

HB 2311 A -A2 STAFF MEASURE SUMMARY

Senate Committee On Labor and Business

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Meeting Dates: 4/20, 5/18

WHAT THE MEASURE DOES:

Allows person asserting possessory lien on motor vehicle for purposes of securing payment after making repairs or other services to obtain an irrevocable letter of credit in amount of \$20,000 as alternative to a \$20,000 surety bond. Requires that the surety bond or letter of credit be issued by authorized and insured institute and requires issuing entity to notify Oregon Department of Transportation (ODOT) of any cancellation of the bond or letter. Provides that the bond or letter of credit must be executed in Oregon, approved in form by Attorney General, filed and held with ODOT, and conditioned on the holder conducting business without fraud or violation of statutory consumer protections regarding motor vehicle repairs. Requires holder of surety bond or letter of credit to certify annually to ODOT that the bond or letter of credit is in effect and to obtain and file a new bond or letter of credit with ODOT if a person recovers against the prior bond or letter of credit. Becomes operative January 1, 2022. Allows ODOT to adopt rules before operative date. Declares emergency, effective on passage.

House vote: Ayes, 56; Excused, 3--Evans, Leif, Rayfield

Minimal fiscal impact; no revenue impact

ISSUES DISCUSSED:

- History of bond requirement for repair shops
- Attempts to find viable financial instrument for bond requirement

EFFECT OF AMENDMENT:

-A2 Requires surety bond or irrevocable letter of credit be conditioned such as to compensate parties damaged as a result of a use of a possessory lien on connection with a misrepresentation, fraud, or violation of a duty of a vehicle repair shop.

BACKGROUND:

In 2018, the Legislative Assembly enacted House Bill 4087 to require vehicle repair shops to have a surety bond of at least \$20,000 before asserting a possessory lien upon a vehicle in the shop's care for nonpayment of work performed or other costs. In 2019, House Bill 2913 extended the operative date of the bond requirement to July 1, 2020.

House Bill 2311-A allows a repair shop to obtain an irrevocable letter of credit in the amount of \$20,000 as an alternative to obtaining a surety bond. The measure specifies the conditions for the surety bonds and letters of credit including:

- notice to the Oregon Department of Transportation when such a bond or letter is canceled;
- yearly certification of the bond or letter; and
- notice to ODOT of full coverage should a person obtain recovery against an existing surety bond or letter of credit.

The measure becomes operative January 1, 2022. An emergency clause is included to allow the Department of Transportation to adopt rules and take other necessary action in advance of the operative date.