

2SHB 1534 - S COMM AMD

By Committee on Labor & Commerce

ADOPTED 04/11/2023

1 Strike everything after the enacting clause and insert the
2 following:

3 "Sec. 1. RCW 18.27.010 and 2015 c 52 s 1 are each amended to
4 read as follows:

5 The definitions in this section apply throughout this chapter
6 unless the context clearly requires otherwise.

7 (1)(a) "Contractor" includes any person, firm, corporation, or
8 other entity who or which, in the pursuit of an independent business
9 undertakes to, or offers to undertake, or submits a bid to,
10 construct, alter, repair, add to, subtract from, improve, develop,
11 move, wreck, or demolish any building, highway, road, railroad,
12 excavation or other structure, project, development, or improvement
13 attached to real estate or to do any part thereof including the
14 installation of carpeting or other floor covering, the erection of
15 scaffolding or other structures or works in connection therewith, the
16 installation or repair of roofing or siding, performing tree removal
17 services, or cabinet or similar installation; or, who, to do similar
18 work upon his or her own property, employs members of more than one
19 trade upon a single job or project or under a single building permit
20 except as otherwise provided in this chapter.

21 (b) "Contractor" also includes a consultant acting as a general
22 contractor.

23 (c) "Contractor" also includes any person, firm, corporation, or
24 other entity covered by this subsection (1), whether or not
25 registered as required under this chapter or who are otherwise
26 required to be registered or licensed by law, who offer to sell their
27 property without occupying or using the structures, projects,
28 developments, or improvements for more than one year from the date
29 the structure, project, development, or improvement was substantially
30 completed or abandoned. A person, firm, corporation, or other entity
31 is not a contractor under this subsection (1)(c) if the person, firm,

1 corporation, or other entity contracts with a registered general
2 contractor and does not superintend the work.

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

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

6 (4) "Filing" means delivery of a document that is required to be
7 filed with an agency to a place designated by the agency.

8 (5) "General contractor" means a contractor whose business
9 operations require the use of more than one building trade or craft
10 upon a single job or project or under a single building permit. A
11 general contractor also includes one who superintends, or consults
12 on, in whole or in part, work falling within the definition of a
13 contractor.

14 (6) "Notice of infraction" means a form used by the department to
15 notify contractors that an infraction under this chapter has been
16 filed against them.

17 (7) "Partnership" means a business formed under Title 25 RCW.

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

21 (9) "Registration suspension" means either an automatic
22 suspension as provided in this chapter, or 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 (10) "Residential homeowner" means an individual person or
28 persons owning or leasing real property:

29 (a) Upon which one single-family residence is to be built and in
30 which the owner or lessee intends to reside upon completion of any
31 construction; or

32 (b) Upon which there is a single-family residence to which
33 improvements are to be made and in which the owner or lessee intends
34 to reside upon completion of any construction.

35 (11) "Service," except as otherwise provided in RCW 18.27.225 and
36 18.27.370, means posting in the United States mail, properly
37 addressed, postage prepaid, return receipt requested, or personal
38 service. Service by mail is complete upon deposit in the United
39 States mail to the last known address provided to the department.

1 (12) "Specialty contractor" means a contractor whose operations
2 do not fall within the definition of "general contractor". A
3 specialty contractor may only subcontract work that is incidental to
4 the specialty contractor's work.

5 (13) "Substantial completion" means the same as "substantial
6 completion of construction" in RCW 4.16.310.

7 (14) "Successor" means an applicant operating with all or part of
8 the assets of another entity previously registered under this
9 chapter, where the applicant is under substantially common ownership,
10 management, or control of the other entity.

11 (15) "Unregistered contractor" means a person, firm, corporation,
12 or other entity doing work as a contractor without being registered
13 in compliance with this chapter. "Unregistered contractor" includes
14 contractors whose registration is expired, revoked, or suspended.
15 "Unregistered contractor" does not include a contractor who has
16 maintained a valid bond and the insurance or assigned account
17 required by RCW 18.27.050, and whose registration has lapsed for
18 ((thirty)) 30 or fewer days.

19 ((15)) (16) "Unsatisfied final judgment" means a judgment or
20 final tax warrant that has not been satisfied either through payment,
21 court approved settlement, discharge in bankruptcy, or assignment
22 under RCW 19.72.070.

