

CERTIFICATION OF ENROLLMENT
SECOND SUBSTITUTE HOUSE BILL 1534

68th Legislature
2023 Regular Session

Passed by the House April 13, 2023
Yeas 97 Nays 0

**Speaker of the House of
Representatives**

Passed by the Senate April 11, 2023
Yeas 49 Nays 0

President of the Senate

Approved

Governor of the State of Washington

CERTIFICATE

I, Bernard Dean, Chief Clerk of the House of Representatives of the State of Washington, do hereby certify that the attached is **SECOND SUBSTITUTE HOUSE BILL 1534** as passed by the House of Representatives and the Senate on the dates hereon set forth.

Chief Clerk

FILED

**Secretary of State
State of Washington**

SECOND SUBSTITUTE HOUSE BILL 1534

AS AMENDED BY THE SENATE

Passed Legislature - 2023 Regular Session

State of Washington **68th Legislature** **2023 Regular Session**

By House Appropriations (originally sponsored by Representatives Orwall, Berry, and Fosse)

READ FIRST TIME 02/24/23.

1 AN ACT Relating to strengthening protections for consumers in the
2 construction industry; amending RCW 18.27.010, 18.27.030, 18.27.040,
3 18.27.340, 18.27.400, and 51.44.190; reenacting and amending RCW
4 43.79A.040; adding new sections to chapter 18.27 RCW; providing
5 effective dates; and declaring an emergency.

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

7 **Sec. 1.** RCW 18.27.010 and 2015 c 52 s 1 are each amended to read
8 as follows:

9 The definitions in this section apply throughout this chapter
10 unless the context clearly requires otherwise.

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

1 work upon his or her own property, employs members of more than one
2 trade upon a single job or project or under a single building permit
3 except as otherwise provided in this chapter.

4 (b) "Contractor" also includes a consultant acting as a general
5 contractor.

6 (c) "Contractor" also includes any person, firm, corporation, or
7 other entity covered by this subsection (1), whether or not
8 registered as required under this chapter or who are otherwise
9 required to be registered or licensed by law, who offer to sell their
10 property without occupying or using the structures, projects,
11 developments, or improvements for more than one year from the date
12 the structure, project, development, or improvement was substantially
13 completed or abandoned. A person, firm, corporation, or other entity
14 is not a contractor under this subsection (1)(c) if the person, firm,
15 corporation, or other entity contracts with a registered general
16 contractor and does not superintend the work.

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

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

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

22 (5) "General contractor" means a contractor whose business
23 operations require the use of more than one building trade or craft
24 upon a single job or project or under a single building permit. A
25 general contractor also includes one who superintends, or consults
26 on, in whole or in part, work falling within the definition of a
27 contractor.

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

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

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

35 (9) "Registration suspension" means either an automatic
36 suspension as provided in this chapter, or a written notice from the
37 department that a contractor's action is a violation of this chapter
38 and that the contractor's registration has been suspended for a
39 specified time, or until the contractor shows evidence of compliance
40 with this chapter.

1 (10) "Residential homeowner" means an individual person or
2 persons owning or leasing real property:

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

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

9 (11) "Service," except as otherwise provided in RCW 18.27.225 and
10 18.27.370, means posting in the United States mail, properly
11 addressed, postage prepaid, return receipt requested, or personal
12 service. Service by mail is complete upon deposit in the United
13 States mail to the last known address provided to the department.

14 (12) "Specialty contractor" means a contractor whose operations
15 do not fall within the definition of "general contractor". A
16 specialty contractor may only subcontract work that is incidental to
17 the specialty contractor's work.

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

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

24 (15) "Unregistered contractor" means a person, firm, corporation,
25 or other entity doing work as a contractor without being registered
26 in compliance with this chapter. "Unregistered contractor" includes
27 contractors whose registration is expired, revoked, or suspended.
28 "Unregistered contractor" does not include a contractor who has
29 maintained a valid bond and the insurance or assigned account
30 required by RCW 18.27.050, and whose registration has lapsed for
31 (~~thirty~~) 30 or fewer days.

32 (~~(15)~~) (16) "Unsatisfied final judgment" means a judgment or
33 final tax warrant that has not been satisfied either through payment,
34 court approved settlement, discharge in bankruptcy, or assignment
35 under RCW 19.72.070.

