

**REVENUE:** No revenue impact

**FISCAL:** Fiscal statement issued

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**Action:** Do Pass as Amended and Be Printed Engrossed

**Vote:** 4 - 0 - 1

**Yeas:** George L., Monnes Anderson, Starr, Metsger

**Nays:** 0

**Exc.:** Deckert

**Prepared By:** Janet Adkins, Administrator

**Meeting Dates:** 5/23, 5/30

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**WHAT THE MEASURE DOES:** Requires construction contractors to maintain insurance that provides liability coverage for completed work. Increases level of required contractor bond by \$5,000 applicable to new contractors after January 1, 2008 and to all contractors upon license renewal after January 1, 2009. Requires contractors to offer warranties that can be refused by the purchaser. Allows contractors to withdraw the offer to build if the warranty is refused. Establishes standard notice and contract requirements for contractors. Requires contractors to provide maintenance information to purchasers and to use standard terms. Disallows liens if the contractor fails to provide a written contract. Allows a one-day period for purchasers to cancel contracts. Permits the Construction Contractors Board to require contractor continuing education. Allows the board to investigate applicants for past court judgments, criminal charges, and other administrative orders. Clarifies that a judgment or civil penalty arising from a construction related business activity or workers compensation is a construction debt. Expands the information that must be disclosed to the board when applying for a license including court judgments, criminal charges, and administrative orders. Expands the board's ability to suspend or refuse to issue a license and to issue civil penalties. Expands emergency suspension powers to include unpaid construction debt, court judgments, and other administrative orders. Expands authority of the board to issue cease and desist orders, stop work orders, orders of corrective action, and civil penalties for licensed and unlicensed contractors.

**EFFECT OF COMMITTEE AMENDMENT:** Adds all provisions except requirement for liability coverage for completed work, which was the provision in the original measure.

**BACKGROUND:** The 2005 Legislative Assembly created the Construction Claims Task Force to address increasing construction claims and rising contractor liability insurance premiums. The provisions in House Bill 2654-B arose out of some of the recommendations of the task force.

**Completed Operations:** Current law requires that construction contractors maintain liability insurance coverage for personal injury and property damage while work is being performed. House Bill 2654-B requires contractors to maintain liability insurance for completed operations in the same amounts as those required by current law for personal injury and property damage.

**Enforcement:** The Construction Contractors Board has had problems getting information needed to ensure contractor reliability, and consumers may lack information needed to determine whether a contractor has a criminal history, unpaid judgments or administrative orders.

**Consumer Notice, Contracts, Warranties:** More emphasis on consumer education/support, and fair and adequate contracts were strongly recommended by the task force as means to prevent problems and future claims.

**Bond levels:** Surety bond requirements for contractors were set in 1999 at \$15,000 for general contractors and licensed developers, \$10,000 for specialty contractors, and \$5,000 for contractors who perform less than \$40,000 in gross annual volume and who do not enter into contracts above \$5,000. Each of these amounts is raised by \$5,000 in House Bill 2654-B.

6/7/2007 9:02:00 AM

*This summary has not been adopted or officially endorsed by action of the committee.*

Committee Services Form – 2007 Regular Session