23 ((16)) (17) "Verification" means the receipt and duplication by
24 the city, town, or county of a contractor registration card that is
25 current on its face, checking the department's contractor
26 registration database, or calling the department to confirm that the
27 contractor is registered.

28 **Sec. 2.** RCW 18.27.030 and 2008 c 120 s 1 are each amended to
29 read as follows:

30 (1) An applicant for registration as a contractor shall submit an
31 application under oath upon a form to be prescribed by the director
32 and which shall include the following information pertaining to the
33 applicant:

34 (a) Employer social security number or individual taxpayer
35 identification number.

36 (b) Unified business identifier number.

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

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

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

5 (iii) For applicants domiciled in a state or province of Canada
6 subject to an agreement entered into under RCW 51.12.120(7), as
7 permitted by the agreement, filing a certificate of coverage issued
8 by the agency that administers the workers' compensation law in the
9 applicant's state or province of domicile certifying that the
10 applicant has secured the payment of compensation under the other
11 state's or province's workers' compensation law.

12 (d) Employment security department number.

13 (e) Unified business identifier (UBI) account number may be
14 substituted for the information required by (c) and (d) of this
15 subsection if the applicant will not employ employees in Washington.

16 (f) Type of contracting activity, whether a general or a
17 specialty contractor and if the latter, the type of specialty.

18 (g) The name and address of each partner if the applicant is a
19 firm or partnership, or the name and address of the owner if the
20 applicant is an individual proprietorship, or the name and address of
21 the corporate officers and statutory agent, if any, if the applicant
22 is a corporation or the name and address of all members of other
23 business entities. The information contained in such application is a
24 matter of public record and open to public inspection.

25 (2) The department may verify the workers' compensation coverage
26 information provided by the applicant under subsection (1)(c) of this
27 section, including but not limited to information regarding the
28 coverage of an individual employee of the applicant. If coverage is
29 provided under the laws of another state, the department may notify
30 the other state that the applicant is employing employees in
31 Washington.

32 (3)(a) The department shall deny an application for registration
33 if: (i) The applicant has been previously performing work subject to
34 this chapter as a sole proprietor, partnership, corporation, or other
35 entity and the department has notice that the applicant has an
36 unsatisfied final judgment against him or her in an action based on
37 work performed subject to this chapter or the applicant owes the
38 department money for penalties assessed or fees due under this
39 chapter as a result of a final judgment; (ii) the applicant was an
40 owner, principal, or officer of a partnership, corporation, or other

1 entity that either has an unsatisfied final judgment against it in an
2 action that was incurred for work performed subject to this chapter
3 or owes the department money for penalties assessed or fees due under
4 this chapter as a result of a final judgment; (iii) the applicant is
5 a successor to an entity with an unsatisfied final judgment against
6 it in an action that was incurred for work performed subject to this
7 chapter or owes the department money for penalties assessed or fees
8 due under this chapter as a result of a final judgment, except as
9 provided under (d) of this subsection (3); (iv) the applicant does
10 not have a valid unified business identifier number; (~~(iv)~~) (v) the
11 department determines that the applicant has falsified information on
12 the application, unless the error was inadvertent; (~~(v)~~) (vi)
13 the applicant does not have an active and valid certificate of
14 registration with the department of revenue; or (vii) the applicant
15 is under 18 years old at the time of application.

16 (b) The department shall suspend an active registration if (i)
17 the department has determined that the registrant has an unsatisfied
18 final judgment against it for work within the scope of this chapter;
19 (ii) the department has determined that the registrant is a sole
20 proprietor or an owner, principal, or officer of a registered
21 contractor that has an unsatisfied final judgment against it for work
22 within the scope of this chapter; (iii) the registrant does not
23 maintain a valid unified business identifier number; (iv) the
24 department has determined that the registrant falsified information
25 on the application, unless the error was inadvertent; or (v) the
26 registrant does not have an active and valid certificate of
27 registration with the department of revenue.

28 (c) The department may suspend an active registration if the
29 department has determined that an owner, principal, partner, or
30 officer of the registrant was an owner, principal, or officer of a
31 previous partnership, corporation, or other entity that has an
32 unsatisfied final judgment against it.