36 (~~(16)~~) (17) "Verification" means the receipt and duplication by
37 the city, town, or county of a contractor registration card that is
38 current on its face, checking the department's contractor
39 registration database, or calling the department to confirm that the
40 contractor is registered.

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

3 (1) An applicant for registration as a contractor shall submit an
4 application under oath upon a form to be prescribed by the director
5 and which shall include the following information pertaining to the
6 applicant:

7 (a) Employer social security number or individual taxpayer
8 identification number.

9 (b) Unified business identifier number.

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

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

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

16 (iii) For applicants domiciled in a state or province of Canada
17 subject to an agreement entered into under RCW 51.12.120(7), as
18 permitted by the agreement, filing a certificate of coverage issued
19 by the agency that administers the workers' compensation law in the
20 applicant's state or province of domicile certifying that the
21 applicant has secured the payment of compensation under the other
22 state's or province's workers' compensation law.

23 (d) Employment security department number.

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

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

29 (g) The name and address of each partner if the applicant is a
30 firm or partnership, or the name and address of the owner if the
31 applicant is an individual proprietorship, or the name and address of
32 the corporate officers and statutory agent, if any, if the applicant
33 is a corporation or the name and address of all members of other
34 business entities. The information contained in such application is a
35 matter of public record and open to public inspection.

36 (2) The department may verify the workers' compensation coverage
37 information provided by the applicant under subsection (1)(c) of this
38 section, including but not limited to information regarding the
39 coverage of an individual employee of the applicant. If coverage is
40 provided under the laws of another state, the department may notify

1 the other state that the applicant is employing employees in
2 Washington.

3 (3) (a) The department shall deny an application for registration
4 if: (i) The applicant has been previously performing work subject to
5 this chapter as a sole proprietor, partnership, corporation, or other
6 entity and the department has notice that the applicant has an
7 unsatisfied final judgment against him or her in an action based on
8 work performed subject to this chapter or the applicant owes the
9 department money for penalties assessed or fees due under this
10 chapter as a result of a final judgment; (ii) the applicant was an
11 owner, principal, or officer of a partnership, corporation, or other
12 entity that either has an unsatisfied final judgment against it in an
13 action that was incurred for work performed subject to this chapter
14 or owes the department money for penalties assessed or fees due under
15 this chapter as a result of a final judgment; (iii) the applicant is
16 a successor to an entity with an unsatisfied final judgment against
17 it in an action that was incurred for work performed subject to this
18 chapter or owes the department money for penalties assessed or fees
19 due under this chapter as a result of a final judgment, except as
20 provided under (d) of this subsection (3); (iv) the applicant does
21 not have a valid unified business identifier number; (~~(iv)~~) (v) the
22 department determines that the applicant has falsified information on
23 the application, unless the error was inadvertent; (~~(v)~~) (vi)
24 the applicant does not have an active and valid certificate of
25 registration with the department of revenue; or (vii) the applicant
26 is under 18 years old at the time of application.

27 (b) The department shall suspend an active registration if (i)
28 the department has determined that the registrant has an unsatisfied
29 final judgment against it for work within the scope of this chapter;
30 (ii) the department has determined that the registrant is a sole
31 proprietor or an owner, principal, or officer of a registered
32 contractor that has an unsatisfied final judgment against it for work
33 within the scope of this chapter; (iii) the registrant does not
34 maintain a valid unified business identifier number; (iv) the
35 department has determined that the registrant falsified information
36 on the application, unless the error was inadvertent; or (v) the
37 registrant does not have an active and valid certificate of
38 registration with the department of revenue.

39 (c) The department may suspend an active registration if the
40 department has determined that an owner, principal, partner, or

1 officer of the registrant was an owner, principal, or officer of a
2 previous partnership, corporation, or other entity that has an
3 unsatisfied final judgment against it.

4 (d) For the purposes of (a)(iii) of this subsection (3), it is
5 presumed that an applicant knew or should have known of the relevant
6 unsatisfied final judgment. If an applicant demonstrates by a
7 preponderance of the evidence that the applicant did not know of the
8 unsatisfied final judgment, by having exercised due diligence and
9 timely verifying with the department that the other contractor was in
10 good standing, then the department may grant the application for
11 registration under this section, provided that the applicant meets
12 applicable requirements under this chapter. The department shall
13 adopt rules for the purposes of implementing this subsection (3)(d).

