

HOUSE COMMITTEE ON BUSINESS AND CONSUMER AFFAIRS

February 12, 1999 Hearing Room E

8:30 a.m. Tapes 30 - 31

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: HB 2056 Work Session

HB 2057 Work Session

HB 2058 Work Session

HB 2489 Work Session

HB 2020 Work Session

HB 2490 Work Session

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 30, A		
002	Chair Beyer	Calls the meeting to order at 8:30 a.m.
008	Chair Beyer	States the interested parties have been working together to develop some workable language for amendments to the bills the committee will be considering today.
<u>HB 2056 WORK SESSION</u>		
018	Chair Beyer	Opens a Work Session HB 2056.
019	Keith Putman	Committee Administrator. Explains the proposed amendment for HB 2056 increases the amount of bonding required for larger businesses and lowers the amount of bonding for smaller businesses.
056	Putman	Presents a copy of the hand engrossed version of HB 2056. Explains the dollar amount changes in the amendment. States that when a general contractor enters into contracts for amounts in excess of \$150,000 (changes to \$200,000) they shall obtain a surety bond in the amount of \$40,000 (changes to \$20,000).
071	Rep. Knopp	Inquires how the \$200,000 figure was determined.
074	Scott Barrie	Oregon Building Association. States the amount was a negotiated figure.
075	Rep. Knopp	Asks if anyone objected to \$25,000 or \$300,000.
077	Ken Keudell	Construction Contractors Board (CCB). Explains that a significant number of homes built today cost more than \$200,000. States most new construction and remodel jobs would be required to obtain the larger bond.
084	Rep. Knopp	Inquires of any correlation between the price of the home being built and the default on bond amounts. Asks is it the builder at the low end of the price scale causing concern or the builder at the high end of the scale.
089	Barrie	Understands the increase from \$5,000 to \$10,000 in the sub contracting bond would include approximately half of the 161 defaulted bonds and the \$20,000 increase would include 20 to 40 additional. States that about 60 still go over the bond.
100	Keudell	Discusses the total number of bonds defaulted.

114	Rep. Knopp	Inquires how critical is it to stipulate a \$200,000 bond as opposed to a \$250,000 bond. Speculates that the smaller contractor is being escalated into higher category requirements without necessity.
126	Keudell	States approximately 50% of the general contractors will become part of the higher category.
159	John Powell	Informs the committee he represents a contractors bonding and insurance company.
161	Chair Beyer	Ask how or if increasing the bond amount will limit the number of individuals who may want to become contractors.
165	Powell	Explains that because of the dollar threshold in contract terms, it may even make it easier to enter into the contracting business. Illustrates how the newer contractor would probably bid on smaller construction/remodeling jobs and the larger more established contractor would bid on the "over \$200,000" jobs and would presumably have the collateral. Explains with the threshold caveat, the prediction is that less than 10% of the contractors will be reviewed for asset base.
185	Chair Beyer	Asks what the cost difference is between the \$10,000 and \$20,000 bond.
187	Powell	States the cost varies between 1% and 2% of the total value of the bond.
197	Barrie	States he had figures from another insurance company and agrees that is correct.
205	Charles Bronson	General Contractor. Asks if there is a statute or administrative rule that allows a charge of up to 5 times the bond rate to contractors who "behaved badly" to the public. States raising the \$10,000 bond requirements to a \$20,000 will also raise the "bar" for penalty assessments.
215	Keudell	Agrees. Clarifies this allows CCB to put a contractor who has gotten in trouble out of business. States a bonding company will not bond someone for the required amount who is already in difficulty.
230	Rep. Knopp	Suggests raising the \$200,000 project amount to \$250,000. Asks that the committee be provided with material to substantiate the comment that 50% of the contractors will move into a higher bonding category with the passage of the new requirements.
258	Chair Beyer	States that Putman will request Legislative Counsel draft an amendment to HB 2056 to include the agreed issues. Rep. Knopp is invited to submit an amendment with the specific changes he would like to see. Both will be heard when HB 2056 is rescheduled.
282	Chair Beyer	Closes the Work Session on HB 2056.

HB 2057 WORK SESSION

283	Chair Beyer	Opens a Work Session on HB 2057.
299	Putman	States the hand engrossed version of HB 2057 is in the packets. Explains the changes.
337	Chair Beyer	Asks if the interested parties have come to an agreement on the proposed changes for HB 2057.
338	Keudell	Explains that with the added language that CCB is required do some investigation before invoking probation on a contractor and establishing the necessary judgements under "administrative rules."
352	Chair Beyer	Asks about previous discussion of the consumer being financially liable to the subcontractors. Asks if the consumer would pay twice.
363	Keudell	States the only eligible party to file a claim is one with a direct contractual relationship with the contractor. Explains that the subcontractor would have had to have given the consumer a "right to lien" document within an 8-working day period.
425	Keudell	Discusses when the CCB Rules Committee will meet to set new rules. States this particular issue would probably not be considered until fall.
465	Chair Beyer	Continue discussion of new rules.
473	Chair Beyer	Closes the Work Session HB 2057.

