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SENATE BILL 5101

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State of Washington

57th Legislature

2001 Regular Session

By Senators Prentice, Winsley, Kohl-Welles, Fairley and Fraser; by request of Department of Labor & Industries

Read first time 01/10/2001. Referred to Committee on Labor, Commerce & Financial Institutions.

1 AN ACT Relating to consumer protection regarding contractors;  
2 amending RCW 18.27.010, 18.27.030, 18.27.040, 18.27.050, 18.27.090,  
3 18.27.100, 18.27.110, 18.27.114, and 60.04.031; reenacting and amending  
4 RCW 18.27.060; adding new sections to chapter 18.27 RCW; repealing RCW  
5 18.27.075; and prescribing penalties.

6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

7 **Sec. 1.** RCW 18.27.010 and 1997 c 314 s 2 are each amended to read  
8 as follows:

9 Unless the context clearly requires otherwise, the definitions in  
10 this section apply throughout this chapter.

11 (1) "Contractor" means any person, firm, or corporation who or  
12 which, in the pursuit of an independent business undertakes to, or  
13 offers to undertake, or submits a bid to, construct, alter, repair, add  
14 to, subtract from, improve, move, wreck or demolish, for another, any  
15 building, highway, road, railroad, excavation or other structure,  
16 project, development, or improvement attached to real estate or to do  
17 any part thereof including the installation of carpeting or other floor  
18 covering, the erection of scaffolding or other structures or works in  
19 connection therewith or who installs or repairs roofing or siding(†

1 ~~or, who, to do similar work upon his or her own property, employs~~  
2 ~~members of more than one trade upon a single job or project or under a~~  
3 ~~single building permit except as otherwise provided herein)).~~  
4 "Contractor" includes any person, firm, ~~((or))~~ corporation, or other  
5 entity covered by this subsection, whether or not registered as  
6 required under this chapter.

7 (2) "Department" means the department of labor and industries.

8 (3) "Director" means the director of the department of labor and  
9 industries or designated representative employed by the department.

10 (4) "General contractor" means a contractor whose business  
11 operations require the use of more than two unrelated building trades  
12 or crafts whose work the contractor shall superintend or do in whole or  
13 in part. "General contractor" shall not include an individual who does  
14 all work personally without employees or other "specialty contractors"  
15 as defined in this section. The terms "general contractor" and  
16 "builder" are synonymous.

17 ~~((+3))~~ (5) "Partnership" means a business formed under Title 25  
18 RCW.

19 (6) "Registration cancellation" means a written notice from the  
20 department that a contractor's action is in violation of this chapter  
21 and that the contractor's registration has been revoked.

22 (7) "Registration suspension" means a written notice from the  
23 department that a contractor's action is a violation of this chapter  
24 and that the contractor's registration has been suspended for a  
25 specified time, or until the contractor shows evidence of compliance  
26 with this chapter.

27 (8) "Residential homeowner" means an individual person or persons  
28 owning or leasing real property upon which one single-family residence  
29 is to be built or upon which there is a single-family residence to  
30 which improvements are to be made and in which the owner or lessee  
31 intends to reside upon completion of any construction.

32 (9) "Specialty contractor" means a contractor whose operations do  
33 not fall within the ~~((foregoing))~~ definition of "general contractor".

34 ~~((+4))~~ (10) "Unregistered contractor" means a person, firm, ~~((or))~~  
35 corporation, or other entity doing work as a contractor without being  
36 registered in compliance with this chapter. "Unregistered contractor"  
37 includes contractors whose registration is expired ~~((for more than~~  
38 ~~thirty days beyond the renewal date or has been))~~, revoked, or  
39 suspended.

1       ~~((5)) "Department" means the department of labor and industries.~~  
2       ~~(6) "Director" means the director of the department of labor and~~  
3 ~~industries.~~  
4       ~~(7))~~ (11) "Verification" means the receipt and duplication by the  
5 city, town, or county of a contractor registration card that is current  
6 on its face, checking the department's contractor registration data  
7 base, or calling the department to confirm that the contractor is  
8 registered.

9       **Sec. 2.** RCW 18.27.030 and 1998 c 279 s 3 are each amended to read  
10 as follows:

11       (1) An applicant for registration as a contractor shall submit an  
12 application under oath upon a form to be prescribed by the director and  
13 which shall include the following information pertaining to the  
14 applicant:

15       (a) Employer social security number.

16       (b) Unified business identifier number, if required by the  
17 department of revenue.

18       (c) Evidence of workers' compensation coverage for the applicant's  
19 employees working in Washington, as follows:

20       (i) The applicant's industrial insurance account number issued by  
21 the department;

22       (ii) The applicant's self-insurer number issued by the department;  
23 or

24       (iii) For applicants domiciled in a state or province of Canada  
25 subject to an agreement entered into under RCW 51.12.120(7), as  
26 permitted by the agreement, filing a certificate of coverage issued by  
27 the agency that administers the workers' compensation law in the  
28 applicant's state or province of domicile certifying that the applicant  
29 has secured the payment of compensation under the other state's or  
30 province's workers' compensation law.

31       ~~((e))~~ (d) Employment security department number.

32       ~~((d))~~ (e) State excise tax registration number.

33       ~~((e))~~ (f) Unified business identifier (UBI) account number may be  
34 substituted for the information required by ~~((b))~~ (c) of this  
35 subsection if the applicant will not employ employees in Washington,  
36 and by ~~((e))~~ (d) and ~~((d))~~ (e) of this subsection.

37       ~~((f))~~ (g) Type of contracting activity, whether a general or a  
38 specialty contractor and if the latter, the type of specialty.

1       (~~(g)~~) (h) The name and address of each partner if the applicant  
2 is a firm or partnership, or the name and address of the owner if the  
3 applicant is an individual proprietorship, or the name and address of  
4 the corporate officers and statutory agent, if any, if the applicant is  
5 a corporation or the name and address of all members of other business  
6 entities. The information contained in such application is a matter of  
7 public record and open to public inspection.

8       (2) The department may verify the workers' compensation coverage  
9 information provided by the applicant under subsection (1)(~~(b)~~) (c)  
10 of this section, including but not limited to information regarding the  
11 coverage of an individual employee of the applicant. If coverage is  
12 provided under the laws of another state, the department may notify the  
13 other state that the applicant is employing employees in Washington.

14       (3)(a) The department shall deny an application for registration  
15 if: (i) The applicant has been previously registered as a sole  
16 proprietor, partnership, (~~(or)~~) corporation, or other entity and the  
17 department has notice that the applicant has an unsatisfied final  
18 judgment against him or her in an action based on this chapter that was  
19 incurred during a previous registration under this chapter; (ii) the  
20 applicant was a principal or officer of a previously registered  
21 partnership, corporation, or other entity that has an unsatisfied final  
22 judgment against it in an action that was incurred during a previous  
23 registration under this chapter; (iii) the applicant does not have a  
24 valid unified business identifier number, if required by the department  
25 of revenue; or (iv) the applicant or prior entity under (a)(ii) of this  
26 subsection owes the department money for penalties assessed or fees  
27 due.