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

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

22 (1) Each applicant shall file with the department a surety bond
23 issued by a surety insurer who meets the requirements of chapter
24 48.28 RCW in the sum of (~~twelve thousand dollars~~) \$30,000 if the
25 applicant is a general contractor (~~and six thousand dollars~~) or
26 \$15,000 if the applicant is a specialty contractor. If no valid bond
27 is already on file with the department at the time the application is
28 filed, a bond must accompany the registration application. The bond
29 shall have the state of Washington named as obligee with good and
30 sufficient surety in a form to be approved by the department. The
31 bond shall be continuous and may be canceled by the surety upon the
32 surety giving written notice to the director. A cancellation or
33 revocation of the bond or withdrawal of the surety from the bond
34 automatically suspends the registration issued to the contractor
35 until a new bond or reinstatement notice has been filed and approved
36 as provided in this section. The bond shall be conditioned that the
37 applicant will pay all persons performing labor, including employee
38 benefits, for the contractor, will pay all taxes and contributions
39 due to the state of Washington, and will pay all persons furnishing

1 material or renting or supplying equipment to the contractor and will
2 pay all amounts that may be adjudged against the contractor by reason
3 of breach of contract including improper work in the conduct of the
4 contracting business. A change in the name of a business or a change
5 in the type of business entity shall not impair a bond for the
6 purposes of this section so long as one of the original applicants
7 for such bond maintains partial ownership in the business covered by
8 the bond.

9 (2) At the time of initial registration or renewal, the
10 contractor shall provide a bond or other security deposit as required
11 by this chapter and comply with all of the other provisions of this
12 chapter before the department shall issue or renew the contractor's
13 certificate of registration. Any contractor registered as of (~~July~~
14 ~~1, 2001~~) June 30, 2024, who maintains that registration in
15 accordance with this chapter is in compliance with this chapter until
16 the next renewal of the contractor's certificate of registration.

17 (3) Any person, firm, or corporation having a claim against the
18 contractor for any of the items referred to in this section may bring
19 suit against the contractor and the bond or deposit in the superior
20 court of the county in which the work was done or of any county in
21 which jurisdiction of the contractor may be had. The surety issuing
22 the bond shall be named as a party to any suit upon the bond. Action
23 upon the bond or deposit brought by a residential homeowner for
24 breach of contract by a party to the construction contract shall be
25 commenced by filing the summons and complaint with the clerk of the
26 appropriate superior court within two years from the date the claimed
27 contract work was substantially completed or abandoned, whichever
28 occurred first. Action upon the bond or deposit brought by any other
29 authorized party shall be commenced by filing the summons and
30 complaint with the clerk of the appropriate superior court within one
31 year from the date the claimed labor was performed and benefits
32 accrued, taxes and contributions owing the state of Washington became
33 due, materials and equipment were furnished, or the claimed contract
34 work was substantially completed or abandoned, whichever occurred
35 first. Service of process in an action filed under this chapter
36 against the contractor and the contractor's bond or the deposit shall
37 be exclusively by service upon the department. Three copies of the
38 summons and complaint and a fee adopted by rule of not less than
39 (~~fifty dollars~~) \$50 to cover the costs shall be served by
40 registered or certified mail, or other delivery service requiring

1 notice of receipt, upon the department at the time suit is started
2 and the department shall maintain a record, available for public
3 inspection, of all suits so commenced. Service is not complete until
4 the department receives the fee and three copies of the summons and
5 complaint. The service shall constitute service and confer personal
6 jurisdiction on the contractor and the surety for suit on claimant's
7 claim against the contractor and the bond or deposit and the
8 department shall transmit the summons and complaint or a copy thereof
9 to the contractor at the address listed in the contractor's
10 application and to the surety within two days after it shall have
11 been received.