33 (d) For the purposes of (a)(iii) of this subsection (3), it is
34 presumed that an applicant knew or should have known of the relevant
35 unsatisfied final judgment. If an applicant demonstrates by a
36 preponderance of the evidence that the applicant did not know of the
37 unsatisfied final judgment, by having exercised due diligence and
38 timely verifying with the department that the other contractor was in
39 good standing, then the department may grant the application for
40 registration under this section, provided that the applicant meets

1 applicable requirements under this chapter. The department shall
2 adopt rules for the purposes of implementing this subsection (3)(d).

3 (4) The department shall not deny an application or suspend a
4 registration because of an unsatisfied final judgment if the
5 applicant's or registrant's unsatisfied final judgment was determined
6 by the director to be the result of the fraud or negligence of
7 another party, unless the applicant or registrant is a successor to
8 said party under subsection (3)(a)(iii) of this section.

9 **Sec. 3.** RCW 18.27.040 and 2019 c 155 s 1 are each amended to
10 read as follows:

11 (1) Each applicant shall file with the department a surety bond
12 issued by a surety insurer who meets the requirements of chapter
13 48.28 RCW in the sum of (~~twelve thousand dollars~~) \$30,000 if the
14 applicant is a general contractor (~~and six thousand dollars~~) or
15 \$15,000 if the applicant is a specialty contractor. If no valid bond
16 is already on file with the department at the time the application is
17 filed, a bond must accompany the registration application. The bond
18 shall have the state of Washington named as obligee with good and
19 sufficient surety in a form to be approved by the department. The
20 bond shall be continuous and may be canceled by the surety upon the
21 surety giving written notice to the director. A cancellation or
22 revocation of the bond or withdrawal of the surety from the bond
23 automatically suspends the registration issued to the contractor
24 until a new bond or reinstatement notice has been filed and approved
25 as provided in this section. The bond shall be conditioned that the
26 applicant will pay all persons performing labor, including employee
27 benefits, for the contractor, will pay all taxes and contributions
28 due to the state of Washington, and will pay all persons furnishing
29 material or renting or supplying equipment to the contractor and will
30 pay all amounts that may be adjudged against the contractor by reason
31 of breach of contract including improper work in the conduct of the
32 contracting business. A change in the name of a business or a change
33 in the type of business entity shall not impair a bond for the
34 purposes of this section so long as one of the original applicants
35 for such bond maintains partial ownership in the business covered by
36 the bond.

37 (2) At the time of initial registration or renewal, the
38 contractor shall provide a bond or other security deposit as required
39 by this chapter and comply with all of the other provisions of this

1 chapter before the department shall issue or renew the contractor's
2 certificate of registration. Any contractor registered as of (~~July~~
3 ~~1, 2001~~) June 30, 2024, who maintains that registration in
4 accordance with this chapter is in compliance with this chapter until
5 the next renewal of the contractor's certificate of registration.

6 (3) 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 against the contractor and the bond or deposit in the superior
9 court of the county in which the work was done or of any county in
10 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 brought by a residential homeowner for
13 breach of contract by a party to the construction contract shall be
14 commenced by filing the summons and complaint with the clerk of the
15 appropriate superior court within two years from the date the claimed
16 contract work was substantially completed or abandoned, whichever
17 occurred first. Action upon the bond or deposit brought by any other
18 authorized party shall be commenced by filing the summons and
19 complaint with the clerk of the appropriate superior court within one
20 year from the date the claimed labor was performed and benefits
21 accrued, taxes and contributions owing the state of Washington became
22 due, materials and equipment were furnished, or the claimed contract
23 work was substantially completed or abandoned, whichever occurred
24 first. Service of process in an action filed under this chapter
25 against the contractor and the contractor's bond or the deposit shall
26 be exclusively by service upon the department. Three copies of the
27 summons and complaint and a fee adopted by rule of not less than
28 (~~fifty dollars~~) \$50 to cover the costs shall be served by
29 registered or certified mail, or other delivery service requiring
30 notice of receipt, upon the department at the time suit is started
31 and the department shall maintain a record, available for public
32 inspection, of all suits so commenced. Service is not complete until
33 the department receives the fee and three copies of the summons and
34 complaint. The service shall constitute service and confer personal
35 jurisdiction on the contractor and the surety for suit on claimant's
36 claim against the contractor and the bond or deposit and the
37 department shall transmit the summons and complaint or a copy thereof
38 to the contractor at the address listed in the contractor's
39 application and to the surety within two days after it shall have
40 been received.