28       (b) The department shall suspend an active registration if (i) the  
29 department has notice that the registrant is a sole proprietor or a  
30 principal or officer of another registered contractor that has an  
31 unsatisfied final judgment against it for work within the scope of this  
32 chapter; or (ii) the applicant does not maintain a valid unified  
33 business identifier number, if required by the department of revenue.

34       (4) For the purposes of this section, "an unsatisfied final  
35 judgment" includes a judgment assigned under RCW 19.72.070.

36       **Sec. 3.** RCW 18.27.040 and 1997 c 314 s 5 are each amended to read  
37 as follows:

1 (1) Each applicant shall file with the department a surety bond  
2 issued by a surety insurer who meets the requirements of chapter 48.28  
3 RCW in the sum of (~~six~~) fifteen thousand dollars if the applicant is  
4 a general contractor and (~~four~~) eight thousand dollars if the  
5 applicant is a specialty contractor. If no valid bond is already on  
6 file with the department at the time the application is filed, a bond  
7 must accompany the registration application. The bond shall have the  
8 state of Washington named as obligee with good and sufficient surety in  
9 a form to be approved by the department. The bond shall be continuous  
10 and may be canceled by the surety upon the surety giving written notice  
11 to the director (~~of its intent to cancel the bond~~). A cancellation  
12 or revocation of the bond or withdrawal of the surety from the bond  
13 automatically suspends the registration issued to the registrant until  
14 a new bond or reinstatement notice has been filed and approved as  
15 provided in this section. The bond shall be conditioned that the  
16 applicant will pay all persons performing labor, including employee  
17 benefits, for the contractor, will pay all taxes and contributions due  
18 to the state of Washington, and will pay all persons furnishing labor  
19 or material or renting or supplying equipment to the contractor and  
20 will pay all amounts that may be adjudged against the contractor by  
21 reason of breach of contract including negligent or improper work in  
22 the conduct of the contracting business. A change in the name of a  
23 business or a change in the type of business entity shall not impair a  
24 bond for the purposes of this section so long as one of the original  
25 applicants for such bond maintains partial ownership in the business  
26 covered by the bond.

27 (2) (~~Any contractor registered as of July 1, 1997, who maintains~~  
28 ~~such registration in accordance with this chapter shall be in~~  
29 ~~compliance with this chapter until the next annual renewal of the~~  
30 ~~contractor's certificate of registration. At that time~~) At the time  
31 of initial registration or renewal, the contractor shall provide a  
32 bond(~~(, cash deposit,)~~) or other security deposit as required by this  
33 chapter and comply with all of the other provisions of this chapter  
34 before the department shall issue or renew the contractor's certificate  
35 of registration. Any contractor registered as of July 1, 2001, who  
36 maintains that registration in accordance with this chapter is in  
37 compliance with this chapter until the next renewal of the contractor's  
38 certificate of registration.

1       (3) The total amount paid from a bond or deposit required by this  
2 section to claimants other than residential homeowners must not exceed  
3 in the aggregate seven thousand five hundred dollars if provided by a  
4 general contractor and four thousand dollars if provided by a specialty  
5 contractor.

6       (4) Any person, firm, or corporation having a claim against the  
7 contractor for any of the items referred to in this section may bring  
8 suit upon the bond or deposit in ~~((the superior))~~ a court of competent  
9 jurisdiction of the county in which the work was done or of any county  
10 in which jurisdiction of the contractor may be had. The surety issuing  
11 the bond shall be named as a party to any suit upon the bond. Action  
12 upon the bond or deposit ~~((shall be commenced by filing the summons and~~  
13 ~~complaint with the clerk of the appropriate superior court within one~~  
14 ~~year from the date of expiration of the certificate of registration in~~  
15 ~~force at the time))~~ brought by a residential homeowner for breach of  
16 contract by a party to the construction contract shall be commenced by  
17 filing the summons and complaint with the clerk of the appropriate  
18 court of competent jurisdiction within two years from the date of  
19 expiration of the certificate of registration in force at the time.  
20 Action upon the bond or deposit brought by any other authorized party  
21 shall be commenced by filing the summons and complaint with the clerk  
22 of the appropriate court of competent jurisdiction within one year from  
23 the date the claimed labor was performed and benefits accrued, taxes  
24 and contributions owing the state of Washington became due, materials  
25 and equipment were furnished, ~~((or))~~ the claimed contract work was  
26 completed, or abandoned. Service of process in an action against the  
27 contractor, the contractor's bond, or the deposit shall be exclusively  
28 by service upon the department. Three copies of the summons and  
29 complaint and a fee ~~((of))~~ adopted by rule of not less than ten dollars  
30 to cover the ~~((handling))~~ costs shall be served by registered or  
31 certified mail upon the department at the time suit is started and the  
32 department shall maintain a record, available for public inspection, of  
33 all suits so commenced. Service is not complete until the department  
34 receives the ~~((ten-dollar))~~ fee and three copies of the summons and  
35 complaint. The service shall constitute service on the registrant and  
36 the surety for suit upon the bond or deposit and the department shall  
37 transmit the summons and complaint or a copy thereof to the registrant  
38 at the address listed in the registrant's application and to the surety  
39 within forty-eight hours after it shall have been received.

1       (~~(4)~~) (5) The surety upon the bond shall not be liable in an  
2 aggregate amount in excess of the amount named in the bond nor for any  
3 monetary penalty assessed pursuant to this chapter for an infraction.  
4 The liability of the surety shall not cumulate where the bond has been  
5 renewed, continued, reinstated, reissued or otherwise extended. The  
6 surety upon the bond may, upon notice to the department and the  
7 parties, tender to the clerk of the court having jurisdiction of the  
8 action an amount equal to the claims thereunder or the amount of the  
9 bond less the amount of judgments, if any, previously satisfied  
10 therefrom and to the extent of such tender the surety upon the bond  
11 shall be exonerated but if the actions commenced and pending at any one  
12 time exceed the amount of the bond then unimpaired, claims shall be  
13 satisfied from the bond in the following order:

14       (a) Employee labor and claims of laborers, including employee  
15 benefits;

16       (b) Claims for breach of contract by a party to the construction  
17 contract;

18       (c) Registered or licensed subcontractors, material, and equipment;

19       (d) Taxes and contributions due the state of Washington;

20       (e) Any court costs, interest, and attorney's fees plaintiff may be  
21 entitled to recover. The surety is not liable for any amount in excess  
22 of the penal limit of its bond.

23       A payment made by the surety in good faith exonerates the bond to  
24 the extent of any payment made by the surety.

25       (~~(5)~~) (6) If a final judgment impairs the liability of the surety  
26 upon the bond so furnished that there (~~shall not be~~) is not in effect  
27 a bond (~~undertaking~~) in the full amount prescribed in this section,  
28 (~~the department shall suspend~~) the registration of the contractor is  
29 automatically suspended until the bond liability in the required amount  
30 unimpaired by unsatisfied judgment claims is furnished. (~~If the bond~~  
31 ~~becomes fully impaired, a new bond must be furnished at the rates~~  
32 ~~prescribed by this section.~~

33       (~~6~~) (7) In lieu of the surety bond required by this section the  
34 contractor may file with the department a deposit consisting of cash or  
35 other security acceptable to the department.