12 (4) The surety upon the bond shall not be liable in an aggregate
13 amount in excess of the amount named in the bond nor for any monetary
14 penalty assessed pursuant to this chapter for an infraction. The
15 liability of the surety shall not cumulate where the bond has been
16 renewed, continued, reinstated, reissued or otherwise extended. The
17 surety upon the bond may, upon notice to the department and the
18 parties, tender to the clerk of the court having jurisdiction of the
19 action an amount equal to the claims thereunder or the amount of the
20 bond less the amount of judgments, if any, previously satisfied
21 therefrom and to the extent of such tender the surety upon the bond
22 shall be exonerated but if the actions commenced and pending and
23 provided to the department as required in subsection (3) of this
24 section, at any one time exceed the amount of the bond then
25 unimpaired, claims shall be satisfied from the bond in the following
26 order:

27 (a) Employee labor and claims of laborers, including employee
28 benefits;

29 (b) Claims for breach of contract by a party to the construction
30 contract;

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

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

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

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

39 (5) The total amount paid from a bond or deposit (~~required of a~~
40 ~~general contractor by this section~~) to claimants other than

1 residential homeowners must not exceed one-half of the bond (~~amount.~~
2 ~~The total amount paid from a bond or deposit required of a specialty~~
3 ~~contractor by this section to claimants other than residential~~
4 ~~homeowners must not exceed one-half of the bond amount or four~~
5 ~~thousand dollars, whichever is greater~~) or deposit.

6 (6) The prevailing party in an action filed under this section
7 against the contractor and contractor's bond or deposit, for breach
8 of contract by a party to the construction contract involving a
9 residential homeowner, is entitled to costs, interest, and reasonable
10 attorneys' fees. The surety upon the bond or deposit is not liable in
11 an aggregate amount in excess of the amount named in the bond or
12 deposit nor for any monetary penalty assessed pursuant to this
13 chapter for an infraction.

14 (7) If a final judgment impairs the liability of the surety upon
15 the bond or deposit so furnished that there is not in effect a bond
16 or deposit in the full amount prescribed in this section, the
17 registration of the contractor is automatically suspended until the
18 bond or deposit liability in the required amount unimpaired by
19 unsatisfied judgment claims is furnished.

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

23 (9) Any person having filed and served a summons and complaint as
24 required by this section having an unsatisfied final judgment against
25 the registrant for any items referred to in this section may execute
26 upon the security held by the department by serving a certified copy
27 of the unsatisfied final judgment by registered or certified mail
28 upon the department within one year of the date of entry of such
29 judgment. Upon the receipt of service of such certified copy the
30 department shall pay or order paid from the deposit, through the
31 registry of the superior court which rendered judgment, towards the
32 amount of the unsatisfied judgment. The priority of payment by the
33 department shall be the order of receipt by the department, but the
34 department shall have no liability for payment in excess of the
35 amount of the deposit.

36 (10) Within (~~ten~~) 10 days after resolution of the case, a
37 certified copy of the final judgment and order, or any settlement
38 documents where a case is not disposed of by a court trial, a
39 certified copy of the dispositive settlement documents must be
40 provided to the department by the prevailing party. Failure to

1 provide a copy of the final judgment and order or the dispositive
2 settlement documents to the department within (~~ten~~) 10 days of
3 entry of such an order constitutes a violation of this chapter and a
4 penalty adopted by rule of not less than (~~two hundred fifty~~
5 ~~dollars~~) \$250 may be assessed against the prevailing party.

6 (11) The director may require an applicant applying to renew or
7 reinstate a registration or applying for a new registration to file a
8 bond of up to three times the normally required amount, if the
9 director determines that an applicant, or a previous registration of
10 a corporate officer, owner, or partner of a current applicant, has
11 had in the past five years one final judgment in actions under this
12 chapter involving a residential single-family dwelling.

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

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

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

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

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

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

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

39 ~~(v) Incentives to adopt industry best practices would increase~~
40 ~~consumer protections.~~

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

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

4 (1) Except as otherwise provided in subsection (3) of this
5 section, a contractor found to have committed an infraction under RCW
6 18.27.200 shall be assessed a monetary penalty of not less than (~~two~~
7 ~~hundred dollars~~) \$200 and not more than (~~five thousand dollars~~)
8 \$10,000.