1 (4) The surety upon the bond shall not be liable in an aggregate
2 amount in excess of the amount named in the bond nor for any monetary
3 penalty assessed pursuant to this chapter for an infraction. The
4 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 and
12 provided to the department as required in subsection (3) of this
13 section, at any one time exceed the amount of the bond then
14 unimpaired, claims shall be satisfied from the bond in the following
15 order:

16 (a) Employee labor and claims of laborers, including employee
17 benefits;

18 (b) Claims for breach of contract by a party to the construction
19 contract;

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

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

23 (e) Any court costs, interest, and attorneys' fees plaintiff may
24 be entitled to recover. The surety is not liable for any amount in
25 excess of the penal limit of its bond.

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

28 (5) The total amount paid from a bond or deposit (~~(required of a~~
29 ~~general contractor by this section)~~) to claimants other than
30 residential homeowners must not exceed one-half of the bond (~~(amount.~~
31 ~~The total amount paid from a bond or deposit required of a specialty~~
32 ~~contractor by this section to claimants other than residential~~
33 ~~homeowners must not exceed one-half of the bond amount or four~~
34 ~~thousand dollars, whichever is greater)~~) or deposit.

35 (6) The prevailing party in an action filed under this section
36 against the contractor and contractor's bond or deposit, for breach
37 of contract by a party to the construction contract involving a
38 residential homeowner, is entitled to costs, interest, and reasonable
39 attorneys' fees. The surety upon the bond or deposit is not liable in
40 an aggregate amount in excess of the amount named in the bond or

1 deposit nor for any monetary penalty assessed pursuant to this
2 chapter for an infraction.

3 (7) If a final judgment impairs the liability of the surety upon
4 the bond or deposit so furnished that there is not in effect a bond
5 or deposit in the full amount prescribed in this section, the
6 registration of the contractor is automatically suspended until the
7 bond or deposit liability in the required amount unimpaired by
8 unsatisfied judgment claims is furnished.

9 (8) In lieu of the surety bond required by this section the
10 contractor may file with the department an assigned savings account,
11 upon forms provided by the department.

12 (9) Any person having filed and served a summons and complaint as
13 required by this section having an unsatisfied final judgment against
14 the registrant for any items referred to in this section may execute
15 upon the security held by the department by serving a certified copy
16 of the unsatisfied final judgment by registered or certified mail
17 upon the department within one year of the date of entry of such
18 judgment. Upon the receipt of service of such certified copy the
19 department shall pay or order paid from the deposit, through the
20 registry of the superior court which rendered judgment, towards the
21 amount of the unsatisfied judgment. The priority of payment by the
22 department shall be the order of receipt by the department, but the
23 department shall have no liability for payment in excess of the
24 amount of the deposit.

25 (10) Within (~~ten~~) 10 days after resolution of the case, a
26 certified copy of the final judgment and order, or any settlement
27 documents where a case is not disposed of by a court trial, a
28 certified copy of the dispositive settlement documents must be
29 provided to the department by the prevailing party. Failure to
30 provide a copy of the final judgment and order or the dispositive
31 settlement documents to the department within (~~ten~~) 10 days of
32 entry of such an order constitutes a violation of this chapter and a
33 penalty adopted by rule of not less than (~~two hundred fifty~~
34 ~~dollars~~) \$250 may be assessed against the prevailing party.

35 (11) The director may require an applicant applying to renew or
36 reinstate a registration or applying for a new registration to file a
37 bond of up to three times the normally required amount, if the
38 director determines that an applicant, or a previous registration of
39 a corporate officer, owner, or partner of a current applicant, has

1 had in the past five years one final judgment in actions under this
2 chapter involving a residential single-family dwelling.

3 (12) The director may adopt rules necessary for the proper
4 administration of the security.

