

HOUSE COMMITTEE ON BUSINESS AND CONSUMER AFFAIRS

January 25, 1999 Hearing Room E

8:30 a.m. Tapes 10 - 13

MEMBERS PRESENT: Rep. Roger Beyer, Chair

Rep. Dan Gardner, Vice-Chair

Rep. Tim Knopp, Vice-Chair

Rep. Jason Atkinson

Rep. Bill Morrisette

Rep. Terry Thompson

Rep. Jackie Winters

MEMBER EXCUSED:

STAFF PRESENT: Keith Putman, Administrator

Frances Thomas, Administrative Support

MEASURE/ISSUES HEARD: Public Hearing HB 2054, 2055, and 2056

These minutes are in compliance with Senate and House Rules. Only text enclosed in quotation marks reports a speaker's exact words. For complete contents, please refer to the tapes.

TAPE/#	Speaker	Comments
TAPE 10, A		
<u>PUBLIC HEARING HB 2054</u>		
004	Chair Beyer	Opens meeting and Public Hearing HB 2054. Asks staff for summary.

007	Keith Putman	Explains HB 2054 allows Construction Contractors Board (CCB) to register contractors' professional credentials.
020	Ken Keudell	Administrator, CCB. Gives overview of CCB, workload statistics and activities. (EXHIBIT A)
067	Keudell	Outlines education, registration, registration enforcement, certification, and financing.
089	Keudell	Describes clientele.
092	Keudell	Relates development of legislative concepts relating to all five bills.
125	Keudell	Reviews statistics concerning bonding levels. States HB 2056 increases these levels.
128	Keudell	Explains HB 2057 revokes the registration of contractors who have excessive claims.
132	Keudell	States that most problems in the industry have to do with contractors' poor business skills and lack of knowledge of building codes rather than construction ability. Explains HB 2055 addresses these issues.
144	Keudell	Stresses that CCB's greatest concerns are with timeliness of processing claims. Notes that great strides have been made.
175	Keudell	States assumptions regarding HB 2054; relates examples. Proposes voluntary contractor certification as a way to gather credentials.
215	Rep. Thompson	Asks what the cost for individual contractors per year will be.
220	Keudell	Answers \$25 per year will be the only fee.
225	Rep. Morrisette	Asks who will teach the certification classes.
227	Keudell	Replies that groups within the industry that want a credential available (i.e. roofers wanting a roofing credential) will create and implement programs. States that CCB will overview and approve programs and their credentials.
240	Rep. Winters	Asks Keudell to elaborate on ethics.
244	Keudell	Answers that CCB is looking for indications of ethical behavior and contractors must have good ethics to maintain credentials.

252	Rep. Winters	Asks how "having good ethics" will be determined.
254	Keudell	Replies that it will be up to those organizing credential programs. States that removal of credentials would be the responsibility of organizations that want their credentials recognized.
275	Rep. Morrisette	Asks if State certification for asbestos removal is similar to what CCB proposes. Asks what qualifications are necessary for a contractor to be certified to remove asbestos.
282	Keudell	Explains contractors must meet federal requirements to remove hazardous materials, so it is a separate issue. Reiterates that credentials are not required by law, but are voluntary programs.
303	Rep. Winters	Seeks clarification concerning who is currently responsible for these activities and the need for additional staff.
315	Keudell	Explains additional staff is necessary, but that extra management is not.
320	Rep. Winters	Asks how much revenue would be generated per biennium.
328	Keudell	Answers \$210,000 per biennium. Continues explaining why additional staff is necessary.
350	V-Chair Gardener	Asks about cost to modify phone and web systems.
354	Keudell	Explains interactive voice response telephone system and needed changes.
387	Bonnie Sullivan	Independent Contractors of Oregon. Opposes HB 2054. Asks how credentials affect ability (EXHIBIT B) .
Tape 11, A		
003	Diana Madarieta	Oregon Remodelers Association (ORA). Describes the association and its goals. Introduces Linda Schoffman (EXHIBIT C) .
020	Linda Schoffman	Executive Director, ORA. Supports HB 2054. States the bill will benefit both consumers and contractors. Explains certification program currently offered by ORA.
039	Chair Beyer	Asks if ORA has a list of people that are certified. Asks what added benefit would be derived from the state keeping a list.

042	Shoffman	States that it would be an easier reference point for consumers that are not familiar with the trade associations.
060	Mary Mann	President, Independent Contractors of Oregon (ICO). Opposes HB 2054. States the bill is outside the CCB's role. Questions how credentials benefits consumers or improves contractors. (EXHIBIT D)
103	Rep. Morrisette	Asks if there is a correlation between customer complaints and certification.
106	Mann	Answers that it is not something she is currently aware of.
109	Rep. Thompson	Asks who will make assessment of who is certified.
113	Mann	Answers that no body is specified; it opens a new area of exploitation.
124	V-Chair Gardner	(In Chair Beyer's absence.) Asks for additional testimony.
130	Steven Kafoury	ORA. States HB 2054 allows only those who go through reputable professional associations to register as certified. States the bill makes it easier for consumers to get existing information.
141	V-Chair Gardner	Closes hearing on HB 2054
<u>PUBLIC HEARING HB 2055</u>		
142	V-Chair Gardner	Opens hearing on HB 2055 at 9:11 a.m.
153	Keudell	Supports HB 2055. Explains it is a Mandatory Continuing Education bill. Reports most claims are a result of contractors not knowing or understanding codes. Proposes to amend the bill to a maximum of 10 hours of education not a minimum of 10 hours.
203	Rep. Winters	Asks if codes vary from county to county.
208	Keudell	Replies that Oregon has a standard uniform building code.
213	Rep. Winters	Discusses uniform code throughout Oregon versus county to county interpretation of codes.
220	Keudell	Elaborates that differences between interpretations are minor rather than substantive.