36       (~~(7)~~) (8) Any person having filed and served a summons and  
37 complaint as required by this section having an unsatisfied final  
38 judgment against the registrant for any items referred to in this  
39 section may execute upon the security held by the department by serving

1 a certified copy of the unsatisfied final judgment by registered or  
2 certified mail upon the department within one year of the date of entry  
3 of such judgment. Upon the receipt of service of such certified copy  
4 the department shall pay or order paid from the deposit, through the  
5 registry of (~~the superior~~) a court of competent jurisdiction which  
6 rendered judgment, towards the amount of the unsatisfied judgment. The  
7 priority of payment by the department shall be the order of receipt by  
8 the department, but the department shall have no liability for payment  
9 in excess of the amount of the deposit.

10 (~~(8)~~) (9) The director may require an applicant applying to renew  
11 or reinstate a registration or applying for a new registration to file  
12 a bond of up to five times the normally required amount, up to seventy-  
13 five thousand dollars for general contractors or forty thousand dollars  
14 for specialty contractors, if the director determines that an  
15 applicant, or a previous registration of a corporate officer, owner, or  
16 partner of a current applicant, has:

17 (a) A history of unpaid judgments in actions based on this chapter  
18 involving a residential owner of a single-family dwelling and  
19 consisting of two or more unpaid judgments for longer than thirty days  
20 following the date of entry of the judgment by the court;

21 (b) Three or more judgments in actions based on this chapter on  
22 three or more different structures by three or more different owner  
23 claimants; or

24 (c) Five or more actions open at one time.

25 (10) The director may adopt rules necessary for the proper  
26 administration of the security.

27 **Sec. 4.** RCW 18.27.050 and 1987 c 303 s 1 are each amended to read  
28 as follows:

29 (1) At the time of registration and subsequent reregistration, the  
30 applicant shall furnish insurance or financial responsibility in the  
31 form of an assigned account in the amount of (~~twenty~~) fifty thousand  
32 dollars for injury or damages to property, and (~~fifty~~) one hundred  
33 thousand dollars for injury or damage including death to any one  
34 person, and (~~one~~) two hundred thousand dollars for injury or damage  
35 including death to more than one person (~~or financial responsibility~~  
36 ~~to satisfy these amounts~~)).

37 (2) (~~Failure to maintain insurance or financial responsibility~~  
38 ~~relative to the contractor's activities shall be cause to suspend or~~

1 ~~deny the contractor his or her or their registration.))~~ An expiration,  
2 cancellation, or revocation of the insurance policy or withdrawal of  
3 the insurer from the insurance policy automatically suspends the  
4 registration issued to the registrant until a new insurance policy or  
5 reinstatement notice has been filed and approved as provided in this  
6 section.

7 (3)(a) Proof of financial responsibility authorized in this section  
8 may be given by providing, in the amount required by subsection (1) of  
9 this section, an assigned account acceptable to the department. The  
10 assigned account shall be held by the department to satisfy any  
11 execution on a judgment issued against the contractor for damage to  
12 property or injury or death to any person occurring in the contractor's  
13 contracting operations, according to the provisions of the assigned  
14 account agreement. The department shall have no liability for payment  
15 in excess of the amount of the assigned account.

16 (b) The assigned account filed with the director as proof of  
17 financial responsibility shall be canceled at the expiration of three  
18 years after:

19 (i) The contractor's registration has expired or been revoked; or

20 (ii) The contractor has furnished proof of insurance as required by  
21 subsection (1) of this section;

22 if, in either case, no legal action has been instituted against the  
23 contractor or on the account at the expiration of the three-year  
24 period.

25 (c) If a contractor chooses to file an assigned account as  
26 authorized in this section, the contractor shall, on any contracting  
27 project, notify each person with whom the contractor enters into a  
28 contract or to whom the contractor submits a bid that the contractor  
29 has filed an assigned account in lieu of insurance and that recovery  
30 from the account for any claim against the contractor for property  
31 damage or personal injury or death occurring in the project requires  
32 the claimant to obtain a court judgment.

33 **Sec. 5.** RCW 18.27.060 and 1997 c 314 s 6 and 1997 c 58 s 817 are  
34 each reenacted and amended to read as follows:

35 (1) A certificate of registration shall be valid for ~~((one))~~ two  
36 years and shall be renewed on or before the expiration date. The  
37 department shall issue to the applicant a certificate of registration  
38 upon compliance with the registration requirements of this chapter.

1 (2) If the department approves an application, it shall issue a  
2 certificate of registration to the applicant. (~~The certificate shall~~  
3 ~~be valid for:~~

4 ~~(a) One year;~~

5 ~~(b) Until the bond expires; or~~

6 ~~(c) Until the insurance expires, whichever comes first. The~~  
7 ~~department shall place the expiration date on the certificate.~~

8 ~~(3) A contractor may supply a short term bond or insurance policy~~  
9 ~~to bring its registration period to the full one year.~~

10 ~~(4))~~ (3) If a contractor's surety bond or other security has an  
11 unsatisfied judgment against it or is canceled, or if the contractor's  
12 insurance policy is canceled, the contractor's registration shall be  
13 automatically suspended on the effective date of the impairment or  
14 cancellation. The department shall mail notice of the suspension to  
15 the contractor's address on the certificate of registration by  
16 certified and by first class mail within forty-eight hours after  
17 suspension.

18 ~~((+5))~~ (4) Renewal of registration is valid on the date the  
19 department receives the required fee and proof of bond and liability  
20 insurance, if sent by certified mail or other means requiring proof of  
21 delivery. The receipt or proof of delivery shall serve as the  
22 contractor's proof of renewed registration until he or she receives  
23 verification from the department.

24 ~~((+6))~~ (5) The department shall immediately suspend the  
25 certificate of registration of a contractor who has been certified by  
26 the department of social and health services as a person who is not in  
27 compliance with a support order or a residential or visitation order as  
28 provided in RCW 74.20A.320. The certificate of registration shall not  
29 be reissued or renewed unless the person provides to the department a  
30 release from the department of social and health services stating that  
31 he or she is in compliance with the order and the person has continued  
32 to meet all other requirements for certification during the suspension.

33 NEW SECTION. **Sec. 6.** A new section is added to chapter 18.27 RCW  
34 to read as follows:

35 (1) If a contractor, whether registered or not, defaults in a  
36 payment, penalty, or fine due to the department, the director or the  
37 director's designee may issue a notice of assessment certifying the  
38 amount due. The notice must be served upon the contractor by mailing

1 the notice to the contractor by certified mail to the contractor's last  
2 known address or served in the manner prescribed for the service of a  
3 summons in a civil action.

4 (2) A notice of assessment becomes final thirty days from the date  
5 the notice was served upon the contractor unless a written request for  
6 reconsideration is filed with the department or an appeal is filed in  
7 a court of competent jurisdiction in the manner specified in RCW  
8 34.05.510 through 34.05.598. The request for reconsideration must set  
9 forth with particularity the reason for the contractor's request. The  
10 department, within thirty days after receiving a written request for  
11 reconsideration, may modify or reverse a notice of assessment, or may  
12 hold a notice of assessment in abeyance pending further investigation.  
13 If a final decision of a court in favor of the department is not  
14 appealed within the time allowed by law, then the amount of the  
15 unappealed assessment, or such amount of the assessment as is found due  
16 by the final decision of the court, is final.