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

11 (3) A contractor found to have committed an infraction under RCW
12 18.27.200 for failure to register shall be assessed a fine of not
13 less than (~~one thousand dollars~~) \$1,200, nor more than (~~five~~
14 ~~thousand dollars~~) \$10,000. The director may reduce the penalty for
15 failure to register, but in no case below (~~five hundred dollars~~)
16 \$600, if the person becomes registered within (~~ten~~) 10 days of
17 receiving a notice of infraction and the notice of infraction is for
18 a first offense.

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

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

24 All moneys, except fines and penalties, received or collected
25 under the terms of this chapter must be deposited into the
26 construction registration inspection account. All fines and penalties
27 received or collected under the terms of this chapter shall be
28 deposited in the (~~general fund~~) homeowner recovery account under
29 section 7 of this act.

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

32 (1) Subject to the availability of funds appropriated for this
33 purpose, the homeowner recovery program is created and administered
34 by the department. The department shall have such rule-making
35 authority as the department deems necessary to administer the
36 program.

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

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

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

12 (iii) The claimant has proceeded against any existing bond
13 covering the contractor;

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

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

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

22 (3) (a) The priority of payment for eligible applicants must be by
23 the order of receipt by the department, subject to the limitations in
24 this subsection (3). Payment for an eligible application must be to
25 the full extent of eligibility, without proration, before
26 consideration of payment for a subsequent application in the order of
27 receipt. Determinations regarding payments must be made by the
28 department in its sole discretion.

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

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

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

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

5 (e) Eligibility for payment under subsection (2) of this section
6 does not create a right to payment under this section. Payments under
7 this section are discretionary. This section does not create an
8 entitlement to payment or services. This section does not create a
9 right of action.

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

14 (4)(a) At the time of payment from the account under this
15 section, the claimant shall assign his or her right, title, and
16 interest in any final judgment on his or her claim against the
17 contractor to the department to the extent of such payment. The
18 department shall be subrogated to the right, title, and interest of
19 the claimant, and may pursue an insurer or other third party to
20 recover amounts paid from the account. Any amount subsequently
21 recovered on the judgment must be for the purpose of reimbursing the
22 account.

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

28 (c) Upon any payment from the account, the department shall
29 notify the contractor that a payment has been made and the claimant
30 has made an assignment under this section. The department shall
31 include any additional information about the process for reimbursing
32 the account under subsection (5) of this section.

33 (5)(a) The department may pursue reimbursement to the account
34 from the contractor for the amount paid from the account, as well as
35 interest on that amount, in accordance with rules adopted by the
36 department. The department may establish reimbursement payment plans
37 up to 36 months. Any payment plan longer than 12 months must assess
38 interest as provided in RCW 43.17.240. The department must deposit
39 all moneys recovered in the account.

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

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

7 (6) Nothing contained herein limits the authority of the
8 department to take action against a contractor for a violation under
9 this chapter or the rules promulgated thereunder; nor does the
10 reimbursement in full of all obligations to the account by a
11 contractor effect any enforcement of a violation under this chapter
12 or the rules promulgated thereunder.

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

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

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

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

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

24 The homeowner recovery account is created in the custody of the
25 state treasurer. All repayments under section 6 of this act, private
26 contributions, and other moneys transferred or directed to the
27 account must be deposited into the account. Expenditures from the
28 account may only be used for the homeowner recovery program to
29 satisfy unpaid judgments for eligible claims under section 6 of this
30 act. Administrative costs of the program may not be paid from the
31 account. Only the director or the director's designee may authorize
32 expenditures from the account. The account is subject to the
33 allotment procedures under chapter 43.88 RCW, but an appropriation is
34 not required for expenditures.

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

37 (1) By December 1st of each year through 2034, the department
38 must submit an annual report to the appropriate committees of the

1 legislature, in accordance with RCW 43.01.036, on the homeowner
2 recovery program under section 6 of this act, including the following
3 information for the previous fiscal year:

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

6 (b) The payments made under the program;

7 (c) The status of any waitlist;

