

Contractor Compliance Activity

2011 Report to the Legislature

Pursuant to RCW 18.27.342

*“Protecting consumers and battling the
underground economy in construction”*

December 2011



Pursuant to RCW 18.27.342, the Department of Labor and Industries (L&I) submits this annual report on contractor information. The report provides information on the following topics for the previous three fiscal years:

- (1) The number of contractors found to have committed an infraction for failure to register;
- (2) The number of contractors who were assessed a monetary penalty and the amount of the penalties assessed;
- (3) The amount of the penalties that were collected; and
- (4) The amount of the penalties that were waived.

Summary

L&I is committed to helping level the playing field for legitimate contractors by providing timely and customer focused services, such as internet registration, and active enforcement of the law. The department also works actively to inform and educate consumers about their rights and how they can protect themselves from unregistered contractors.

The table below summarizes the information required by RCW 18.27.342:

Construction Contractor Failure to Register	FY 09	FY 10	FY 11
Number found committing an infraction	1,708	1,341*	1,232*
Average number of infractions written per inspector	42.7	39.4	42.7
Monetary penalty assessed	\$2,430,250	\$1,679,000	\$1,516,850
Penalties collected	\$ 289,265	\$ 329,563	\$271,530
Penalties waived**	\$109,500	\$ 129,150	\$142,000

* The number of unregistered contractors found decreased during fiscal year 2010 and 2011 due to general fund budget cuts and decreased staffing available to perform compliance activities.

** The law no longer permits penalties to be waived entirely. This chart represents penalty reductions for contractors that come into compliance within ten days.

Background

L&I is committed to fighting the underground economy to assist legitimate contractors. To that end, L&I is using several strategies:

- Specialty Compliance Services Fraud Team** – The Fraud/Audit/Infraction/Revenue (FAIR) team was comprised of five compliance inspectors and one working supervisor. These inspectors canvassed the state for contractors and plumbers who were ignoring registration and licensing laws or underpaying/underreporting industrial insurance premiums thereby gaining an unfair competitive advantage. Last fiscal year, the FAIR team achieved the following results:

	Goal	Actual
Infractions issued to unregistered contractors	210	241
Contractors referred to the collections program	211	310
Contractors referred to the audit program	544	546

As of July 1, 2011, the FAIR team model has been expanded. See *Restructuring the Construction Compliance Program* (below) for more information.

- ☑ **Outreach to Homeowners & Contractors** – During fiscal year 2011, L&I reached out to more than 26,000 Washington state homeowners and 1,100 contractors to ensure that:

- Consumers are aware of their rights, and
- Contractors know their responsibilities under the law.

These contacts were made by:

- Public and consumer awareness campaigns.
- Attending and participating in 26 home shows and more than a dozen other consumer events.
- Working together with other consumer protection organizations.
- Pitching stories to the media warning consumers about the dangers of using unregistered contractors.
- Paying for media advertisements encouraging consumers to use registered contractors and sending them to the “contractor lookup” feature on the L&I website.

- ☑ **Training Contractors** - L&I continues its partnership with the building industry by presenting Contractor Training events around the state in conjunction with the Employment Security Department, the Department of Revenue, Associated General Contractors, Associated Builders and Contractors, Building Industry Association of Washington, Northwest Independent Contractors Association, and the Better Business Bureau.

L&I offers more than 25 different classes to contractors to assist them in running their business safer, more profitably, and with the consumer in mind. Ninety-nine percent of the attendees rate the contractor training program average or above average.

Outreach Activities

Year	Number of Contractor Training Events	Average Contractor Attendance per Event	Total # of Contractors Trained
2004	3	84	258
2005	7, plus 2 mini trainings	134	Over 950
2006	7	158	Over 1,000
2007	8	157	Over 1,100
2008	8	165	Over 1,320
2009	10	130	Over 1,300
2010	8	142	Over 1,100
2011	9	125	Over 1,100

- ☑ **Technology** – L&I has created an easy way for insurance agents to create, cancel, and reinstate general liability insurance certificates online for contractors registered in Washington state. L&I's new online system allows insurance agents to electronically submit the required proof that a contractor has a general liability insurance certificate, instead of printing and sending the original certificate to the department. The online application is available around the clock, seven days a week, and insurance updates are recorded in real time. The new system has reduced the number of contractors working with suspended registrations due to expired insurance.

- ☑ **Compliance** – L&I inspectors enforce the Contractor Registration statute by:
 - Verifying registrations and certifications on jobsites.
 - Investigating referrals from registered contractors and consumers.
 - Working cooperatively with associations and other government agencies such as building departments, building associations, and consumer advocates.

Restructuring the Construction Compliance Program

On July 1, 2011, L&I reorganized its construction compliance inspectors into three dedicated compliance teams in Northwest, Southwest, and Eastern Washington. The teams are based on the FAIR team model. The inspectors will no longer have competing responsibilities (prior to July 1st, construction compliance inspectors also conducted factory assembled structure inspections) and will be solely focused on combating the underground economy and getting to active construction sites. The 22 construction compliance inspectors will be getting to more jobsites and enforce the contractor registration, industrial insurance, prevailing wage, and apprenticeship laws and rules.

L&I also established a construction Detection and Tracking Unit to perform data mining to better target our compliance efforts in the field. The team will also process referrals, conduct centralized advertising compliance, and process consumer complaints.