



Oregon

Kate Brown, Governor

Department of Transportation

Director's Office

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DATE: February 3, 2021

TO: House Committee on Business and Labor

FROM: Lindsay Baker, Assistant Director
Oregon Department of Transportation

SUBJECT: HB 2311 – Surety Bonds and Irrevocable Letters of Credit for Mechanics

INTRODUCTION

House Bill 2311 requires mechanics maintain a bond or irrevocable letter of credit of \$20,000, in order to exercise a possessory lien. The measure directs transmission of proof of the bond or letter of credit to the Oregon Department of Transportation (ODOT) and designates ODOT steward of the record.

DISCUSSION

House Bill 2311 requires mechanics to maintain a bond or irrevocable letter of credit of at least \$20,000, to exercise a possessory lien, beginning July 1, 2022. The bill requires the insured entity to file bonds or letters of credit with ODOT on a form approved by the Attorney General, and to notify ODOT when a bond or letter of credit has been cancelled. Further, the bill requires insured entities to annually certify in writing to ODOT that the bond or letter of credit remains in effect. The bill authorizes ODOT to adopt rules necessary to carry out these functions.

ODOT understands the intent of the bill is to designate a government entity to function as steward of records of bonds and letters of credit. This measure does not create a regulatory framework or provide any level of regulation, oversight, or management of this industry; if House Bill 2311 passes this industry will continue to function largely unregulated. This measure does not establish or direct any regulatory actions, including but not limited to document authenticity verification, inspection of records or participating entities, or auditing functions related to industry compliance. ODOT will not determine whether an individual has claim to a bond or letter of credit, nor does the bill provide ODOT the authority to permit recovery against a bond or irrevocable letter of credit.

ODOT will undertake any necessary rulemaking for this bill's implementation, and will begin accepting these documents July 1, 2022.

ODOT understands that an amendment may be considered, moving the operative date of the measure from July 1, 2022 to January 1, 2022. This change will have no impact to ODOT.

SUMMARY

House Bill 2311 requires mechanics to maintain a bond or irrevocable letter of credit beginning July 1, 2022; the measure directs mechanics to file this paperwork with ODOT. ODOT maintains a minimal role in this process and will act solely as a steward of these records.