

LRB or Bill No./Adm. Rule No.
SB387 / 3761 / 2

Amendment No. if Applicable

FISCAL ESTIMATE
DOA-2048 N(R10/94)

- ORIGINAL UPDATED
 CORRECTED SUPPLEMENTAL

Subject

Contractor Financial Responsibility

Fiscal Effect

State: No State Fiscal Effect

Check columns below only if bill makes a direct appropriation or affects a sum sufficient appropriation.

Increase Costs - May be possible to Absorb Within Agency's Budget Yes No

- Increase Existing Appropriation Increase Existing Revenues
 Decrease Existing Appropriation Decrease Existing Revenues
 Create New Appropriation

Decrease Costs

Local: No local government costs

1. Increase Costs
 Permissive Mandatory
2. Decrease Costs
 Permissive Mandatory

3. Increase Revenues
 Permissive Mandatory
4. Decrease Revenues
 Permissive Mandatory

5. Types of Local Governmental Units Affected:
 Towns Villages Cities
 Counties Others _____
 School Districts WTCS Districts

Fund Sources Affected

- GPR FED PRO PRS SEG SEG-S

Affected Ch. 20 Appropriations
445(i)(j)

Assumptions Used in Arriving at Fiscal Estimate

Printing 25,000 brochures (15,000 active contractors)	\$ 525.00
Mailing of brochures (15,000 x .273) Contractors & Municipalities	4,375.00
Brochure Development	<u>5,100.00</u>
	\$10,000.00.

Permissive costs to local governments reflect additional staff time to consult with contractors and to enforce statutes if contractors do not comply with the law.

Long-Range Fiscal Implications

Reprinting of brochure

Agency/Prepared by: (Name & Phone No.)

Roger Schrader 267-2111

Authorized Signature/Telephone No.

[Signature] 6-6928

Date

11-10-95

FISCAL ESTIMATE WORKSHEET

1995 Session

Detailed Estimate of Annual Fiscal Effect
DOA-2047 (R10/94)

ORIGINAL UPDATED
 CORRECTED SUPPLEMENTAL

LRB or Bill No./Adm. Rule No.
SB387

Amendment No.

Subject
Contractor Financial Responsibility

I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):

Council and staff costs to produce brochure \$10,000

II. Annualized Costs:	Annualized Fiscal impact on State funds from:	
A. State Costs by Category	Increased Costs	Decreased Costs
State Operations - Salaries and Fringes	\$	\$ -
(FTE Position Changes)	(FTE)	(- FTE)
State Operations - Other Costs		-
Local Assistance		-
Aids to Individuals or Organizations		-
TOTAL State Costs by Category	\$ 0	\$ - 0
B. State Costs by Source of Funds	Increased Costs	Decreased Costs
GPR	\$	\$ -
FED		-
PRO/PRS		-
SEG/SEG-S		-
III. State Revenues -	Increased Rev.	Decreased Rev.
Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)		
GPR Taxes	\$	\$ -
GPR Earned		-
FED		-
PRO/PRS		-
SEG/SEG-S		-
TOTAL State Revenues	\$ 0	\$ - 0

NET ANNUALIZED FISCAL IMPACT

	STATE	LOCAL
NET CHANGE IN COSTS	\$ 0	\$ 0
NET CHANGE IN REVENUES	\$ 0	\$ 0

Agency/Prepared by: (Name & Phone No.)

Authorized Signature/Telephone No

Date

Roger Schrader 267-2111

Keith C Wyr 6-6928

11-16-95



WISCONSIN SENATE PRESIDENT
SENATOR BRIAN D. RUDE

MEMO TO: MEMBERS, ASSEMBLY COMMITTEE ON HOUSING
REP. CAROL OWENS - CHAIR

FROM: SENATOR BRIAN RUDE

DATE: APRIL 4, 1996

RE: SB 387

Thank you for the opportunity to appear before you today in support of Senate Bill 387 relating to the financial responsibility of persons who perform on one-family and 2-family dwellings work for which a building permit is required.

This bill came about as the result of legislation which passed last session related to contractor certification. At the time the contractor certification legislation was debated, Senator Gwen Moore raised several objections to the proposal, specifically those related to bonding requirements. Senator Moore felt the bill would adversely affect minority and other small contractors in her district who would have difficulty affording the required bonds as well as other certification requirements such as Workers Compensation and Unemployment Compensation.

At the time the bill was debated, Senator Moore agreed to remove her objections to the bill if they could be addressed at a later date. I made the commitment to Senator Moore to work with her in the future to address her concerns and the bill passed and was eventually signed into law.

The legislation before you extends the applicability of the contractor financial responsibility law to contractors who perform work on one-family or 2-family dwellings with the following provisions:

- 1). the bond level is dropped from \$25,000 to \$5,000;
- 2). current WC and UC requirements are unaffected; and,
- 3). the Department of Industry, Labor and Human Relations is directed to develop a brochure containing information a consumer should know when hiring a contractor.

When the bill had its public hearing in the Senate, several concerns were raised by those in attendance. Senate Amendment #1 was drafted in response and addresses all concerns

which have been shared with my office to date. The amendment contains the following three changes to the bill:

- 1). language suggested by the Wisconsin Builders Association related to the reduction of the current minimum bond amount which states that if a builder chooses a bond of less than \$25,000, he or she agrees not to engage in any construction contract for more than the face value of the bond amount;
- 2). technical language suggested by the Wisconsin Insurance Alliance relating to a concern raised dealing with the wording of 101.654 (2) (a) 1 of the statutes; and,
- 3). a deletion of the requirement that DII.HR prepare and distribute a consumer education brochure. We have received a commitment from Pat Osborne that the department will comply with this intent but they do not want this type of requirement in the statutes.

