

Capital Projects Advisory Review Board  
**Construction Cost Escalation Committee**

Meeting Notes  
June 18, 2025  
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**Location:** via Zoom

**Meeting ID:** 851 2540 4806 **Passcode:** 933045

**Committee Members:**

(11 members, 6 = Quorum)

- |   |   |
|---|---|
| <b>X</b> Olivia Yang, Owner Higher Education <i>Chair</i> | Bruce Hayashi, Architects   |
| <b>X</b> Theresa Bauccio-Teschlog, Cities                 | <b>X</b> Karen Mooseker, School Districts   |
| <b>X</b> Robert Blain, Counties                           | <b>X</b> Angela Peterson, Ports   |
| Garett Buckingham, Public Hospital Districts              | <b>X</b> Michael Transue, MCA<br>(Mechanical Contractors Assoc. Western Washington) |
| <b>X</b> Ron Endlich, Transit                             | <b>X</b> Justin Vena, Small Works Roster  |
| <b>X</b> Erin Frasier, Labor                              | <i>2<sup>nd</sup> Small Works Roster Representative, TBD</i>                        |

**Other attendees:**

- |   |  |
|---|--|
| <b>X</b> Talia Baker, CPARB Staff (DES)   | <b>X</b> Lisa Lagerstrom, MRSC                   |
| <b>X</b> Nancy Deakins, CPARB Staff (DES) | <b>X</b> Brianna Morin, Assn. of WA Cities (AWC) |
| <b>X</b> Steven Ellis, AWC                | <b>X</b> Jon Rose, MRSC                          |
| <b>X</b> Sam Humphreys, MFA               | <b>X</b> Axel Swanson, WA Assoc. of Counties     |

**Discussion Highlights:**

**Meeting started at 3:01 pm**

*Michael Transue moved to approve the agenda for the meeting. Erin Frasier seconded the motion. The agenda was approved by unanimous decision.*

*Michael Transue moved to approve the meeting minutes from June 4, 2025. Justin Vena seconded the motion. The meeting minutes were approved by unanimous decision.*

**Presentation about Statewide Small Works Roster by Jon Rose, MRSC**

Jon Rose shared a presentation about the statewide Small Works Roster (SWR). When the statewide SWR was created, the purpose was to save money and time in the advertising and awarding process of contracting by centralizing bid opportunities for businesses and taking advantage of economies of scale in performing the administrative functions of the program.

The SWR threshold was last changed in 2019, from \$300,000 to \$350,000. Since 2015, there have been proposals introduced to legislation every session to increase the threshold to \$500,000.

Jon discussed escalation percentages according to different indexes:

- Construction Cost Index (CCI) has a 40.7% increase from January 2020 to March 2025, meaning \$350,000 in 2020 is equivalent to \$498,500 in 2025 according to CCI.
- Producer Price Index (PPI) had a 40% increase from February 2020 to March 2025, meaning \$350,000 in 2020 is now equivalent to \$490,000 according to this PPI.
- Consumer Price Index (CPI) has increased by 24% between February 2020 and March 2025. Jon clarified that, compared to the CCI and PPI, CPI has a more retail based basket of goods, so in the past it has been recommended that CCI or PPI be used for construction cost escalation estimation.

Jon pointed out that using either CCI or PPI will have a similar escalation cost. Five years ago, the state economists recommended using the CCI.

Chair Yang asked for Jon to gather information on how agencies determined that \$300,000 had escalated to \$350,000 in 2019 justified by one of the price indexes.

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***Successes and challenges with the SWR***

Jon summarized measures in which the SWR has been successful and where additional attention is needed.

***Successes:***

- Growth in the number of registered agencies and businesses using the SWR.
- New public spend information about who is bidding on jobs and who is responding to solicitations.

***Areas of growth:***

- Increase the number of agencies documenting projects. Only about 20% of projects are documented.
- Agency usage of Small Works Direct Contracting (SWDC) mechanism.
- Certified business (businesses certified by OMWBE) utilization has increased, but that may be a small number of certified businesses getting a lot of work. The number of certified firms may not be increasing.

***Utilization and contract value data from the SWR***

Jon showed a slide that demonstrated that the vast majority (89.02%) of SWR projects are valued under \$50,000. This was public works data from the Labor and Industries Intents and Affidavits data set, which had been filtered for small works projects. This data included the projects that used the \$150,000 SWDC. This data set is larger than what is populated on the SWR.

Chair Yang shared two interpretations of the data.