235	Rep. Morrisette	Asks for clarification about sections 1-5.
242	Keudell	Explains the number of hours should be the maximum. Reiterates the language of the bill needs to be changed.
250	Rep. Winters	Asks who will conduct the training.
255	Keudell	Explains that the board will not do the training, but will approve the outline and content of courses. States that trade associations and other groups in the industry will conduct the training.
272	Vice- Chair Knopp	Asks about number of claims registered with CCB.
275	Keudell	Presents relevant statistics regarding claims.
290	Vice- Chair Knopp	Asks about current education levels and requirements
310	Keudell	Explains current regulations, which require a one time 16 hour training course. Stresses the current requirement is inadequate and continuing education is needed to reduce claims.
329	Rep. Morrisette	Asks if there is a correlation between education and claims.
343	Keudell	States that those who stay in business long enough will have claims filed against them. Comments most go out of business in first three years, so they won't be affected by HB 2055.
368	Chair Beyer	Asks if general business practices are within CCB's scope.
371	Keudell	Answers that most complaints are related to contractors who do not know how to run a business, so helping with general business practices helps both consumers and contractors.
391	Chair Beyer	Asks if building inspectors address some of these concerns.
419	Keudell	Replies, in most cases, they do not.
425	Chair Beyer	Asks if CCB reviews cases involving developers.
Tape 10, B		
005	Keudell	Explains both developers and contractors have to register and are subject to

		CCB. Discusses who can file claims.
020	Rep. Morrisette	Asks if HB 2055 is consumer or business protection legislation.
030	Keudell	States the bill helps consumers find a reputable contractor and handle contracts while protecting contractors by reducing disputes.
045	Rep. Winters	Asks if contractors' associations provide training on rules and regulations, business practices and technical training; if so, why does CCB need to do as well.
060	Keudell	Acknowledges that such associations exist and provide these services, but to only 10% - 15% of contractors. States the need to make it easy for those already getting this education to comply, yet reach those who need additional education.
075	Rep. Morrisette	Asks how CCB tracks unregistered contractors.
080	Keudell	Replies it depends on how they operate and advertise.
090	Rep. Morrisette	Asks if HB 2055 would make it easier for people to identify and track unregistered contractors.
093	Keudell	Specifies how specific items in the bill will improve these issues.
112	Keudell	States consumer protection without placing an undue burden on contractors is the primary function of CCB
125	Rep. Winters	Asks if it is possible to incorporate some of the new requirements within the existing initial 16 hours of education needed to register.
Tape 11, B		
005	Rep. Winters	Suggests that front loading education would be more effective in preventing consumer complaints as regards technical codes.
011	Keudell	Stresses that these issues are part of the 16 hours of initial training, but they change over time and contractors need to keep up to date.
025	Rep. Winters	Comments that business owners have a responsibility to keep current.
027	Keudell	Agrees, but adds that some contractors do not.

037	Vice-Chair Knopp	Asks if HB 2055 is for those causing problems or if it makes everyone take 10 hours of continuing education.
048	Keudell	States if CCB could identify the contractors who cause problems, they would do so and work with them
063	Vice-Chair Knopp	Suggests HB 2055 is a penalty, time required to spend in education is a penalty. Asks if it is possible to tie education to those with claims.
076	Keudell	Refers to HB 2057 regarding multiple claims.
090	Shawn Miller	Associated Builders and Contractors. Opposes HB 2055. Questions if CCB should have more duties. States markets encourage continued education (EXHIBIT E) .
120	Chuck Crouser	Contractor, Newtech Electric. Opposes HB 2055. Suggests that continuing education would not be timely or effective.
141	Don Miner	Oregon Manufactured Housing Association. Opposes HB 2055. Supports training. Explains education requirements to acquire license to install manufactured homes. Notes that the association has also set up an education foundation. Asks for their members to be exempted if HB 2055 passes.
176	Joe Brewer	Administrator, Building Codes Division. Testifies without position on HB 2055. Informs committee of existing continuing education requirements for certain workers in the field.
185	Chair Beyer	Asks about education requirements for contractors.
190	Brewer	Discusses various education requirements.
191	Burton Weast	Oregon Association of Plumbing Heating and Cooling Contractors. Supports HB 2055 and continuing education for plumbers.
245	Weast	Opposes exclusionary licensing, which means there must be efforts to ensure quality of contractors and those in the industry.
281	Scott Barrie	Oregon Building Association (OBA). Opposes HB 2055.
293	Dan Doran	Vice-President & Secretary OBA. Opposes HB 2055. Questions need for legislation and continuing education.
345	Doran	Comments that classes exist to teach how to find codes in manual.

