

Underground Economy in the Construction Industry
Items Adopted or Deferred for Long-term Consideration at November 12, 2008 Meeting
(Updated 12/4/2008)

Cross-references: Italicized numbers in the number column are cross-references to the November 19 matrix numbers. Numbers in parentheses under the Priority Item column refer to its item number in the original "Possible Items for study/recommendation in 2008" chart used by the Task Force in previous meetings.

	Priority Item	Action Needed	Labor Comments	Business Comments	Agency Notes	Action Taken on November 12, 2008
Adopted items.						
1 <i>(15)</i>	Employer fraud detection system funding <ul style="list-style-type: none"> Provide funding for employer fraud detection system for L&I based on results of feasibility study. (Part 2, Number 4(b)) 	Budget	Support.		L&I - L&I supports as its highest priority on this list. A budget package has been submitted to OFM and the Governor's Office by the agency.	Adopted.
2 <i>(16)</i>	Unregistered contractor criminal penalty <ul style="list-style-type: none"> Increase unregistered contractor criminal penalty from gross misdemeanor to a class C felony for the 3rd offense. (Part 1, Number 2(a)) 	Legislation	Suggest in report.		L&I - L&I supports. (High priority.) This was modified in 2007 to increase this penalty from a misdemeanor to a gross misdemeanor.	Adopted.

Prepared for: *Joint Legislative Task Force on the Underground Economy in the Construction Industry
December 4, 2008*

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3 (17)	Construction training and outreach team <ul style="list-style-type: none"> Establish a construction training and outreach team. Add two staff to provide direct contractor education/outreach to put on contractor training days, attend home shows, perform outreach to consumers and contractors. This also requires funding for travel, mailings, and materials. Add 2 underwriting staff for education and outreach on workers' compensation requirements and premium responsibilities, including independent contractor issues. They would work with new firms individually, and help establish mass education campaigns. Funding for travel, mailings and materials is also needed. (Part2, Number 3(a)) 	Budget	Addressed with adoption of item number [7 on Items for Possible Consideration].		L&I - L&I supports. (High priority.) A portion of the outreach to home shows and contractor training days was incorporated with the media campaign in 2008 legislation. What remains is the underwriting piece and a new mechanism for engaging with businesses when they first open up.	Adopted.
4 (18)	ESD and L&I priority <ul style="list-style-type: none"> Give the Employment Security Department and the Department of Labor and Industries priority to collect amounts owed from retainage on public works projects. (Part 2, Number 2(d)) 	Legislation	Priority		L&I - L&I supports (medium priority) this concept, as long as this would fall below existing priority groups/categories. ESD - ESD supports this as long as it falls at tier 4 and we are paid pro rata with L&I and DOR.	Adopted.

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5 (19)	Master business application system funding <ul style="list-style-type: none"> Enhance funding for the Master Business Application Systems. (Part 2, Number 4(a)) 	Budget	Support		<p>L&I - L&I supports (medium priority). Again, we defer to ESD for details. We also believe that including information on DSHS New Hire requirements on the Master Business Application would be a positive change that would not require funding.</p> <p>ESD - It may help to talk to DOL about continuing the funding of the MLS project to get more city and county licenses using the MBA program.</p> <p>DOL – DOL recognizes that funding enhancements would be necessary to continue adding cities & agencies to MLS for avoidance of ‘unintentional’ participation in the underground economy. Adding information to the Master Business Application for DSHS requirements would be problematic and may not actually contribute to the solution; it would need to be discussed and approved by the UBI Management Board. DOL does offer information about the DSHS requirement in the online Business Licensing Guide for prospective businesses.</p>	Adopted, but would like DOL response.
6 (20)	Enforcement - local government <ul style="list-style-type: none"> Require local governments to verify compliance with registration and other requirements before issuing a business license. (Part 1, Number 1(a)) Support funding for local governments to implement above requirements. 	Legislation Budget	Pilot Project		<p>L&I - L&I is supportive of the goal, but would require more information. Most local jurisdictions already have processes in place to handle this.</p> <p>ESD - More information needed about potential delays in registration and reporting.</p>	Adopted.

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7 (21)	Registration availability <ul style="list-style-type: none"> Mandate that a general contractor has a list of all sub-contractors and their registrations available, including second or third tier sub-contractors. (Part 2, Number 1(a)) 	Legislation			ESD - Per RCW 50.12.070 employers who hire sub-contractors whose work is subject to chapter 18.27 or 19.28 RCW must keep a record of UBI numbers. It would be beneficial to have a stronger monetary penalty. Existing penalty is limited to \$250.	Adopted.
8 (22)	Contractor registration - identification requirements <ul style="list-style-type: none"> Require a valid photo identification for contractor registration and renewal and make it available for review by consumers to verify the identity of the contractor. (Part 2, Number 2(a)) 	Legislation Budget	Support priority		L&I - L&I believes it has already closed the majority of this loophole. Our new registration form will require either in person i.d. or a notary public certification, which is used on many legal documents. Failure to complete the application will result in denial, and falsification may now be penalized. Additionally, except with very small companies, the actual registered "contractor" is rarely at the jobsite.	Adopted.
9 (23)	Unemployment insurance records penalty <ul style="list-style-type: none"> Provide a stringent penalty for failure to keep Unemployment Insurance records. (Part 2, Number 2(e)) 	Legislation	Priority		ESD - ESD supports this proposal. In conjunction with this, the task force might consider a penalty similar to L&I for failing to turn over records. (RCW 51.48.030).	Adopted.
Deferred for long-term consideration.						
10 (24)	Homeowner penalty <ul style="list-style-type: none"> Create penalties for homeowners who intentionally do not follow the rules. (Part 1, Number 2I) 	Legislation	Not a priority		L&I - L&I does not support.	Defer to the long-term future.
11 (25)	Undocumented cash penalty <ul style="list-style-type: none"> Create penalties for persons who accept undocumented cash payments. (Part 1, Number 2(d)) 	Legislation	Not a priority		L&I - Who is accepting? L&I cannot identify if this would be a workers' comp premium issue or not.	Defer to the long-term future.