17 (3) The director or the director's designee may file with the clerk  
18 of any county within the state a warrant in the amount of the notice of  
19 assessment. The clerk of the county in which the warrant is filed  
20 shall immediately designate a court of competent jurisdiction cause  
21 number for the warrant, and the clerk shall cause to be entered in the  
22 judgment docket under the court of competent jurisdiction cause number  
23 assigned to the warrant, the name of the contractor mentioned in the  
24 warrant, the amount of payment, penalty, or fine due on it, and the  
25 date when the warrant was filed. The aggregate amount of the warrant  
26 as docketed is a lien upon the title to, and interest in, all real and  
27 personal property of the contractor against whom the warrant is issued,  
28 the same as a judgment in a civil case docketed in the office of the  
29 clerk. The sheriff shall proceed upon the warrant in all respects and  
30 with like effect as prescribed by law with respect to execution or  
31 other process issued against rights or property upon judgment in a  
32 court of competent jurisdiction. The warrant so docketed is sufficient  
33 to support the issuance of writs of garnishment in favor of the state  
34 in a manner provided by law in case of judgment, wholly or partially  
35 unsatisfied. The clerk of the court is entitled to a filing fee which  
36 will be added to the amount of the warrant. The clerk of the court  
37 must mail a copy of the warrant to the contractor within three days of  
38 filing with the clerk.

1 (4) The director or the director's designee may issue to any  
2 person, firm, corporation, other entity, municipal corporation,  
3 political subdivision of the state, a public corporation, or any agency  
4 of the state, a notice and order to withhold and deliver property of  
5 any kind whatsoever when he or she has reason to believe that there is  
6 in the possession of the person, firm, corporation, other entity,  
7 municipal corporation, political subdivision of the state, public  
8 corporation, or agency of the state, property that is or will become  
9 due, owing, or belonging to a contractor upon whom a notice of  
10 assessment has been served by the department for payments, penalties,  
11 or fines due to the department. The effect of a notice and order is  
12 continuous from the date the notice and order is first made until the  
13 liability out of which the notice and order arose is satisfied or  
14 becomes unenforceable because of lapse of time. The department shall  
15 release the notice and order when the liability out of which the notice  
16 and order arose is satisfied or becomes unenforceable by reason of  
17 lapse of time and shall notify the person against whom the notice and  
18 order was made that the notice and order has been released.

19 The notice and order to withhold and deliver must be served by the  
20 sheriff of the county or by the sheriff's deputy, by certified mail,  
21 return receipt requested, or by an authorized representative of the  
22 director. A person, firm, corporation, other entity, municipal  
23 corporation, political subdivision of the state, public corporation, or  
24 agency of the state upon whom service has been made shall answer the  
25 notice within twenty days exclusive of the day of service, under oath  
26 and in writing, and shall make true answers to the matters inquired of  
27 in the notice and order. Upon service of the notice and order, if the  
28 party served possesses any property that may be subject to the claim of  
29 the department, the party shall promptly deliver the property to the  
30 director or the director's authorized representative. The director  
31 shall hold the property in trust for application on the contractor's  
32 indebtedness to the department, or for return without interest, in  
33 accordance with a final determination of a petition for review. In the  
34 alternative, the party shall furnish a good and sufficient surety bond  
35 satisfactory to the director conditioned upon final determination of  
36 liability. If a party served and named in the notice fails to answer  
37 the notice within the time prescribed in this section, the court may  
38 render judgment by default against the party for the full amount  
39 claimed by the director in the notice, together with costs. If a

1 notice is served upon a contractor and the property subject to it is  
2 wages, the contractor may assert in the answer all exemptions provided  
3 for by chapter 6.27 RCW to which the wage earner is entitled.

4 (5) In addition to the procedure for collection of a payment,  
5 penalty, or fine due to the department as set forth in this section,  
6 the department may recover civil penalties imposed under this chapter  
7 in a civil action in the name of the department brought in a court of  
8 competent jurisdiction of the county where the violation is alleged to  
9 have occurred.

10 **Sec. 7.** RCW 18.27.090 and 1997 c 314 s 8 are each amended to read  
11 as follows:

12 This chapter does not apply to:

13 (1) An authorized representative of the United States government,  
14 the state of Washington, or any incorporated city, town, county,  
15 township, irrigation district, reclamation district, or other municipal  
16 or political corporation or subdivision of this state;

17 (2) Officers of a court when they are acting within the scope of  
18 their office;

19 (3) Public utilities operating under the regulations of the  
20 utilities and transportation commission in construction, maintenance,  
21 or development work incidental to their own business;

22 (4) Any construction, repair, or operation incidental to the  
23 discovering or producing of petroleum or gas, or the drilling, testing,  
24 abandoning, or other operation of any petroleum or gas well or any  
25 surface or underground mine or mineral deposit when performed by an  
26 owner or lessee;

27 (5) The sale or installation of any finished products, materials,  
28 or articles of merchandise (~~which~~) that are not actually fabricated  
29 into and do not become a permanent fixed part of a structure;

30 (6) Any construction, alteration, improvement, or repair of  
31 personal property(~~(, except this chapter shall apply to all~~  
32 ~~mobile/manufactured housing. A mobile/manufactured home may be~~  
33 ~~installed, set up, or repaired by the registered or legal owner, by a~~  
34 ~~contractor registered under this chapter)) performed by the registered  
35 or legal owner, or by a mobile/manufactured home retail dealer or  
36 manufacturer licensed under chapter 46.70 RCW who shall warranty  
37 service and repairs under chapter 46.70 RCW;~~

1       (7) A mobile/manufactured home dealer or manufacturer who  
2 subcontracts the installation, set-up, or repair work to actively  
3 registered contractors. This exemption only applies to the  
4 installation, set-up, or repair of the mobile/manufactured homes that  
5 were manufactured or sold by the mobile/manufactured home dealer or  
6 manufacturer;

7       (8) Any construction, alteration, improvement, or repair carried on  
8 within the limits and boundaries of any site or reservation under the  
9 legal jurisdiction of the federal government;

10       ~~((+8))~~ (9) Any person who only furnished materials, supplies, or  
11 equipment without fabricating them into, or consuming them in the  
12 performance of, the work of the contractor;

13       ~~((+9))~~ (10) Any work or operation on one undertaking or project by  
14 one or more contracts, the aggregate contract price of which for labor  
15 and materials and all other items is less than five hundred dollars,  
16 such work or operations being considered as of a casual, minor, or  
17 inconsequential nature. The exemption prescribed in this subsection  
18 does not apply in any instance wherein the work or construction is only  
19 a part of a larger or major operation, whether undertaken by the same  
20 or a different contractor, or in which a division of the operation is  
21 made into contracts of amounts less than five hundred dollars for the  
22 purpose of evasion of this chapter or otherwise. The exemption  
23 prescribed in this subsection does not apply to a person who advertises  
24 or puts out any sign or card or other device which might indicate to  
25 the public that he or she is a contractor, or that he or she is  
26 qualified to engage in the business of contractor;

