

Senate Bill 90

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SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure **as introduced**.

Increases bond amount required of persons applying for issuance or renewal of contractor license.

A BILL FOR AN ACT

1
2 Relating to construction contractor bonds; creating new provisions; and amending ORS 701.085.

3 **Be It Enacted by the People of the State of Oregon:**

4 **SECTION 1.** ORS 701.085 is amended to read:

5 701.085. (1) An applicant for issuance or renewal of a contractor license shall file with the
6 Construction Contractors Board a surety bond with one or more corporate sureties authorized to
7 do business in this state in the amount set forth in subsections (2) to (5) of this section. The surety
8 bond must provide that the applicant, with regard to work subject to this chapter, will pay claims
9 ordered paid by the board under ORS 701.145 or 701.146. Bonds filed under this subsection shall
10 remain in effect for at least one year or until depleted by claims paid under ORS 701.150, unless the
11 surety sooner cancels the bond. At the discretion of the surety the bond may be continued for an
12 additional period by continuation certificate. Except as provided in subsection (6) of this section, the
13 aggregate liability of the surety under the bond for claims against the bond may not exceed the
14 penal sum of the bond no matter how many years the bond is in force. Except as provided in sub-
15 section (6) of this section, an extension by continuation certificate, reinstatement, reissue or renewal
16 of the bond may not increase the liability of the surety.

17 (2) A general contractor or licensed developer shall obtain a surety bond in the amount of
18 [*\$15,000*] **\$20,000**.

19 (3) A specialty contractor shall obtain a surety bond in the amount of [*\$10,000*] **\$15,000**.

20 (4) An inspector shall obtain a surety bond in the amount of [*\$10,000*] **\$15,000**.

21 (5) The board may reduce the amount of the surety bond required by this section to [*\$5,000*]
22 **\$10,000** for a contractor upon a showing that the contractor does not perform work as a contractor
23 exceeding \$40,000 in gross annual volume and does not enter into contracts that exceed \$5,000. The
24 board shall designate the contractor as a limited contractor.

25 (6) The board, by rule, may require a licensee to obtain a new surety bond if, pursuant to a
26 board order for payment of a claim described in ORS 701.140, the surety pays a claim out of the
27 bond of the licensee. The new surety bond must be in the amount set forth in subsections (2) to (5)
28 of this section unless a higher amount is required by a board condition or rule described in sub-
29 section (7) or (8) of this section. The board may allow a licensee to obtain, instead of a new bond,
30 a certification that the surety remains liable for the full penal sum of the bond, notwithstanding

NOTE: Matter in **boldfaced** type in an amended section is new; matter [*italic and bracketed*] is existing law to be omitted. New sections are in **boldfaced** type.

1 payment by the surety on the claim.

2 (7) If the amount the licensee must pay against the bond under this section exceeds the amount
3 of the bond, the board shall suspend the contractor's license until the amount owed is paid. The
4 board, as a condition of ending the suspension, may require a contractor requesting reinstatement
5 of a license to file a bond of an amount up to five times as much as the amount required ordinarily
6 of a licensee under this section.

7 (8) The board by rule may establish conditions for applicants or persons licensed under this
8 chapter under which the applicant or licensee must file a bond of an amount up to five times as
9 much as the amount required ordinarily of an applicant or licensee under this section. The board
10 may reduce the amount of bond it would otherwise require if the contractor demonstrates satisfac-
11 tory completion of approved elective classes on dispute resolution and prevention, basic accounting
12 and record keeping or such other classes as the board may prescribe.

13 (9) The bond required under this section is for the exclusive purpose of payment of final orders
14 and arbitration awards of the board in accordance with this chapter.

15 (10) Upon determination under ORS 701.145 or 701.146 of a claim against a contractor who holds
16 a bond required under this section, the board shall notify the surety on the bond of the final order
17 in a manner determined by the board by rule. The notification shall include a list of all claims upon
18 which a final order has been issued.

19 (11) A suit or action may not be commenced against a surety on a bond required under this
20 section until 30 days after the date that the surety is notified by the board under ORS 701.150 that
21 payment is due on the claim.

22 (12) In any action against a surety on a bond under this section that is based on the failure of
23 the surety to pay a claim or on the denial of a claim by the surety, the court may award:

24 (a) Costs;

25 (b) Reasonable attorney fees to the prevailing party as part of the costs; and

26 (c) Twice the amount of any damages that the board ordered the surety to pay on the claim, if
27 the surety arbitrarily and capriciously refused to pay upon order of the board.

28 **SECTION 2. The amendments to ORS 701.085 by section 1 of this 2007 Act apply to per-**
29 **sons whose properly completed applications for contractor license issuance or renewal are**
30 **received by the Construction Contractors Board on or after the effective date of this 2007**
31 **Act.**

32