



Oregon

Kate Brown, Governor

Department of Transportation

Director's Office

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DATE: February 10, 2020

TO: House Committee on Business and Labor

FROM: Lindsay Baker, Assistant Director
Oregon Department of Transportation

SUBJECT: HB 4058 (-5) – Surety Bonds and Irrevocable Letters of Credit for mechanics

INTRODUCTION

House Bill 4058 (-5) allows individuals making, altering, transporting, storing, performing services, supplying materials, or performing labor in connection with a motor vehicle to maintain a bond or irrevocable letter of credit of at least \$20,000. The measure directs transmission of proof of the bond or letter to the Oregon Department of Transportation (ODOT) and designates ODOT steward of the record.

DISCUSSION

House Bill 4058 (-5) requires certain entities to maintain a bond or irrevocable letter of credit of at least \$20,000, beginning January 1, 2021, if the entity intends to utilize a mechanic's lien. The bill requires the insured entity to file bonds or letters of credit with ODOT on a form developed by the Attorney General, and to notify ODOT when a bond or letter of credit has been cancelled. Further, the bill requires insured entities to annually certify in writing to ODOT that the bond or letter of credit remains in effect. The bill authorizes ODOT to adopt rules necessary to carry out these functions.

ODOT understands the intent of the bill is to designate a government entity to function as steward of records of bonds and letters of credit for mechanic businesses. This measure does not create a regulatory framework or provide any level of regulation, oversight, or management of this industry; if HB 4058 (-5) passes this industry will continue to function largely unregulated. This measure does not establish or direct any regulatory actions, including but not limited to document authenticity verification, inspection of records or participating entities, or auditing functions related to industry compliance. ODOT will not determine whether an individual has claim to a bond or letter of credit, nor does the bill provide ODOT the authority to permit recovery against a bond or irrevocable letter of credit.

ODOT will undertake any necessary rulemaking for this bill's implementation, and will begin accepting these documents January 1, 2021.

SUMMARY

HB 4058 (-5) allows certain entities to maintain a bond or irrevocable letter of credit beginning January 1, 2021; the measure directs these entities to file this paperwork with ODOT. ODOT maintains a minimal role in this process and will act solely as a steward of these records.