5 ~~((13) (a) The department must convene a work group no later than
6 August 1, 2019, to consider additional safeguards for consumers who
7 engage contractors. The department must provide staff support for the
8 work group and include in the work group: Department staff; large and
9 small contractors that primarily contract with residential
10 homeowners, those that build new and rehabilitate residences, and
11 other interested contractors; surety bond companies; realtors or
12 their representatives; workers and/or their representatives;
13 representatives from the consumer protection division of the office
14 of the attorney general; consumers and/or advocates representing
15 them; and local building officials.~~

16 ~~The work group shall submit a report with recommendations to the
17 department and, if applicable, the appropriate committees of the
18 legislature by June 30, 2020. The report must address whether:~~

19 ~~(i) Bond amounts are sufficient and appropriate to protect
20 consumers, workers, and suppliers and meet tax obligations;~~

21 ~~(ii) Additional criteria for contractors would provide a greater
22 level of protection;~~

23 ~~(iii) Strategies to discourage the transfer of a business to a
24 different entity for the purpose of evading penalties or judgments
25 under this chapter should be implemented;~~

26 ~~(iv) Any other registration requirements or options for consumer
27 recovery under this chapter should be changed to increase protections
28 for consumers; and~~

29 ~~(v) Incentives to adopt industry best practices would increase
30 consumer protections.~~

31 ~~(b) The work group must dissolve once the report is submitted.))~~

32 **Sec. 4.** RCW 18.27.340 and 1997 c 314 s 17 are each amended to
33 read as follows:

34 (1) Except as otherwise provided in subsection (3) of this
35 section, a contractor found to have committed an infraction under RCW
36 18.27.200 shall be assessed a monetary penalty of not less than ~~((two
37 hundred dollars))~~ \$200 and not more than ~~((five thousand dollars))~~
38 \$10,000.

1 (2) The director may waive collection in favor of payment of
2 restitution to a consumer complainant.

3 (3) A contractor found to have committed an infraction under RCW
4 18.27.200 for failure to register shall be assessed a fine of not
5 less than (~~one thousand dollars~~) \$1,200, nor more than (~~five~~
6 ~~thousand dollars~~) \$10,000. The director may reduce the penalty for
7 failure to register, but in no case below (~~five hundred dollars~~)
8 \$600, if the person becomes registered within (~~ten~~) 10 days of
9 receiving a notice of infraction and the notice of infraction is for
10 a first offense.

11 (4) Monetary penalties collected under this (~~chapter~~) section
12 shall be deposited in the (~~general fund~~) homeowner recovery account
13 under section 7 of this act.

14 **Sec. 5.** RCW 18.27.400 and 2017 3rd sp.s. c 11 s 1 are each
15 amended to read as follows:

16 All moneys, except fines and penalties, received or collected
17 under the terms of this chapter must be deposited into the
18 construction registration inspection account. All fines and penalties
19 received or collected under the terms of this chapter shall be
20 deposited in the (~~general fund~~) homeowner recovery account under
21 section 7 of this act.

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

24 (1) Subject to the availability of funds appropriated for this
25 purpose, the homeowner recovery program is created and administered
26 by the department. The department shall have such rule-making
27 authority as the department deems necessary to administer the
28 program.

29 (2)(a) Beginning July 1, 2026, a person is eligible to recover
30 from the homeowner recovery program, provided that each of the
31 following conditions is satisfied:

32 (i) The person is a claimant with a final judgment in a court of
33 competent jurisdiction against a registered contractor for a claim
34 brought under RCW 18.27.040(3) on his or her primary residence. For
35 purposes of a claim brought on a multifamily dwelling consisting of
36 more than one unit, only the unit in which the claimant actually
37 resides is considered the claimant's primary residence;

1 (ii) The judgment specifies the actual damages suffered as a
2 consequence of such a claim;

3 (iii) The claimant has proceeded against any existing bond
4 covering the contractor;

5 (iv) The judgment has not been satisfied in full; and

6 (v) An application for recovery under (b) of this subsection is
7 made within 90 days after the conclusion of the civil action brought
8 under RCW 18.27.040(3).

9 (b) The department shall publish a form on its website for
10 claimants to apply for payment from the account under this section.
11 The department may determine by rule additional documentation
12 required to complete an application under this section.

13 (3) (a) The priority of payment for eligible applicants must be by
14 the order of receipt by the department, subject to the limitations in
15 this subsection (3). Payment for an eligible application must be to
16 the full extent of eligibility, without proration, before
17 consideration of payment for a subsequent application in the order of
18 receipt. Determinations regarding payments must be made by the
19 department in its sole discretion.

20 (b) Payment from the account is limited to actual damages awarded
21 in a final judgment, after recovery against the bond, for a claim
22 brought under RCW 18.27.040(3). Payment from the account for other
23 costs related to or pursuant to civil proceedings, such as attorneys'
24 fees, court costs, or punitive damages, is prohibited.

