



Washington State Department of
Labor & Industries

Homeowner Recovery Program Report

2025 Annual Report to the Legislature

December 2025

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Executive Summary

As required by RCW 18.27.430, the Washington State Department of Labor & Industries (L&I) presents this fiscal year (FY) 2025 report on the Homeowner Recovery Program. The law helps strengthen protections for consumers in the construction industry and directs L&I to create and administer a Homeowner Recovery Program for eligible homeowners to receive recovery payments from unsatisfied final judgments brought against construction contractors.

L&I is directed to report to the legislature annually on the program based on the previous fiscal year.

Information Requested by the Legislature

Under RCW 18.27.430, L&I must report on the Homeowner Recovery Program each year through 2034 and include the following information for the previous fiscal year:

- applications made under the program, including claim amounts data;
- payments made under the program;
- status of any waitlist for eligible applications unpaid due to an insufficient account balance;
- status and solvency of the Homeowner Recovery Account; and
- recommendations for any changes to the program, if necessary.

The Homeowner Recovery Program represents a landmark in Washington state history in which a state agency will reimburse harmed consumers. The goal of this law is to provide an extra layer of protection to those who engage with contractors. On July 1, 2024, L&I established the program and account. L&I continues its implementation efforts to ensure that eligible homeowners are able to apply for recovery payments starting July 1, 2026.

Introduction

The Contractor Registration Act (Chapter 18.27 RCW) of 2015 requires all general and specialty construction contractors to register with L&I. The law also requires construction contractors to be bonded and insured to protect the public. Once registered, contractors can bid, advertise, and perform construction work. This can include constructing, remodeling, repairing, and demolishing buildings, roads, and other real property. There are over 66,000 registered contractors in Washington.

In 2023, the Legislature enacted RCW 18.27.430 to strengthen protections for consumers in the construction industry. The legislation directed L&I to establish and administer a new Homeowner Recovery Program by July 1, 2024. The program provides a safeguard and a path to financial recovery for harmed consumers, allowing eligible homeowners to receive recovery payments of up to \$25,000 to offset the monetary impact of unsatisfied final judgments brought against registered contractors. Payments to eligible homeowners are scheduled to begin July 1, 2026.

An “unsatisfied final judgment” is money owed to a claimant (property owner, subcontractor, supplier, etc.) resulting from a claim against a contractor’s bond or money owed to L&I for unpaid workers’ compensation premiums, unpaid infraction penalties, tax warrants, etc., for which the applicant has failed to enter into a payment agreement to satisfy the debt of a final judgment.

L&I was also directed to establish a Homeowner Recovery Account. Beginning July 1, 2024, all fines and penalties collected under the Contractor Registration Act (Chapter 18.27 RCW) have been moved from deposit into the general fund to being deposited into the Homeowner Recovery Account.

Beginning July 1, 2026, people who meet certain conditions will be eligible to receive payment from the Homeowner Recovery Program within certain limits.

In addition to the new program, the law introduced several additional statutory changes related to contractor fraud, financial irresponsibility, and consumer protections in Washington’s construction industry. These changes include:

- Allowing applicants for a contractor registration to provide an individual Taxpayer Identification Number in lieu of a Social Security number.
- Increasing the required bond amounts to \$30,000 for general contractors and \$15,000 for specialty contractors for initial registrations and renewal of contractor registrations.
- Denying registration applications when the applicant is a successor to a business entity with an unsatisfied final judgment against it relating to work governed by the Contractor Registration Act (Chapter 18.27 RCW), or a business entity that owes L&I money for penalties assessed or fees as a result of a final judgment.

- Denying applications for registration when the applicant is under 18 years old at the time of the application.
- Requiring 3.5% of the revenues from the Construction Registration Inspection Account to be transferred to the State General Fund on an ongoing, quarterly basis, beginning June 30, 2023.

L&I is directed to report to the legislature annually on the Homeowner Recovery Program based on the previous fiscal year.

Information to be reported

The legislature directed L&I to report on the Homeowner Recovery Program each year through 2034, including the following information from the previous fiscal year:

- applications made under the program, including claim amounts data;
- payments made under the program;
- status of any waitlist for eligible applications unpaid due to an insufficient account balance;
- status and solvency of the Homeowner Recovery Account; and
- recommendations for any changes to the program, if necessary.

By Dec. 1, 2035, and each year after, L&I must report to the legislature if there is a significant waitlist of eligible applicants or insufficient funds in the Homeowner Recovery Account to sustain the Homeowner Recovery Program.

REPORTING REQUIREMENTS

In FY 2024, L&I began efforts to implement the requirements of RCW 18.27.430. On July 1, 2024, the new Homeowner Recovery Program and Homeowner Recovery Account were created. All revenues from fines and penalties collected under the Contractor Registration Act (Chapter 18.27 RCW) are actively transferring to the Homeowner Recovery Account. To date, L&I has deposited \$748,300 in the account.

L&I continues its implementation efforts to ensure that eligible homeowners are able to apply for recovery payments starting July 1, 2026. L&I is adopting rules in three phases to implement the law.

The first phase adopted rules ([WAC 296-200A-041](#)) under an expedited rulemaking process that became effective July 23, 2023. The rules addressed:

- denial of registration applications when the applicant is a successor to a business entity with an unsatisfied final judgment relating to work governed by the Contractor Registration Act (Chapter 18.27 RCW), or a business entity that owes L&I money for penalties or fees resulting from a final judgment; and

- denial of applications for registration when the applicant is younger than 18 years old at the time the application is filed.

The second phase adopted rules ([WAC 296-200A-015](#), [WAC 296-200A-030](#), [WAC 296-200A-080](#), [WAC 296-200A-400](#), and [WAC 296-200A-900](#)) that became effective July 1, 2024. The rules addressed:

- increased surety bond and savings account amounts for general and specialty contractors; and
- increased monetary penalty amounts that may be assessed for infractions issued for violations of chapter 18.27 RCW.

L&I is engaged in the third phase of rulemaking that is expected to take effect July 1, 2026. This final phase addresses changes that are necessary to administer the newly established program and begin taking applications from harmed consumers.

After July 1, 2026, when homeowners may begin applying for recovery payments, L&I will provide information including:

- number of applications and claim amounts;
- number of payments and payment amounts;
- number of applications unpaid; and
- account balance.

Recommendations

L&I has successfully implemented all components of this new law so far. Once applicants begin to be eligible for reimbursement and L&I starts collecting on final judgments, the department may develop further recommendations to change the program. L&I has no recommendations at this time.

Conclusion

The Homeowner Recovery Program represents a dramatic step forward in helping consumers who have been harmed by their contractors recover some of their losses. This is a tremendous benefit for people who engage with contractors. On July 1, 2024, L&I established the Homeowner Recovery Program and Homeowner Recovery Account. L&I continues its implementation efforts to ensure that eligible homeowners are able to apply for recovery payments starting July 1, 2026.