381	Doran	Suggests consumer education may be a greater need.
400	Barrie	Cites claims statistics. States that consumers are not being harmed.
434	Schoffman	Expresses concern about HB 2055; does not support the bill (EXHIBIT F).
451	V-Chair Gardener	Closes hearing on HB 2055 at 10:15 a.m.
<u>PUBLIC HEARING HB 2056</u>		
Tape 12, A		
009	V-Chair Gardener	Opens hearing on HB 2056.
012	Keudell	Explains assumptions and proposals in HB 2056. <ul style="list-style-type: none"> • Create new category of registration: Consultant • Increase bond for most contractors • Increase insurance levels
050	Keudell	Explains the new bond level will be based on size of contract not gross volume of work. Reviews details of HB 2056. (EXHIBIT A, p. 9)
077	Rep. Thompson	Asks what insurance premiums cost.
080	Keudell	Indicates the premium is based on the volume of work being done.
093	Keudell	States price of insurance is not usually influenced by level of insurance. Cites page 12 of EXHIBIT A (Homeowner Claims Statistics) to show HB 2056 would cover an additional \$.75 million of claims shortfall.
147	Chair Beyer	Clarifies the sum of money would be paid to homeowners. Asks about non-owner claims.
150	Keudell	Explains HB 2056 would not effect non-owner claims, the issue is if bonds are sufficient to cover homeowner claims.
158	ViceñChair Knopp	Asks how many first time claims and problem contractors are involved.
165	Keudell	Shows that 2/3 claims are owner claims with a shortfall greater than \$10,000 involving a small number of contractors. Adds that these contractors are not currently in business.

183	Rep. Thompson	Asks for cost of total premiums.
190	Keudell	Answers the cost is about \$2.5 million.
202	Rep. Morrisette	Asks if there is a more focused way to address the problem.
216	Keudell	Explains how CCB is proposing to work with problem contractors, but that the proposed legislation is preventative.
245	Keudell	Notes numbers on costs: <ul style="list-style-type: none"> • Bonds: an additional \$140/year per contractor on • Insurance: an additional \$90/year per contractor • \$2.5 million/year in total extra cost
285	Rep. Thompson	Asks if cost for insurance would change contingent on stock market performance.
287	Keudell	Defers to other witnesses to answer.
293	Chair Beyer	Asks for clarification between insurance and bond required by contractors and why both are needed.
303	John Powell	Contractors Bonding and Insurance Co. States surety for a bond is different than insurance, involving different risks. Explains insurance provides general liability coverage and bonds are specific in liability.
328	Putman	Gives analogy to clarify differences between insurance and bond.
348	Powell	Agrees with analogy. Discussion continues regarding differences.
375	Powell	Addresses increasing costs of insurance and bonding. Explains how insurance is priced. Notes the proposed increase will cost little.
404	Powell	Discusses price levels for bonds. Comments there is a substantial increase for doubling bond levels.
Tape 13, A		
001	Powell	Explains types of bonds, costs and claims.
040	Chair Beyer	Asks how many people would not qualify for the new bonds levels.

042	Powell	Replies that many people would need to work with bonding companies to get the bonds. Explains size of company determines size of bond they can get.
072	Powell	Discusses bonding levels and effects of increases.
092	Chair Beyer	Excuses anyone who needs to leave.
097	Rep. Morrisette	Asks when bond levels last changed.
099	Powell	Answers 1989. Adds that an increase in bond is justified, but questions what the appropriate level would be.
114	Barrie	OBA. Agrees that an increase in bond levels is reasonable. Questions size of the increase. Expresses concern for the people the increase will exclude from the industry.
130	Ron Butcher	Insurance Agent, Contractors Insurance Services. Opposes HB 2056 because of the size of increase. Explains the increase would eliminate 1/3 of contractors now in business.
152	Schoffman	ORA. Opposes HB 2056. Discusses effect of increases in bond levels.
176	Mann	ICO. Opposes HB 2056. Questions if increased bonds will have any positive effect. Discusses effect on Oregon's economy. (EXHIBIT D)
227	Chair Beyer	Adjourns meeting at 11:00 a.m.

Transcribed By, Reviewed By,

KEVIN E. WELLS, KEITH PUTMAN,

Administrative Support Administrator

EXHIBIT SUMMARY

A ñ HB 2054, HB 2055, HB 2056, HB 2057, & HB 2058 Written testimony, Ken Keudell, 28 pp.

B ñ HB 2054 & HB 2058, Written testimony, Bonnie Sullivan, 3 pp.

C ñ Booklet, Linda Schoffman, 12 pp.

D ñ HB 2054, HB 2055, HB 2056, HB 2057 & HB 2058, Written testimony, Mary Mann, 3 pp.

E ñ HB 2055, Written testimony, Shawn Miller, 3 pp.

F ñ HB 2054, HB 2055, HB 2056 & HB 2057, Written testimony, Linda Schoffman, 2 pp.