25 (c) Payment from the account may not exceed \$25,000 per
26 contractor per parcel, or the amount unpaid on the judgment,
27 whichever is less.

28 (d) (i) Total payments under the homeowner recovery program for a
29 fiscal year may not be greater than 80 percent of the account balance
30 calculated at the end of the previous fiscal year.

31 (ii) The department shall create and maintain a waitlist for any
32 eligible applications unpaid due to an insufficient account balance
33 under (d) (i) of this subsection. The waitlist must preserve the order
34 of receipt in accordance with (a) of this subsection.

35 (e) Eligibility for payment under subsection (2) of this section
36 does not create a right to payment under this section. Payments under
37 this section are discretionary. This section does not create an
38 entitlement to payment or services. This section does not create a
39 right of action.

1 (f) The department is not criminally or civilly liable and may
2 not have any penalty or cause of action of any nature arise against
3 it regarding the provision or lack of provision of funds for payments
4 under this section.

5 (4) (a) At the time of payment from the account under this
6 section, the claimant shall assign his or her right, title, and
7 interest in any final judgment on his or her claim against the
8 contractor to the department to the extent of such payment. The
9 department shall be subrogated to the right, title, and interest of
10 the claimant, and may pursue an insurer or other third party to
11 recover amounts paid from the account. Any amount subsequently
12 recovered on the judgment must be for the purpose of reimbursing the
13 account.

14 (b) A claimant in receipt of payment from the account pursuant to
15 an application under this section is prohibited from pursuing
16 collection, or authorizing another entity to pursue collection on the
17 claimant's behalf, of the damages attributable to the same claims to
18 the extent of such payment.

19 (c) Upon any payment from the account, the department shall
20 notify the contractor that a payment has been made and the claimant
21 has made an assignment under this section. The department shall
22 include any additional information about the process for reimbursing
23 the account under subsection (5) of this section.

24 (5) (a) The department may pursue reimbursement to the account
25 from the contractor for the amount paid from the account, as well as
26 interest on that amount, in accordance with rules adopted by the
27 department. The department may establish reimbursement payment plans
28 up to 36 months. Any payment plan longer than 12 months must assess
29 interest as provided in RCW 43.17.240. The department must deposit
30 all moneys recovered in the account.

31 (b) Where a contractor defaults in payment of reimbursement,
32 collection of amounts will be handled pursuant to the procedures in
33 RCW 49.48.086.

34 (c) The department's duties with respect to obtaining
35 reimbursement from the contractor to the account are limited to those
36 specified within this subsection (5).

37 (6) Nothing contained herein limits the authority of the
38 department to take action against a contractor for a violation under
39 this chapter or the rules promulgated thereunder; nor does the
40 reimbursement in full of all obligations to the account by a

1 contractor effect any enforcement of a violation under this chapter
2 or the rules promulgated thereunder.

3 (7) The definitions in this subsection apply throughout this
4 section unless the context clearly requires otherwise.

5 (a) "Account" means the homeowner recovery account created in
6 section 7 of this act.

7 (b) "Claimant" means the owner of an owner-occupied residential
8 property in the state.

9 (c) "Residential property" means a single-family dwelling, or a
10 multifamily dwelling consisting of four or fewer units, but does not
11 include a condominium.

12 NEW SECTION. **Sec. 7.** A new section is added to chapter 18.27
13 RCW to read as follows:

14 The homeowner recovery account is created in the custody of the
15 state treasurer. All repayments under section 6 of this act, private
16 contributions, and other moneys transferred or directed to the
17 account must be deposited into the account. Expenditures from the
18 account may only be used for the homeowner recovery program to
19 satisfy unpaid judgments for eligible claims under section 6 of this
20 act. Administrative costs of the program may not be paid from the
21 account. Only the director or the director's designee may authorize
22 expenditures from the account. The account is subject to the
23 allotment procedures under chapter 43.88 RCW, but an appropriation is
24 not required for expenditures.