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

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

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

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

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

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

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

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

1 (b) The following accounts and funds must receive their
2 proportionate share of earnings based upon each account's or fund's
3 average daily balance for the period: The 24/7 sobriety account, the
4 Washington promise scholarship account, the Gina Grant Bull memorial
5 legislative page scholarship account, the Rosa Franklin legislative
6 internship program scholarship account, the Washington advanced
7 college tuition payment program account, the Washington college
8 savings program account, the accessible communities account, the
9 Washington achieving a better life experience program account, the
10 Washington career and college pathways innovation challenge program
11 account, the community and technical college innovation account, the
12 agricultural local fund, the American Indian scholarship endowment
13 fund, the behavioral health loan repayment program account, the
14 foster care scholarship endowment fund, the foster care endowed
15 scholarship trust fund, the contract harvesting revolving account,
16 the Washington state combined fund drive account, the commemorative
17 works account, the county ((~~enhanced~~)) 911 excise tax account, the
18 county road administration board emergency loan account, the toll
19 collection account, the developmental disabilities endowment trust
20 fund, the energy account, the energy facility site evaluation council
21 account, the fair fund, the family and medical leave insurance
22 account, the fish and wildlife federal lands revolving account, the
23 natural resources federal lands revolving account, the food animal
24 veterinarian conditional scholarship account, the forest health
25 revolving account, the fruit and vegetable inspection account, the
26 educator conditional scholarship account, the game farm alternative
27 account, the GET ready for math and science scholarship account, the
28 Washington global health technologies and product development
29 account, the grain inspection revolving fund, the Washington history
30 day account, the industrial insurance rainy day fund, the juvenile
31 accountability incentive account, the law enforcement officers' and
32 firefighters' plan 2 expense fund, the local tourism promotion
33 account, the low-income home rehabilitation revolving loan program
34 account, the homeowner recovery account, the multiagency permitting
35 team account, the northeast Washington wolf-livestock management
36 account, the produce railcar pool account, the public use general
37 aviation airport loan revolving account, the regional transportation
38 investment district account, the rural rehabilitation account, the
39 Washington sexual assault kit account, the stadium and exhibition
40 center account, the youth athletic facility account, the self-

1 insurance revolving fund, the children's trust fund, the Washington
2 horse racing commission Washington bred owners' bonus fund and
3 breeder awards account, the Washington horse racing commission class
4 C purse fund account, the individual development account program
5 account, the Washington horse racing commission operating account,
6 the life sciences discovery fund, the Washington state library-
7 archives building account, the reduced cigarette ignition propensity
8 account, the center for deaf and hard of hearing youth account, the
9 school for the blind account, the Millersylvania park trust fund, the
10 public employees' and retirees' insurance reserve fund, the school
11 employees' benefits board insurance reserve fund, the public
12 employees' and retirees' insurance account, the school employees'
13 insurance account, the long-term services and supports trust account,
14 the radiation perpetual maintenance fund, the Indian health
15 improvement reinvestment account, the department of licensing tuition
16 recovery trust fund, the student achievement council tuition recovery
17 trust fund, the tuition recovery trust fund, the Washington student
18 loan account, the industrial insurance premium refund account, the
19 mobile home park relocation fund, the natural resources deposit fund,
20 the Washington state health insurance pool account, the federal
21 forest revolving account, and the library operations account.

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

29 (d) Any state agency that has independent authority over accounts
30 or funds not statutorily required to be held in the custody of the
31 state treasurer that deposits funds into a fund or account in the
32 custody of the state treasurer pursuant to an agreement with the
33 office of the state treasurer shall receive its proportionate share
34 of earnings based upon each account's or fund's average daily balance
35 for the period.

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

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

3 (1) The construction registration inspection account is created
4 in the state treasury. All moneys, except fines and penalties,
5 received or collected under the terms of chapters 18.27 and 70.87 RCW
6 and under the terms of RCW 43.22.335 through 43.22.430 and 43.22.432
7 through 43.22.495 must be deposited into the account. Moneys in the
8 account may only be spent after appropriation. Expenditures from the
9 account, not including moneys transferred to the general fund, may be
10 used only to carry out the purposes of chapters 18.27 and 70.87 RCW
11 and RCW 43.22.335 through 43.22.430 and 43.22.432 through 43.22.495.

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

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

21 NEW SECTION. **Sec. 11.** If any provision of this act or its
22 application to any person or circumstance is held invalid, the
23 remainder of the act or the application of the provision to other
24 persons or circumstances is not affected.

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

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

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