27       ~~((+10))~~ (11) Any construction or operation incidental to the  
28 construction and repair of irrigation and drainage ditches of regularly  
29 constituted irrigation districts or reclamation districts; or to  
30 farming, dairying, agriculture, viticulture, horticulture, or stock or  
31 poultry raising; or to clearing or other work upon land in rural  
32 districts for fire prevention purposes; except when any of the above  
33 work is performed by a registered contractor;

34       ~~((+11))~~ (12) An owner who contracts for a project with a  
35 registered contractor;

36       ~~((+12))~~ (13) Any person working on his or her own property,  
37 whether occupied by him or her or not, and any person working on his or  
38 her personal residence, whether owned by him or her or not but this  
39 exemption shall not apply to any person otherwise covered by this

1 chapter who constructs an improvement on his or her own property with  
2 the intention and for the purpose of selling the improved property;

3 ~~((13))~~ (14) Owners of commercial properties who use their own  
4 employees to do maintenance, repair, and alteration work in or upon  
5 their own properties;

6 ~~((14))~~ (15) A licensed architect or civil or professional  
7 engineer acting solely in his or her professional capacity, an  
8 electrician licensed under the laws of the state of Washington, or a  
9 plumber licensed under the laws of the state of Washington or licensed  
10 by a political subdivision of the state of Washington while operating  
11 within the boundaries of such political subdivision. The exemption  
12 provided in this subsection is applicable only when the licensee is  
13 operating within the scope of his or her license;

14 ~~((15))~~ (16) Any person who engages in the activities herein  
15 regulated as an employee of a registered contractor with wages as his  
16 or her sole compensation or as an employee with wages as his or her  
17 sole compensation;

18 ~~((16))~~ (17) Contractors on highway projects who have been  
19 prequalified as required by RCW 47.28.070, with the department of  
20 transportation to perform highway construction, reconstruction, or  
21 maintenance work.

22 **Sec. 8.** RCW 18.27.100 and 1997 c 314 s 9 are each amended to read  
23 as follows:

24 (1) Except as provided in RCW 18.27.065 for partnerships and joint  
25 ventures, no person who has registered under one name as provided in  
26 this chapter shall engage in the business, or act in the capacity, of  
27 a contractor under any other name unless such name also is registered  
28 under this chapter.

29 (2) All advertising and all contracts, correspondence, cards,  
30 signs, posters, papers, and documents which show a contractor's name or  
31 address shall show the contractor's name or address as registered under  
32 this chapter.

33 (3)(a) All advertising that shows the contractor's name or address  
34 shall show the contractor's current registration number. The  
35 registration number may be omitted in an alphabetized listing of  
36 registered contractors stating only the name, address, and telephone  
37 number: PROVIDED, That signs on motor vehicles subject to RCW  
38 46.16.010 and on-premise signs shall not constitute advertising as

1 provided in this section. All materials used to directly solicit  
2 business from retail customers who are not businesses shall show the  
3 contractor's current registration number. A contractor shall not use  
4 a false or expired registration number in purchasing or offering to  
5 purchase an advertisement for which a contractor registration number is  
6 required. Advertising by airwave transmission shall not be subject to  
7 this subsection (3)(a).

8 (b) The director may issue a subpoena to any person or entity  
9 selling any advertising subject to this section for the name, address,  
10 and telephone number provided to the seller of the advertising by the  
11 purchaser of the advertising. The subpoena must have enclosed a  
12 stamped, self-addressed envelope and blank form to be filled out by the  
13 seller of the advertising. If the seller of the advertising has the  
14 information on file, the seller shall, within a reasonable time, return  
15 the completed form to the department. The subpoena must be issued  
16 before forty-eight hours after the expiration of the issue or  
17 publication containing the advertising or after the broadcast of the  
18 advertising. The good-faith compliance by a seller of advertising with  
19 a written request of the department for information concerning the  
20 purchaser of advertising shall constitute a complete defense to any  
21 civil or criminal action brought against the seller of advertising  
22 arising from such compliance. Advertising by airwave or electronic  
23 transmission is subject to this subsection (3)(b).

24 ~~(4) ((No contractor shall advertise that he or she is bonded and  
25 insured because of the bond required to be filed and sufficiency of  
26 insurance as provided in this chapter.~~

27 ~~(5))~~ A contractor shall not falsify a registration number and use  
28 it, or use an expired registration number, in connection with any  
29 solicitation or identification as a contractor. All individual  
30 contractors and all partners, associates, agents, salesmen, solicitors,  
31 officers, and employees of contractors shall use their true names and  
32 addresses at all times while engaged in the business or capacity of a  
33 contractor or activities related thereto.

34 ~~((+6))~~ (5) Any advertising by a person, firm, or corporation  
35 soliciting work as a contractor when that person, firm, or corporation  
36 is not registered pursuant to this chapter is a violation of this  
37 chapter.

38 ~~((+7))~~ (6)(a) The finding of a violation of this section by the  
39 director at a hearing held in accordance with the Administrative

1 Procedure Act, chapter 34.05 RCW, shall subject the person committing  
2 the violation to a penalty of not more than (~~five~~) ten thousand  
3 dollars as determined by the director.

4 (b) Penalties under this section shall not apply to a violation  
5 determined to be an inadvertent error.

6 **Sec. 9.** RCW 18.27.110 and 1997 c 314 s 11 are each amended to read  
7 as follows:

8 (1) No city, town or county shall issue a construction building  
9 permit for work which is to be done by any contractor required to be  
10 registered under this chapter without verification that such contractor  
11 is currently registered as required by law. When such verification is  
12 made, nothing contained in this section is intended to be, nor shall be  
13 construed to create, or form the basis for any liability under this  
14 chapter on the part of any city, town or county, or its officers,  
15 employees or agents. However, failure to verify the contractor  
16 registration number results in liability to the city, town, or county  
17 to a penalty to be imposed according to RCW 18.27.100(~~(+7)~~) (6)(a).

18 (2) At the time of issuing the building permit, all cities, towns,  
19 or counties are responsible for:

20 (a) Printing the contractor registration number on the building  
21 permit; and

22 (b) Providing a written notice to the building permit applicant  
23 informing them of contractor registration laws and the potential risk  
24 and monetary liability to the homeowner for using an unregistered  
25 contractor.

26 (3) If a building permit is obtained by an applicant or contractor  
27 who falsifies information to obtain an exemption provided under RCW  
28 18.27.090, the building permit shall be forfeited.

