that the contractor is registered. The statute does not specify a process for verifying the registration number.

Some persons who engage in construction are not required to be registered. The exemptions include persons performing projects of less than \$500, persons working on their own property or on their own residence -- unless the improvement is made with the intention of selling the improved property, owners of commercial property when the work is performed by the employees of the property owner, and persons licensed under other laws as architects, engineers, electricians, or plumbers, when acting within the scope of the license.

It is a misdemeanor for a contractor who has knowledge of the registration requirements to advertise, offer to do work, submit a bid, or perform work without being registered or with a suspended registration, or to transfer a valid registration to an unregistered contractor. If an unregistered contractor offers to do work, submits a bid, or works as a contractor, it is an infraction subject to civil penalty.

**Summary of Bill:** The Department of Labor and Industries and the Department of Revenue are encouraged to coordinate to identify unregistered contractors.

Contractors are subject to a civil penalty of up to \$5,000 for using a false or expired registration number in purchasing or offering to purchase an advertisement for which a registration number is required.

Persons selling advertisements should not accept an advertisement that is required to include a contractor registration number if the contractor fails to provide the number.

Cities or counties that issue construction building permits and that fail to verify the contractor registration number are subject to a civil penalty of up to \$5,000. The permitting agency is also responsible for printing the contractor registration number on the building permit and for providing the permit applicant with a written notice informing him or her of the potential risk of using an unregistered contractor.

Verification of a registration number means receiving and duplicating a contractor registration card that is current on its face.

If a building permit is obtained by an applicant who falsifies information to obtain an exemption from contractor registration requirements, the permit is forfeited.

The requirement that a contractor know of the registration requirements before he or she may be found guilty of a

misdemeanor for failing to register is changed to delete the "knowledge" requirement. In addition, a provision is added making it a misdemeanor for a contractor to use a false or expired registration number in purchasing or offering to purchase an advertisement for which a registration number is required. The violations under the civil infraction authority of the department are amended to include, as an infraction, advertising by a contractor without being registered or with a suspended registration, or transferring a valid registration to an unregistered contractor or allowing an unregistered contractor to work under another contractor's registration.

**EFFECT OF SENATE AMENDMENT(S):** The Senate amendment adds the following provisions to the bill:

The Department of Labor and Industries is directed to establish a voluntary certificate of competency program for registered contractors by July 1, 1994. Under the program, the department will issue certificates of competency to registered contractors who have paid the required fees and who have either passed an examination or been engaged in a bona fide contracting business with at least two years of experience.

The holder of a certificate of competency is permitted to represent that fact to consumers and to include the information in advertising, business cards, contracts, and signs. Anyone claiming to hold a certificate when a certificate has not been lawfully issued is subject to an infraction and to suspension of his or her registration for up to two years.

An advisory committee of construction contractors is created to assist the department in developing, implementing, and enforcing the program.

**Fiscal Note:** Available.

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

**Testimony For:** The problems associated with unregistered contractors are large. For example, the loss of revenue to the state is estimated at \$200 to \$400 million dollars. The large number of unregistered contractors also creates a competitive disadvantage for the legitimate contractors. Consumers often get less professional work when dealing with unregistered contractors. This bill addresses the need for additional enforcement of the registration requirements. Advertisers are benefiting from the revenues generated by

illegal ads, but are not willing to assist in identifying those contractors who are buying the ads.

**Testimony Against:** This bill requires one industry to regulate another. In trial runs, it was found that verification of the contractor number was very difficult. These requirements may be very burdensome to small family operated newspapers. The advertiser cannot always know when an ad must contain the registration number. Agencies granting building permits try to verify contractor registrations, but if the owner requests the permit, it is difficult to know whether an exemption may apply.

**Witnesses:** (In favor): Bill Huyette, Bob Blayden, Dale Layton, and Dick Ducharme, Building Industry Association of Washington; and Joe Brewer, Department of Labor and Industries. (Opposed): Rowland Thompson, Allied Daily Newspapers; Diana Kramer, Newspaper Publishers Association; Becky Bogard, Washington State Association of Broadcasters; Tom Walker, U.S. West Communications; and Tony Meinhardt, Independent Business Association. (No position indicated): Blair Patrick, Washington Association of Building Officials.

**VOTE ON FINAL PASSAGE:**

Yeas 95; Excused 3

Excused: Representatives Brown, Lisk, Mielke