

# HOUSE BILL REPORT

## HB 1524

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### As Reported By House Committee On:

Commerce & Labor

**Title:** An act relating to the workers' compensation obligation of employers not domiciled in Washington.

**Brief Description:** Expanding the workers' compensation obligation of out-of-state employers.

**Sponsors:** Representatives Doumit, Pennington, Conway, Clements, Alexander, Cooper, Hatfield, Mielke, Carlson, Poulsen, Mulliken, Scott and Rockefeller.

### Brief History:

#### Committee Activity:

Commerce & Labor: 2/10/99, 2/23/99 [DP].

#### Brief Summary of Bill

- Expands authority under industrial insurance reciprocal agreements to require all out-of-state employers working in Washington to secure workers' compensation coverage in Washington if the employer's state law requires Washington employers to purchase coverage in the other state for that kind of work.

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### HOUSE COMMITTEE ON COMMERCE & LABOR

**Majority Report:** Do pass. Signed by 8 members: Representatives Clements, Republican Co-Chair; Conway, Democratic Co-Chair; B. Chandler, Republican Vice Chair; Wood, Democratic Vice Chair; Hurst; Lisk; McIntire and McMorris.

**Staff:** Chris Cordes (786-7103).

### Background:

The Washington industrial insurance law, with certain exemptions, covers all workers employed in Washington. However, a business from another state, other than a

construction contractor, is subject to penalties for failure to comply with Washington requirements only after one of its workers is injured while working in Washington.

Under legislation enacted in 1998, out-of-state contractors who are employing workers in Washington in work that requires the contractor to be registered or licensed, or prequalified on transportation projects, must provide workers' compensation coverage under Washington law by:

- insuring with the Department of Labor and Industries;
- being self-insured in Washington; or
- filing a certificate of coverage from the other state, if permitted by a reciprocal agreement with the contractor's state.

The industrial insurance law authorizes the Department of Labor and Industries to enter into reciprocal agreements with other states and provinces of Canada. These agreements govern jurisdiction over claims that involve a contract of employment in one jurisdiction and an injury in another. In the 1998 legislation, the department's authority to enter into reciprocal agreements with other states was modified. If the other state's law requires Washington employers to be covered under the other state's workers' compensation law for work that in Washington would require the employer to be a registered contractor or a licensed electrical contractor, or be pre-qualified for transportation projects, then employers domiciled in that other state must purchase coverage in Washington when their workers are engaged in that kind of work in Washington.

The department has reciprocal agreements with Idaho, Montana, North Dakota, Nevada, Oregon, South Dakota, and Wyoming.

The 1998 legislation also required the Workers' Compensation Advisory Committee to review the new law and make recommendations by January 15, 1999. The study group recommended that changes be made in the provisions addressing reciprocal agreements.

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**Summary of Bill:**

The authority of the Department of Labor and Industries to enter into industrial insurance reciprocal agreements with other states and provinces of Canada is modified. Under these agreements, all out-of-state employers, not just contractors, must secure workers' compensation coverage under Washington law while working in Washington if the other state's law requires Washington employers to purchase coverage for that kind of work in the other state.

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**Appropriation:** None.

**Fiscal Note:** Not requested.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Testimony For:** The legislation enacted last year was an attempt to level the playing field for contractors bidding on public works contracts in more than one state. The study group created by that legislation looked at the reciprocity authority and recommended expanding it to assist making competition equal among the states. Anecdotal information suggests that the legislation has begun to help. The study group determined that all employers did not need to be covered by the legislation, except for the reciprocity authority which is now too narrow.

**Testimony Against:** None.

**Testified:** Representative Mark Doumit, prime sponsor; Tom Kwieciak, Building Industry Association of Washington; Douglas Connell, Department of Labor and Industries; and Clif Finch, Association of Washington Business.