25 NEW SECTION. **Sec. 8.** A new section is added to chapter 18.27
26 RCW to read as follows:

27 (1) By December 1st of each year through 2034, the department
28 must submit an annual report to the appropriate committees of the
29 legislature, in accordance with RCW 43.01.036, on the homeowner
30 recovery program under section 6 of this act, including the following
31 information for the previous fiscal year:

32 (a) The applications made under the program, including data as to
33 claim amounts;

34 (b) The payments made under the program;

35 (c) The status of any waitlist;

36 (d) The status and solvency of the homeowner recovery account
37 under section 7 of this act; and

1 (e) Recommendations for any changes to the program, if deemed
2 necessary by the department.

3 (2) By December 1, 2035, and each year thereafter, the department
4 shall notify the appropriate committees of the legislature, by
5 submitting a report in accordance with RCW 43.01.036, if the
6 department finds there is a significant waitlist of eligible
7 applicants or otherwise finds there is insufficient funds in the
8 homeowner recovery account to sustain the homeowner recovery program.

9 **Sec. 9.** RCW 43.79A.040 and 2022 c 244 s 3, 2022 c 206 s 8, 2022
10 c 183 s 16, and 2022 c 162 s 6 are each reenacted and amended to read
11 as follows:

12 (1) Money in the treasurer's trust fund may be deposited,
13 invested, and reinvested by the state treasurer in accordance with
14 RCW 43.84.080 in the same manner and to the same extent as if the
15 money were in the state treasury, and may be commingled with moneys
16 in the state treasury for cash management and cash balance purposes.

17 (2) All income received from investment of the treasurer's trust
18 fund must be set aside in an account in the treasury trust fund to be
19 known as the investment income account.

20 (3) The investment income account may be utilized for the payment
21 of purchased banking services on behalf of treasurer's trust funds
22 including, but not limited to, depository, safekeeping, and
23 disbursement functions for the state treasurer or affected state
24 agencies. The investment income account is subject in all respects to
25 chapter 43.88 RCW, but no appropriation is required for payments to
26 financial institutions. Payments must occur prior to distribution of
27 earnings set forth in subsection (4) of this section.

28 (4)(a) Monthly, the state treasurer must distribute the earnings
29 credited to the investment income account to the state general fund
30 except under (b), (c), and (d) of this subsection.

31 (b) The following accounts and funds must receive their
32 proportionate share of earnings based upon each account's or fund's
33 average daily balance for the period: The 24/7 sobriety account, the
34 Washington promise scholarship account, the Gina Grant Bull memorial
35 legislative page scholarship account, the Rosa Franklin legislative
36 internship program scholarship account, the Washington advanced
37 college tuition payment program account, the Washington college
38 savings program account, the accessible communities account, the
39 Washington achieving a better life experience program account, the

1 Washington career and college pathways innovation challenge program
2 account, the community and technical college innovation account, the
3 agricultural local fund, the American Indian scholarship endowment
4 fund, the behavioral health loan repayment program account, the
5 foster care scholarship endowment fund, the foster care endowed
6 scholarship trust fund, the contract harvesting revolving account,
7 the Washington state combined fund drive account, the commemorative
8 works account, the county (~~enhanced~~) 911 excise tax account, the
9 county road administration board emergency loan account, the toll
10 collection account, the developmental disabilities endowment trust
11 fund, the energy account, the energy facility site evaluation council
12 account, the fair fund, the family and medical leave insurance
13 account, the fish and wildlife federal lands revolving account, the
14 natural resources federal lands revolving account, the food animal
15 veterinarian conditional scholarship account, the forest health
16 revolving account, the fruit and vegetable inspection account, the
17 educator conditional scholarship account, the game farm alternative
18 account, the GET ready for math and science scholarship account, the
19 Washington global health technologies and product development
20 account, the grain inspection revolving fund, the Washington history
21 day account, the industrial insurance rainy day fund, the juvenile
22 accountability incentive account, the law enforcement officers' and
23 firefighters' plan 2 expense fund, the local tourism promotion
24 account, the low-income home rehabilitation revolving loan program
25 account, the homeowner recovery account, the multiagency permitting
26 team account, the northeast Washington wolf-livestock management
27 account, the produce railcar pool account, the public use general
28 aviation airport loan revolving account, the regional transportation
29 investment district account, the rural rehabilitation account, the
30 Washington sexual assault kit account, the stadium and exhibition
31 center account, the youth athletic facility account, the self-
32 insurance revolving fund, the children's trust fund, the Washington
33 horse racing commission Washington bred owners' bonus fund and
34 breeder awards account, the Washington horse racing commission class
35 C purse fund account, the individual development account program
36 account, the Washington horse racing commission operating account,
37 the life sciences discovery fund, the Washington state library-
38 archives building account, the reduced cigarette ignition propensity
39 account, the center for deaf and hard of hearing youth account, the
40 school for the blind account, the Millersylvania park trust fund, the