HB 2058 WORK SESSION

478	Chair Beyer	Opens a Work Session HB 2058.
483	Putman	Explains a contractor is required to supply potential customers with information to aid in the selection of a general contractor. States that HB 2058 stipulates that notification shall be no larger than 8 1/2 x 11 inches and can be put on the back of the bid form.

TAPE 31, A

027	Chair Beyer	Asks for clarification about the time requirement for notification to the consumer. States that HB 2058 would change when the information is to be given to the consumer. Currently, notification is given at the time the consumer <i>accepts</i> the bid. HB 2058 would change the time to when the consumer is <i>given</i>
-----	-------------	--

		the bid.
033	Barrie	States currently the law stipulates the notification is given at the time of "contract." HB 2058 would change the wording to "at the time of the bid." Explains this gives the consumer time to utilize the information prior to signing a contract.
034	Putman	Comments about a change in HB 2058. This change is not in the distributed material, but has been agreed upon by the interested parties to remove the words (line 25) "of the quality."
052	Chair Beyer	Closes the Work Session on HB 2058.
<u>HB 2489 WORK SESSION</u>		
053	Chair Beyer	Opens a Work Session on HB 2489.
060	Putman	Explains the amendment to HB 2489 allows private educators to conduct training, and gives the CCB the authority to periodically review their qualifications and make that information available to interested parties.
070	Barrie	States agreement to amendment to HB 2489.
074	Keudell	Agrees.
078	Bonnie Sullivan	Independent Contractors Association. Agrees to the amendment language to HB 2489.
082	Chair Beyer	Closes the Work Session on HB 2489.
<u>HB 2020 WORK SESSION</u>		
084	Chair Beyer	Opens a Work Session on HB 2020.
089	Putman	Explains the proposed amendments to HB 2020. States the amendments include the following changes: <ul style="list-style-type: none"> • Makes the educational requirements the same as the pre-licensure requirements • Intends that any contractor registered by December 31, 1999 would not be required to take the exam unless they become unregistered for more than two years • Changes the dates from January to July • Gives authority to implement these law changes before the effective date.

115	Rep. Gardner	Inquires how the two-year lapse time period was decided.
117	Keudell	States this is the time period used other instances. Currently by administrative rule, CCB requires a contractor whose registration has lapsed for more than two years has to meet educational requirements again.
126	Chair Beyer	States that two years is an extended length of time.
133	Keudell	States the CCB would consider anything over one year. Explains that less than one year would require a change in statute.
147	Bronson	States that leaving the state to work for extended periods of time is reason for maintaining the two-year time provision.
170	Rep. Gardner	Discusses registration license fee.
176	Keudell	Responds the renewal license is \$80 per year and the bond could be reduced. The liability insurance could be minimal, if not operating in the state.
190	Chair Beyer	Continues discussing the time period issue and cost of maintaining registration and bonding in a state where one is not conducting business.
215	Chair Beyer	Reaches an agreement by suggesting some alternate language.
227	Chair Beyer	Closes the Work Session on HB 2020.
<u>HB 2490 WORK SESSION</u>		
248	Chair Beyer	Opens a Work Session on HB 2490.
250	Putman	Explains overview of HB 2490. States HB 2490 includes language provided by an appointed work group relating to claims "recorded" and "reported."
283	Chair Beyer	Calls a five-minute recess.
285	Chair Beyer	Re-convenes the Work Session on HB 2490.
287	Barrie	Speaks for the work group, which is in agreement to use only the word "record."
306	Rep. Atkinson	Ask for clarification of claims process.

314	Keudell	Explains the process of receiving, recording, and reporting claims.
360	Keudell	Continues explanation of processing claims and making that information public.
403	Rep. Knopp	Asks if all inquiries that come to the CCB are investigated.
407	Keudell	States 100% of individual homeowner claims are investigated. Explains the non-homeowner claims are investigated by mail or on-site visit.
422	Sullivan	States the Independent Contractors of Oregon Association is still uncomfortable with the word "claims." Explains the word "complaint" would be preferred until it becomes a judgement.
455	Keudell	Expresses concerns of this suggested word change.
TAPE 30, B		
003	Rep. Winters	Continues discussion of word changes.
004	Keudell	States because of the language in the current statute, it would be CCBis preference to maintain the language.
040	Chair Beyer	Closes the Work Session on HB 2490.
050	Chair Beyer	Discusses upcoming LC amendments.
066	Putman	Discusses agenda items schedule for next week.
078	Chair Beyer	Adjourns the meeting.

Submitted By, Reviewed By,

FRANCES THOMAS, KEITH PUTMAN,

Administrative Support Administrator

-

EXHIBIT SUMMARY

A -