29 **Sec. 10.** RCW 18.27.114 and 1997 c 314 s 12 are each amended to  
30 read as follows:

31 (1) Any contractor agreeing to perform any contracting project:  
32 (a) For the repair, alteration, or construction of four or fewer  
33 residential units or accessory structures on such residential property  
34 when the bid or contract price totals one thousand dollars or more; or  
35 (b) for the repair, alteration, or construction of a commercial  
36 building when the bid or contract price totals one thousand dollars or  
37 more but less than sixty thousand dollars, must provide the customer

1 with the following disclosure statement in substantially the following  
2 form using lower case and upper case twelve-point and bold type where  
3 appropriate, prior to starting work on the project:

4 "NOTICE TO CUSTOMER

5 (~~(This contractor is registered with the state of Washington,~~  
6 ~~registration no. . . . ., as a general/specialty contractor and~~  
7 ~~has posted with the state a bond or cash deposit of~~  
8 ~~\$6,000/\$4,000 for the purpose of satisfying claims against the~~  
9 ~~contractor for negligent or improper work or breach of contract~~  
10 ~~in the conduct of the contractor's business. The expiration~~  
11 ~~date of this contractor's registration is . . . . . This~~  
12 ~~bond or cash deposit may not be sufficient to cover a claim~~  
13 ~~which might arise from the work done under your contract. If~~  
14 ~~any supplier of materials used in your construction project or~~  
15 ~~any employee of the contractor or subcontractor is not paid by~~  
16 ~~the contractor or subcontractor on your job, your property may~~  
17 ~~be liened to force payment. If you wish additional protection,~~  
18 ~~you may request the contractor to provide you with original~~  
19 ~~"lien release" documents from each supplier or subcontractor on~~  
20 ~~your project. The contractor is required to provide you with~~  
21 ~~further information about lien release documents if you request~~  
22 ~~it. General information is also available from the department~~  
23 ~~of labor and industries."))~~

24 This contractor is registered with the state of Washington,  
25 registration no. . . . ., and has posted with the state a bond or  
26 deposit of . . . . . for the purpose of satisfying claims  
27 against the contractor for breach of contract including  
28 negligent or improper work in the conduct of the contractor's  
29 business. The expiration date of this contractor's  
30 registration is . . . . .

31 **THIS BOND OR DEPOSIT MIGHT NOT BE SUFFICIENT TO COVER A CLAIM**  
32 **THAT MIGHT ARISE FROM THE WORK DONE UNDER YOUR CONTRACT.**

33 This bond or deposit is not for your exclusive use because it  
34 covers all work performed by this contractor. The bond or  
35 deposit is intended to pay valid claims up to . . . . . that  
36 you and other customers, suppliers, subcontractors, or taxing  
37 authorities may have.

1 **FOR GREATER PROTECTION YOU MAY REQUEST YOUR CONTRACTOR TO**  
2 **PROVIDE YOU WITH A PAYMENT AND PERFORMANCE BOND FOR YOUR JOB.**

3 Your contractor may obtain a payment and performance bond for  
4 an additional fee to guarantee payment of suppliers and  
5 subcontractors and performance of your construction project.

6 Other methods of protecting yourself include: Employing the  
7 services of an attorney, a construction contract control  
8 professional, or other construction professional; entering into  
9 a joint check arrangement with your contractor and his or her  
10 subcontractors and suppliers to insure that payment is made to  
11 those parties; and withholding a contractually defined  
12 percentage of your construction contract as retainage for a  
13 stated period of time to provide protection to you and help  
14 insure that your project will be completed as required by your  
15 contract.

16 **YOUR PROPERTY MAY BE LIENED.**

17 If a supplier of materials used in your construction project or  
18 an employee or subcontractor of your contractor or  
19 subcontractors is not paid, your property may be liened to  
20 force payment and you could pay twice for the same work.

21 **FOR ADDITIONAL PROTECTION, YOU SHOULD MAKE CHECKS PAYABLE**  
22 **JOINTLY TO THE CONTRACTOR AND SUPPLIERS OR SUBCONTRACTORS AND**  
23 **REQUIRE THE CONTRACTOR TO PROVIDE YOU WITH ORIGINAL "LIEN**  
24 **RELEASE" DOCUMENTS FROM EACH SUPPLIER OR SUBCONTRACTOR ON YOUR**  
25 **PROJECT.**

26 The contractor is required to provide you with further  
27 information about lien release documents if you request it.  
28 General information is also available from the state Department  
29 of Labor and Industries."

30 (2) A contractor subject to this section shall notify any consumer  
31 to whom notice is required under subsection (1) of this section if the  
32 contractor's registration has expired or is revoked or suspended by the  
33 department prior to completion or other termination of the contract  
34 with the consumer.

35 (3) No contractor subject to this section may bring or maintain any  
36 lien claim under chapter 60.04 RCW based on any contract to which this

1 section applies without alleging and proving that the contractor has  
2 provided the customer with a copy of the disclosure statement as  
3 required in subsection (1) of this section.

4 (4) This section does not apply to contracts authorized under  
5 chapter 39.04 RCW or to contractors contracting with other contractors.

6 (5) Failure to comply with this section shall constitute an  
7 infraction under the provisions of this chapter.

8 (6) The department shall produce model disclosure statements, and  
9 public service announcements detailing the information needed to assist  
10 contractors and contractors' customers to comply under this section.  
11 As necessary, the department shall periodically update these education  
12 materials.

13 **Sec. 11.** RCW 60.04.031 and 1992 c 126 s 2 are each amended to read  
14 as follows:

15 (1) Except as otherwise provided in this section, every person  
16 furnishing professional services, materials, or equipment for the  
17 improvement of real property shall give the owner or reputed owner  
18 notice in writing of the right to claim a lien. If the prime  
19 contractor is in compliance with the requirements of RCW 19.27.095,  
20 60.04.230, and 60.04.261, this notice shall also be given to the prime  
21 contractor as described in this subsection unless the potential lien  
22 claimant has contracted directly with the prime contractor. The notice  
23 may be given at any time but only protects the right to claim a lien  
24 for professional services, materials, or equipment supplied after the  
25 date which is sixty days before:

26 (a) Mailing the notice by certified or registered mail to the owner  
27 or reputed owner; or

28 (b) Delivering or serving the notice personally upon the owner or  
29 reputed owner and obtaining evidence of delivery in the form of a  
30 receipt or other (~~acknowledgement~~) acknowledgment signed by the owner  
31 or reputed owner or an affidavit of service.

32 In the case of new construction of a single-family residence, the  
33 notice of a right to claim a lien may be given at any time but only  
34 protects the right to claim a lien for professional services,  
35 materials, or equipment supplied after a date which is ten days before  
36 the notice is given as described in this subsection.

37 (2) Notices of a right to claim a lien shall not be required of:

1 (a) Persons who contract directly with the owner or the owner's  
2 common law agent;

3 (b) Laborers whose claim of lien is based solely on performing  
4 labor; or

5 (c) Subcontractors who contract for the improvement of real  
6 property directly with the prime contractor, except as provided in  
7 subsection (3)(b) of this section.