Attached to this testimony is information from both the Wisconsin Builders Association and the Wisconsin Insurance Alliance related to their two suggestions.

Again, I appreciate the opportunity to appear before you in support of this legislation. Senator Rude asked that I specifically thank Rep. Owens for her timely hearing on this legislation.



Wisconsin Builders Association

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John Lautz
West Salem

President-Elect
Jerry Wuebben
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Brookfield

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Jim Walter
Kenosha

Jack Flannick
Milwaukee

**Executive
Vice-President**
Bill Wendle

MEMORANDUM

TO: State Senate Human Resources Committee

FROM: Jerry Deschane, Director of Government Affairs

DATE: December 6, 1995

RE: Senate Bill 387

The Wisconsin Builders Association supports Senate Bill 387, but requests that the committee make a technical modification to assure the public of continued protection from financial risk. The amendment that we seek relates to the provision of the bill which reduces the current minimum bond amount from \$25,000 to \$5,000.

We recommend this modification:

* If a builder wishes to utilize a bond of less than \$25,000, he or she must agree not to engage in any construction contract for more than the face value of the bond amount. This restriction would be indicated on the builder's Certificate of Financial Responsibility, which is presented to the local official responsible for issuing building permits.

This will allow an individual to obtain a small bond, but at the same time it will not expose the builder's customers to undue risk.

The bond would remain an alternative to the builder obtaining general liability insurance. The WBA continues to maintain that general liability insurance is the preferred alternative. If the builder uses the general liability option, there would be no limitation on the construction contract.

According to DILHR, no contractor has opted to use the bond alternative. Our research indicates that these bonds are not currently available in Wisconsin.

Aside from this one technical amendment, the WBA supports SB 387. The bill addresses language in the statutes that has been limiting coverage of the program to homes built since 1980. It makes the insurance company notification requirements uniform with current insurance practices, and it requires DILHR to produce a consumer information brochure. In summary, Senate Bill 387 makes a number of non-controversial mid-course adjustments to the contractor financial responsibility program.



WISCONSIN INSURANCE ALLIANCE

JAN 19 1996

44 EAST MIFFLIN STREET • SUITE 205
MADISON, WISCONSIN 53703-2800
(608) 255-1749
FAX (608) 255-2178

DATE: January 18, 1996
MEMO TO: Senator Brian Rude
WI Builders Assoc. - Jerry Deschane
Dept. of Development - Pat Osborne
FROM: Eric Englund
RE: SB 387 - Bond requirements

This memo is follow-up to the public hearing on the captioned where concern was raised regarding the bond requirements of the underlying statutes as modified by this bill.

A number of bonding companies have indicated to us that the lack of bonds being purchased to comply with section 101.654(2)(a)1 is because the underlying statute was defectively drafted in requiring that the bond be conditioned upon "complying" with the building code and that it act "as indemnity" for losses. Bonds are not contracts of indemnity and the statute creates unfamiliar territory for bonding companies in the dual requirement that the bond be a "compliance" bond but also act "as indemnity for any loss".

This technical problem can easily be cured by amending the bill to delete the language at line 7-12 at page 3 and insert the following:

* "101.654 (2)(a) 1 A bond endorsed by a surety company authorized to do business in this state of not less than \$5,000 conditioned upon the principal complying with all applicable provisions of the one and two family dwelling code and any ordinance enacted under section 101.65 (1)(a)."

We have checked with a number of bonding companies who have indicated that their ability to issue such bonds will not be conditioned upon the insured having the alternatively required liability coverage.

We are in the process of continuing to check on this matter, but subject to additional comment received

- Eric Englund
President
- Tom Holman
Chairperson
- GRE Insurance Group
- Dan Riedl
Vice-Chairperson
- Milwaukee Insurance
- Bill O'Reilly
Secretary/Treasurer
- Sentry Insurance
- Members:
- Alpha Property & Casualty Insurance
- American Family Insurance
- American Standard Insurance
- Badger Mutual Insurance
- Baraboo Mutual Fire Insurance
- Capitol Indemnity Corporation
- Church Mutual Insurance
- City of Waukesha Mutual Insurance
- Cuna Mutual Insurance Group
- Dairyland Insurance
- 1st Auto & Casualty
- General Casualty Insurance
- Germantown Mutual Insurance
- GRE Insurance Group
- Hartland Cicero Mutual Insurance
- Heritage Insurance
- IDS Property Casualty Insurance
- Integrity Mutual Insurance
- Jewelers Mutual Insurance
- Lakeland Mutual Insurance
- Manitowoc Cty. Mutual Insurance
- Maple Valley Mutual Insurance
- Midwest Security Insurance
- Milwaukee Insurance
- Northwestern National Casualty
- Old Republic Surety Company
- Partners Mutual Insurance Company
- Retail Lumbermens Mutual Insurance
- Rural Mutual Insurance Company
- Secura Insurance
- Sentry Insurance
- Sheboygan Falls Insurance
- Threshermen's Mutual Insurance
- United Heartland Insurance
- Viking Insurance Company
- Waukesha Co. Mutual Insurance
- Wausau Insurance Companies
- West Bend Mutual Insurance
- Western Wisconsin Mutual Insurance
- Wilson Mutual Insurance
- Wisconsin American Mutual
- Wisconsin Mutual Insurance

from other bonding companies, we believe that the amendment as quoted above will speak to the underlying concerns raised during the course of the public hearing.

If we can be of further service, please feel free to call on me.

cc: Capitol Indemnity - Laurel Stevenson
Old Republic - Jim Lee
Cook & Franke - Brian Mitchell