1. The SWR may be working the way it was intended. Owners are not having to go out to bid for small projects (*as evidenced by nearly 90% of projects on SWR being valued under \$50,000*).
2. Also, having a SWR is useful because owners do not have to rely on their in-house staff to perform small works projects.

Theresa Bauccio-Teschlog noted the committee needs additional data in order to make an informed decision, for example, the entities these projects are being published by, the populations and sizes of those agencies' service territories, and their budgets.

The committee discussed how more medium and large agencies (*those that have an established Job Order Contracts (JOC) process*) may seek to use a JOC process instead of SWR when the contract value gets close to \$300,000 - \$350,000 so as not to worry about exceeding the SWR threshold. If the threshold were raised to \$500,000, the SWR may receive more use from those larger agencies.

Jon said that there are 780 agency users and over 7,200 businesses registered on the roster. He said that the number of businesses on the roster is largely a positive. However, some agencies find the number of businesses on the roster overwhelming. Some agencies prefer the old model of having 3-5 businesses they can select from.

From the MRSC data set, there are typically only 1-4 bidders on over 75% of projects posted on the statewide Small Works Roster.

Labor and Industries data, found on "data.wa.gov," does not collect on who is bidding on projects and who is being awarded projects, whereas MRSC is collecting that data through the SWR process. It is displayed publicly.

MRSC is striving to increase the number of agencies that document the projects that they are posting on SWR. Currently, only about 20% of the projects that are posted are documented (*meaning they are listed on the MRSC Small Works Roster Data webpage*).

Jon showed a slide that compared usage of three processes: Limited Public Works Projects (*which was sunsetted in 2024*), SWDC, and Small Works Less than \$350,000 (*also known as SWR*). SWDC was used only 76 times in 2024, compared to 18,416 instances of SWR process use and 4,446 of Limited Public Works Projects process use. There is robust usage of the SWR process, but not the SWDC process.

Michael suggested that Department of Enterprise Services (DES) help further educate agencies on the usage of these various contracting processes.

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Angela shared that it took a little while for the state to make templates and processes available to support agencies in using the SWR and other contracting methods.

She said that getting set up on the SWR requires a lift on part of the agencies. They are required to put certain systems and processes in place in order to start using the SWR. Agencies must develop a utilization plan and other processes in order to use the SWR, JOC, or SWDC process. Even if DES has templates and guidance on how to use these contracting processes, agencies must take steps and integrate the work into their process to use the SWR. Angela asked if there were challenges when starting the SWR.

Jon said that when the SWR first started, there was a challenge with OMWBE certification. MRSC still does not have a high volume of certified businesses on the SWR, maybe around 350. Small volumes of certified businesses and small volumes of direct contracts adds up to a small number of certified businesses winning direct contracts.

Theresa shared that, from what she has heard from cities, there are two challenges with adopting the SWR:

1. It is a new procedure staff must write with limited resources.
2. Difficulty managing the rotational requirement of the SWR, especially between different departments.

She said there is no incentive to create a new procedure, such as the rotational process required by the new SWDC. Creating that new procedure can be difficult for agencies, because it is one more procedure to manage be audited on.

### ***Certified Business Utilization of Small Works Roster***

Jon showed that certified businesses only represent about 5-7% of businesses utilizing the SWR.

Chair Yang asked if that is because businesses aren't getting certified.

Jon suggested that the committee engage OMWBE if they want more information on certified business utilization.

Chair Yang asked how MRSC qualifies businesses for SWDC.

Jon noted that MRSC only accepts OMWBE certification to count toward the rule of six requirement. There is no size limit for being on the SWDC roster.

Nancy Deakins shared there has been a backlog for businesses to get certifications from OMWBE.

### ***Discussing how the presentation will support the committee's goal***

The committee agreed that the information presented by Jon Rose was helpful and will support the process of determining how to address cost escalation. They would like to see increased use of the SWR and increased response rate in this space.

Michael asked how much the MRSC is funded for SWR.

State operation funds were supporting 50% of the cost of the roster, and those funds were not renewed. MRSC is currently in discussion with DES and Linneth Riley-Hall from CPARB to figure out what next steps to take. Whatever solution is established will likely need to be implemented in October.

The committee discussed that potential solutions could include a fee increase or an ask in the supplemental session.

Justin asked to see the slide with the contract totals (slide 11). He said he was surprised by the low number of projects on the SWR above \$50,000, and that the SWR is almost being used as a "microworks" roster.

He said that small to medium contractors, with revenue around \$5-10 million, may be less likely to use the SWR because so many projects are of small value. Some contractors don't look at the SWR as much because they receive a high volume of solicitations, many of which are smaller than the work they would like to do.