8 (3) Persons who furnish professional services, materials, or  
9 equipment in connection with the repair, alteration, or remodel of an  
10 existing owner-occupied single-family residence or appurtenant garage  
11 or in connection with the new construction of a single-family residence  
12 for a residential homeowner:

13 (a) Who contract directly with the (~~owner-occupier~~) owner or  
14 (~~their~~) the owner's common law agent shall not be required to send a  
15 written notice of the right to claim a lien and shall have a lien for  
16 the full amount due under their contract, as provided in RCW 60.04.021;  
17 or

18 (b) Who do not contract directly with the (~~owner-occupier~~) owner  
19 or (~~their~~) the owner's common law agent shall give notice of the  
20 right to claim a lien to the (~~owner-occupier~~) owner. Liens of  
21 persons furnishing professional services, materials, or equipment who  
22 do not contract directly with the (~~owner-occupier~~) owner or (~~their~~)  
23 the owner's common law agent may only be satisfied from amounts not yet  
24 paid to the prime contractor by the owner at the time the notice  
25 described in this section is received, regardless of whether amounts  
26 not yet paid to the prime contractor are due. For the purposes of this  
27 subsection "received" means actual receipt of notice by personal  
28 service, or registered or certified mail, or three days after mailing  
29 by registered or certified mail, excluding Saturdays, Sundays, or legal  
30 holidays.

31 (4) The notice of right to claim a lien described in subsection (1)  
32 of this section, shall include but not be limited to the following  
33 information and shall substantially be in the following form, using  
34 lower-case and upper-case ten-point type where appropriate.

35 NOTICE TO OWNER

36 IMPORTANT: READ BOTH SIDES OF THIS NOTICE  
37 CAREFULLY.

38 PROTECT YOURSELF FROM PAYING TWICE

1 To: . . . . . Date: . . . . .

2 Re: (description of property: Street address or general  
3 location.)

4 From: . . . . .

5 AT THE REQUEST OF: (Name of person ordering the professional  
6 services, materials, or equipment)

7 THIS IS NOT A LIEN--THIS NOTICE IS MEANT TO PROVIDE YOU WITH  
8 INFORMATION NECESSARY TO PROPERLY MANAGE YOUR CONSTRUCTION PROJECT:

9 This notice is sent to you to tell you who is providing professional  
10 services, materials, or equipment for the improvement of your property  
11 and to advise you of the rights of these persons and your  
12 responsibilities. Also take note that laborers on your project may  
13 claim a lien without sending you a notice.

14 OWNER/OCCUPIER OF EXISTING  
15 RESIDENTIAL PROPERTY AND/OR  
16 NEW RESIDENTIAL PROPERTY

17 Under Washington law, those who furnish labor, professional services,  
18 materials, or equipment for the repair, remodel, or alteration of your  
19 owner-occupied principal residence and who are not paid, have a right  
20 to enforce their claim for payment against your property. This claim  
21 is known as a construction lien.

22 The law limits the amount that a lien claimant can claim against your  
23 property. If the improvement to your property is the construction of  
24 a new single-family residence, a lien may be claimed for all  
25 professional services, materials, or equipment furnished during the ten  
26 days preceding the date this notice was given to you or mailed to you  
27 and thereafter. Claims may only be made against that portion of the  
28 contract price you have not yet paid to your prime contractor as of the  
29 time this notice was given to you or three days after this notice was  
30 mailed to you. Review the back of this notice for more information and  
31 ways to avoid lien claims.

32 COMMERCIAL ((~~AND/OR NEW~~  
33 ~~RESIDENTIAL~~)) PROPERTY

34 We have or will be providing professional services, materials, or  
35 equipment for the improvement of your commercial ((~~or new residential~~))

1 project. In the event you or your contractor fail to pay us, we may  
2 file a lien against your property. A lien may be claimed for all  
3 professional services, materials, or equipment furnished after a date  
4 that is sixty days before this notice was given to you or mailed to  
5 you(~~(, unless the improvement to your property is the construction of~~  
6 ~~a new single family residence, then ten days before this notice was~~  
7 ~~given to you or mailed to you))).~~

8 Sender: . . . . .  
9 Address: . . . . .  
10 Telephone: . . . . .

11 Brief description of professional services, materials, or equipment  
12 provided or to be provided: . . . . .

13 IMPORTANT INFORMATION  
14 ON REVERSE SIDE

15 IMPORTANT INFORMATION  
16 FOR YOUR PROTECTION

17 This notice is sent to inform you that we have or will provide  
18 professional services, materials, or equipment for the improvement of  
19 your property. We expect to be paid by the person who ordered our  
20 services, but if we are not paid, we have the right to enforce our  
21 claim by filing a construction lien against your property.

22 LEARN more about the lien laws and the meaning of this notice by  
23 discussing them with your contractor, suppliers, Department of Labor  
24 and Industries, the firm sending you this notice, your lender, or your  
25 attorney.

26 COMMON METHODS TO AVOID CONSTRUCTION LIENS: There are several methods  
27 available to protect your property from construction liens. The  
28 following are two of the more commonly used methods.

29 DUAL PAYCHECKS (Joint Checks): When paying your contractor for  
30 services or materials, you may make checks payable jointly to  
31 the contractor and the firms furnishing you this notice.

32 LIEN RELEASES: You may require your contractor to provide lien  
33 releases signed by all the suppliers and subcontractors from  
34 whom you have received this notice. If they cannot obtain lien

1 releases because you have not paid them, you may use the dual  
2 payee check method to protect yourself.

3 YOU SHOULD TAKE APPROPRIATE STEPS TO PROTECT YOUR PROPERTY FROM LIENS.  
4 YOUR PRIME CONTRACTOR AND YOUR CONSTRUCTION LENDER ARE REQUIRED BY LAW  
5 TO GIVE YOU WRITTEN INFORMATION ABOUT LIEN CLAIMS. IF YOU HAVE NOT  
6 RECEIVED IT, ASK THEM FOR IT.

7 \* \* \* \* \*

8 (5) Every potential lien claimant providing professional services  
9 where no improvement as defined in RCW 60.04.011(5) (a) or (b) has been  
10 commenced, and the professional services provided are not visible from  
11 an inspection of the real property may record in the real property  
12 records of the county where the property is located a notice which  
13 shall contain the professional service provider's name, address,  
14 telephone number, legal description of the property, the owner or  
15 reputed owner's name, and the general nature of the professional  
16 services provided. If such notice is not recorded, the lien claimed  
17 shall be subordinate to the interest of any subsequent mortgagee and  
18 invalid as to the interest of any subsequent purchaser if the mortgagee  
19 or purchaser acts in good faith and for a valuable consideration  
20 acquires an interest in the property prior to the commencement of an  
21 improvement as defined in RCW 60.04.011(5) (a) or (b) without notice of  
22 the professional services being provided. The notice described in this  
23 subsection shall be substantially in the following form:

24 NOTICE OF FURNISHING  
25 PROFESSIONAL SERVICES

26 That on the \_\_\_(day)\_\_\_ day of \_\_\_(month and year)\_\_\_, \_\_\_(name of  
27 provider)\_\_\_ began providing professional services upon or for the  
28 improvement of real property legally described as follows:

29 [Legal Description  
30 is mandatory]

31 The general nature of the professional services provided is . . .  
32 . . . . .  
33 The owner or reputed owner of the real property is . . . . .  
34 . . . . .

1 . . . . .  
2 (Signature)  
3 . . . . .  
4 (Name of Claimant)  
5 . . . . .  
6 (Street Address)  
7 . . . . .  
8 (City, State, Zip Code)  
9 . . . . .  
10 (Phone Number)

11 (6) A lien authorized by this chapter shall not be enforced unless  
12 the lien claimant has complied with the applicable provisions of this  
13 section.