1 public employees' and retirees' insurance reserve fund, the school
2 employees' benefits board insurance reserve fund, the public
3 employees' and retirees' insurance account, the school employees'
4 insurance account, the long-term services and supports trust account,
5 the radiation perpetual maintenance fund, the Indian health
6 improvement reinvestment account, the department of licensing tuition
7 recovery trust fund, the student achievement council tuition recovery
8 trust fund, the tuition recovery trust fund, the Washington student
9 loan account, the industrial insurance premium refund account, the
10 mobile home park relocation fund, the natural resources deposit fund,
11 the Washington state health insurance pool account, the federal
12 forest revolving account, and the library operations account.

13 (c) The following accounts and funds must receive 80 percent of
14 their proportionate share of earnings based upon each account's or
15 fund's average daily balance for the period: The advance right-of-way
16 revolving fund, the advanced environmental mitigation revolving
17 account, the federal narcotics asset forfeitures account, the high
18 occupancy vehicle account, the local rail service assistance account,
19 and the miscellaneous transportation programs account.

20 (d) Any state agency that has independent authority over accounts
21 or funds not statutorily required to be held in the custody of the
22 state treasurer that deposits funds into a fund or account in the
23 custody of the state treasurer pursuant to an agreement with the
24 office of the state treasurer shall receive its proportionate share
25 of earnings based upon each account's or fund's average daily balance
26 for the period.

27 (5) In conformance with Article II, section 37 of the state
28 Constitution, no trust accounts or funds shall be allocated earnings
29 without the specific affirmative directive of this section.

30 **Sec. 10.** RCW 51.44.190 and 2017 3rd sp.s. c 11 s 4 are each
31 amended to read as follows:

32 (1) The construction registration inspection account is created
33 in the state treasury. All moneys, except fines and penalties,
34 received or collected under the terms of chapters 18.27 and 70.87 RCW
35 and under the terms of RCW 43.22.335 through 43.22.430 and 43.22.432
36 through 43.22.495 must be deposited into the account. Moneys in the
37 account may only be spent after appropriation. Expenditures from the
38 account, not including moneys transferred to the general fund, may be

1 used only to carry out the purposes of chapters 18.27 and 70.87 RCW
2 and RCW 43.22.335 through 43.22.430 and 43.22.432 through 43.22.495.

3 (2) The department shall set the fees deposited in the account at
4 a level that generates revenue that is as near as practicable to the
5 amount of the appropriation to carry out the duties specified in this
6 section.

7 (3) (~~Until June 30, 2023, on~~) On the last working day of the
8 first month following each quarterly period, (~~seven~~) three and one-
9 half percent of all revenues received into the account during the
10 previous quarter from licenses, permits, and registrations, net of
11 refunds paid to customers, must be transferred into the general fund.

12 NEW SECTION. **Sec. 11.** If any provision of this act or its
13 application to any person or circumstance is held invalid, the
14 remainder of the act or the application of the provision to other
15 persons or circumstances is not affected.

16 NEW SECTION. **Sec. 12.** Sections 3 through 9 of this act take
17 effect July 1, 2024.

18 NEW SECTION. **Sec. 13.** Section 10 of this act is necessary for
19 the immediate preservation of the public peace, health, or safety, or
20 support of the state government and its existing public institutions,
21 and takes effect June 30, 2023."

2SHB 1534 - S COMM AMD
By Committee on Labor & Commerce

ADOPTED 04/11/2023

22 On page 1, line 2 of the title, after "industry;" strike the
23 remainder of the title and insert "amending RCW 18.27.010, 18.27.030,
24 18.27.040, 18.27.340, 18.27.400, and 51.44.190; reenacting and
25 amending RCW 43.79A.040; adding new sections to chapter 18.27 RCW;
26 providing effective dates; and declaring an emergency."

EFFECT: Increases the maximum penalty for failing to register as
a contractor from \$6,000 to \$10,000.

Increases the maximum penalty for other violations of the Contractor Registration Act from \$5,000 to \$10,000.

--- END ---