Jon explained how solicitations are sent out from the SWR roster. Agencies search for which contractors provide the services they need, then the agencies will craft and send the solicitation directly to contractors.

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Solicitation invitations are not sent directly from SWR. After that, agencies are obliged to report who they received responses from on the solicitations they sent out.

Justin said that contractors have more interest in higher value contracts listed on the SWR. He asked if agencies are more likely to advertise projects in the upper range of small works value on Builders Exchange compared to the SWR.

***Discussing the merits of a higher SWR limit***

Chair Yang said that a period of high escalation could be coming, given conditions beyond state borders. Her agency and other agencies would like a much higher limit available to them.

The committee discussed that if the SWR limit were raised, individual agencies would be able to choose whether or not to use that higher limit. They are not bound to use the maximum limit. Smaller agencies could put guardrails on their own limits.

Michael said his constituents likely would not agree with a million-dollar SWR limit for an agency that has a \$1 million capital budget.

Chair Yang asked Michael and Erin to ask their constituents what SWR roster limit they would be comfortable with.

Chair Yang said there are owners who need a limit higher than \$350,000 or \$500,000. She suggested that perhaps the limit could be set as a percentage of an agency's capital budget.

Erin asked if at the next meeting, Chair Yang could explain why she says the threshold *needs* to be higher. Chair Yang agreed to do so.

The committee discussed that certain projects may be simple and quick to execute, but because of the high volume of materials needed to complete them, they have a high cost. Currently, these projects that exceed \$350,000 in cost must be put out to bid, which adds delays to starting the project. Committee members discussed that agencies could save time and cost by being able to advertise such projects on a SWR if the limit was higher, such as \$1 million.

Angela said she would support a \$1 million dollar limit because it would help agencies get projects started more efficiently.

Robert Blain said he thinks his constituents would support a higher dollar amount, like \$1 million. Projects of a technical nature can still be put out to bid.

Robert cautioned against creating too many guardrails or too complex a process, because additional administrative costs may prevent its use by agencies (*using the example of the SWDC*).

Chair Yang said that the committee will not operate from a "vote by volume" position. It is important that opinions from both sides – those who want a higher threshold and those who don't – are heard.

Michael said that the feedback from his constituents is that the CPI is a better measure than other indexes. He wants to understand which index is the best.

Erin said her constituents are also more comfortable with CPI.

Michael suggested that the committee look into tiering the SWR limit increase, like was done with the General Contractor/Construction Manager process. Larger agencies could work the kinks out of the updated process, then it could be opened to smaller agencies.

Chair Yang emphasized that the next SWR limit increase will be examined in 2030, five years from now. That needs to be considered when deciding what limit increase makes agencies comfortable.

Erin asked for the committee to have a conversation about the \$150,000 SWDC and to go further in depth about why the conversation about raising the SWR limit is occurring so she can bring that back to her constituents.

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Chair Yang said that, because \$150,000 limit is only a year old, it may not need as much of an increase as the \$350,000 limit, which has been in effect for five years.

### **Next Meeting Agenda – 3:00 p.m. on 7/2/2025**

- Michael Transue will share with what threshold his constituents would be comfortable.
- Chair Yang and other owners will give a more thorough explanation as to why raising the SWR ceiling is desirable.

**Meeting adjourned at 4:15 p.m.**

### **Action items for next meeting**

- Jon Rose will research when it was first identified by an agency, justified by one of the price indexes, that \$300,000 had escalated to \$350,000.
- Michael Transue and Erin Frasier will consult with their constituents to understand what increase in SWR ceiling is desired.
- Chair Olivia Yang & other owners prepare for discussion of why their agencies would benefit from an SWR ceiling increase.

### **Resources:**

1. RCW [39.04.154](#)
2. RCW [39.04.152](#)
3. [2SSB 5268](#) 30 NEW SECTION. Sec. 16. Beginning in 2025 and every five years 31 thereafter, the capital projects advisory review board must review 32 construction cost escalation data for Washington state, readily 33 available in industry publications, roster utilization, and other 34 appropriate data and metrics, and make recommendations to the 35 appropriate committees of the legislature on adjustments to the 36 contracting thresholds described in section 15 of this act.
4. Committee Homepage: <https://des.wa.gov/about/committees-groups/capital-projects-advisory-review-board-cparb/construction-cost-escalation-committee>

### **Proposed Purpose/Mission:**

Per RCW [39.04.154](#) review construction cost escalation data and make recommendations to CPARB to make recommendations to the appropriate legislative committees on adjustments to the contracting thresholds for small works rosters per RCW [39.04.152](#).