14 (7) For the purposes of this section "commercial property" includes  
15 residential property that is not owned by a residential homeowner.

16 NEW SECTION. Sec. 12. A new section is added to chapter 18.27 RCW  
17 to read as follows:

18 (1) The director shall establish a construction contractor advisory  
19 committee.

20 (2) The director or designee is the chair of the committee. The  
21 committee may meet at a time and place designated by the director, or  
22 a majority of the members, and shall hold meetings during the year to  
23 advise the director.

24 (3) The purpose of the committee is to advise the department on all  
25 matters relating to contractor registration under this chapter. The  
26 committee's recommendations are advisory only.

27 (4) The department shall require by rule that applicants for  
28 registration under this chapter provide evidence of passing a  
29 competency test and completion of up to sixteen hours of education in  
30 subjects relating to business practices and laws that affect  
31 contractors. In adopting rules pursuant to this section, the  
32 department must take into consideration the availability of training  
33 programs in all areas of the state and must encourage training  
34 providers to use the most up-to-date technology.

35 (5) As a requirement for renewing a certificate of registration, a  
36 contractor registered for less than two years must provide the

1 department evidence of completion of up to sixteen hours of education  
2 in subjects relating to business practices and laws that affect  
3 contractors.

4 (6) A contractor who was exempt from the testing requirements of  
5 this chapter and who is unregistered because of suspension or  
6 revocation must complete the continuing education requirements and  
7 competency testing requirements of this chapter before the department  
8 issues a certificate of registration.

9 NEW SECTION. **Sec. 13.** A new section is added to chapter 18.27 RCW  
10 to read as follows:

11 (1) The purpose of this section is to improve the professional  
12 business competency of construction contractors by requiring reasonable  
13 standards for continuing education and competency testing in subjects  
14 relating to business practices and laws affecting contractors. Hours  
15 of education refer to clock hours, not credit hours.

16 (2) An applicant for registration must designate an individual as  
17 his or her responsible managing individual. On or after July 1, 2002,  
18 the responsible managing individual must be responsible for completing  
19 the continuing education requirements and passing the competency test  
20 required by this chapter. If the relationship of the responsible  
21 managing individual is terminated, the contractor's registration is  
22 suspended within ninety days unless another responsible managing  
23 individual is qualified by the department. The responsible managing  
24 individual may be:

25 (a) An owner, if the applicant is a sole proprietorship;

26 (b) A partner, if the applicant is a partnership or limited  
27 liability partnership;

28 (c) A member, if the applicant is a limited liability company;

29 (d) A corporate officer, if the applicant is a corporation; or

30 (e) A designated full-time permanent employee, if an applicant has  
31 documented that no owner, partner, member, or corporate officer of the  
32 applicant is directly involved in construction in the state of  
33 Washington, and that the employee is the supervisor of the state of  
34 Washington construction operations of the applicant.

35 (3) The department will not accept a responsible managing  
36 individual of more than one registration if that individual is not an  
37 owner, partner, member, or corporate officer.

1 (4) An applicant with an expired registration of more than twelve  
2 months must provide evidence that he or she completed all required  
3 continuing education and competency testing requirements required by  
4 this section. An applicant for registration who is not exempt from the  
5 education and testing requirements of this section must provide  
6 evidence that his or her responsible managing individual completed the  
7 prescribed sixteen hours of education at the time of the applicant's  
8 responsible managing individual's application for registration.

9 (5) Effective July 1, 2002, an applicant for registration must  
10 provide evidence that his or her responsible managing individual passed  
11 the prescribed competency test. Evidence of course completion before  
12 July 1, 2002, must consist of the provider issued certificate of  
13 satisfactory completion, which the applicant for registration must  
14 provide at the time of his or her application. On or after July 1,  
15 2002, evidence that an applicant completed a required education  
16 requirement and passed a competency test must consist of electronic  
17 information supplied to the department by an education provider and a  
18 test administrator.

19 (6) Effective January 1, 2002, the department will not accept a  
20 course approval number issued more than two years before the date of  
21 the applicant's initial application for registration.

22 NEW SECTION. Sec. 14. A new section is added to chapter 18.27 RCW  
23 to read as follows:

24 On or after July 1, 2002, the department must not register a  
25 business entity unless the business entity's responsible managing  
26 individual obtained a passing score on a test approved by the  
27 department.

28 NEW SECTION. Sec. 15. A new section is added to chapter 18.27 RCW  
29 to read as follows:

30 (1) In lieu of the test required under section 12 of this act, an  
31 applicant may provide evidence to the department that:

32 (a) The responsible managing individual is listed on the  
33 department's current computer registration records as having been  
34 registered as an individual proprietor, partner, corporate officer, or  
35 limited liability company prior to July 1, 2002, and that the business  
36 has been inactive with the department for twelve months or less; or

1 (b) The responsible managing individual has been licensed or  
2 registered in good standing as a contractor in another state or country  
3 with the state or country's construction contractor regulatory  
4 authority for two years or more prior to July 1, 2002, and was  
5 continuously and actively registered or licensed to the date of  
6 application with the department.

7 (2) The director may, upon payment of a reciprocity application fee  
8 established by rule and the current registration fee, grant a  
9 certificate of registration to any applicant who is a registered  
10 contractor or registered specialty contractor in any other state or  
11 country whose requirements for registration are at least substantially  
12 equivalent to the requirements of this state for registration, and  
13 which extends the same privileges of reciprocity to contractors and  
14 specialty contractors registered in this state.

15 NEW SECTION. **Sec. 16.** A new section is added to chapter 18.27 RCW  
16 to read as follows:

17 (1) The department may not accept education requirements from  
18 providers that are not approved by the department.

19 (2) To receive departmental approval, individuals and organizations  
20 desiring to provide the education courses required by this section must  
21 submit an agreement with the department prior to offering the sixteen  
22 hours of education. The provider agreement includes, but shall not be  
23 limited to:

24 (a) The name, address, contact information, and name of the  
25 responsible administrator of the education provider;

26 (b) Evidence that all its instructors have at least two years'  
27 total experience either teaching adults or working in the instructor's  
28 subject area or a combination of the two, including the submission of  
29 instructor resumes or work history summaries.

30 (3) No provider may instruct any part of the sixteen-hour course  
31 until there is a fully executed accreditation agreement.

32 NEW SECTION. **Sec. 17.** A new section is added to chapter 18.27 RCW  
33 to read as follows:

34 The department may evaluate and approve courses based on written  
35 evaluation criteria approved by the construction contractor advisory  
36 committee and made available to providers. The department may revoke  
37 a provider's approval if a provider's courses do not meet the approved

1 criteria. The department is authorized to adopt rules establishing the  
2 qualifications and requirements of providers and shall set fees by rule  
3 for the administration of this chapter. The fees shall cover but not  
4 exceed the costs of issuing the certificate of registration and of  
5 administering and enforcing the requirements of this chapter.

6 NEW SECTION. **Sec. 18.** RCW 18.27.075 (Limit on fees for issuing or  
7 renewing certificate of registration) and 1983 c 74 s 2 are each  
8 repealed.

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