

Capital Projects Advisory Review Board
Construction Cost Escalation Committee

Meeting Notes

September 10, 2025

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Location: via Zoom

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

Committee Members:

(11 members, 6 = Quorum)

X Olivia Yang, Owner Higher Education *Chair*
X Theresa Bauccio-Teschlog, Cities
X Robert Blain, Counties
Garett Buckingham, Public Hospital Districts
X Ron Endlich, Transit
Erin Frasier, Labor

X Bruce Hayashi, Architects
X Karen Mooseker, School Districts
X Angela Peterson, Ports
X Michael Transue, Specialty Contractors
X Justin Vena, Small Works Roster

2nd Small Works Roster Representative, TBD

Other attendees:

X Talia Baker, CPARB Staff (DES)
X Nancy Deakins, CPARB Staff (DES)
X Steven Ellis, AWC
X Theresa Gonzales
Chris Herman, WA Public Ports Assn.
X Claire Hornacek, MFA
Lisa Lagerstrom, MRSC

Brent Ludeman, Nat. Electrical Cont. Assoc
X Brianna Morin, Assn. of WA Cities (AWC)
X Irene Reyes
X Jon Rose, MRSC
Brian Ross, Western WA University
X Paul Schut
X Axel Swanson, WA Assoc. of Counties

Discussion Highlights:

Meeting started at 3:03 pm

Michael Transue moved to approve the agenda for the meeting. Theresa Bauccio-Teschlog seconded the motion. The committee voted to unanimously approve the agenda.

Michael Transue moved to approve the meeting notes from the 8/27/2025 meeting. Theresa Bauccio-Teschlog seconded the motion. The committee voted to unanimously approve the meeting minutes.

Discussion of Price Indexes

Michael Transue reviewed differences in the Construction Cost Index (CCI) and the Consumer Price Index (CPI) between 2019 and 2025. The CCI would be \$523,000 for 2025 and the CPI would be \$452,000 for 2025.

The CCI had a significant anomaly during COVID, where the cost went up 26.06%, resulting in almost a \$100,000 increase from year to year between 2020 and 2021, which should be accounted for in this committee's suggested number.

Michael suggested splitting the difference between the CCI and the CPI and putting the new number at \$500,000. That is an increase of \$30,000 per year for five years. Looking further ahead, applying the same \$30,000 per year increase, between 2025 and 2030 there would be an increase from \$500,000 to \$650,000. That increase could present administrative challenges for local governments, but incremental increases seem more reasonable than raising the threshold by \$150,000 in 2025. Michael asked if the new base in 2030 would be \$650,000, would the pilot go up from \$500,000 or \$650,000?

Pilot program with Small Works Roster's Increased Thresholds

Chair Olivia Yang asked if the same annual escalation of \$30,000 per year apply to the pilot.

Michael suggested the pilot sit separately. For example, if the pilot could be \$650,000 to \$1 million from 2025 to 2030.

Chair Olivia Yang asked about the downsides of a pilot up to \$1 million.

Michael noted the downsides of setting the pilot up to \$1 million, including the risk of larger contractors making bids. He suggested conducting an assessment two years into the pilot to find out if larger contractors are ending up on small works rosters.

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Theresa Bauccio-Teschlog asked if \$500,000 would be the new threshold for 2025 and the pilot would also begin in 2025 at \$1 million.

Michael suggested the pilot exercise outside of current limits, so in 2025 the new threshold would be \$500,000 and the pilot would begin at \$1 million. These numbers need to be changed while still being mindful of small, women, veteran, and minority-owned businesses. Higher thresholds were suggested to reduce the need to catch up to current prices every five years.

Chair Yang clarified that the threshold will be calibrated by \$30,000 every year, but the pilot would begin at \$1 million.

Justin Vena said he represents the larger side of a small business, and they are pushing \$40 million per year in revenue. His business does not bid under \$5 million often. Small businesses want to grow, and larger contracts are more attractive to them, and less attractive to bigger contractors. Large contractors are not chasing after \$1 million contracts. It is not part of their revenue model and profit model. The gross annual revenue for a small business in the state of Washington is \$30.7 million for general contractors. Federally, the number is \$45 million.

Chair Yang clarified that a company with around \$40 million in gross annual revenue is going after work in the \$5 million range, which is still considered a small business.

Justin said other Disadvantaged Business Enterprises (DBEs) are grossing \$5 million to \$10 million and they want longevity in their contracts. They are looking to grow contract size and project complexity, and \$1 million is in a small business's wheelhouse. They will not grow doing \$20,000 or \$100,000 projects.

Michael said his stakeholders are saying that at \$1 million, contracts would begin to become attractive. If larger contractors start to show up a small works roster, then the threshold would have to be reassessed. He suggested conducting a look-back every two years. It would also be beneficial to know what agencies are using it. Assuming that this is a pilot project, agencies will move into it slowly, see who gets on their list, and who is applying.

Chair Yang suggested that halfway through the five-year pilot this committee reconvene to assess.

Axel Swanson said he sees the pilot as a tool to right-fit the process for certain kinds of project types, which might be dependent on the government type, or the public owners. He said the exact threshold number feels less important than the guiderails put in place. He suggested an opt-in pilot with a time specific look-back, and possibly going as far as specifying the types of projects allowed within the pilot.

Michael said in terms of siderails, whatever entities opt into the pilot would have to have the blessing of their administration or local council so everyone understands the process.

Axel said public governments and jurisdictions are across the board on procurement requirements, and there are already several government types that rely on their own adopted policies. He reiterated the need for a siderail, which would be local elected officials identifying the highest threshold possible.

Michael said he has seen local governments go sideways on small works rosters and not use them properly. While there is a lot of discretion, sometimes that discretion can be abused, and it can escalate to the legislature.

Chair Yang said some owners were thinking about the pilot in terms of how to implement it. For example, in higher education a WAC would be required. In this process they would specify the upper limit of \$500,000 in 2025, with an escalation of \$30,000 per year until 2030.

Irene Reyes said the small minority businesses input is that the threshold for 2025 should be \$500,000 or more. There is interest in the pilot if there is an escalation clause.

Chair Yang said the proposed \$500,000 threshold in 2025 with an escalation of \$30,000 per year until 2030 addresses escalation. She asked if owners think the escalation is reasonable.

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Irene said, on behalf of small businesses, a \$30,000 per year escalation is not enough. She asked for a \$500,000 threshold with a 10% increase per year.

Michael said costs are only increasing 2-3% per year, so a 10% increase is 7% over what the actual cost increases are.

Irene said historical data is not accurate, especially in construction considering labor. With tariffs being implemented, cost of materials is increasing.

Michael said the increase in the CCI from 2020 to 2021 was about 7%. From 2021 to 2022, it was only 3%.

Irene said there was no activity during COVID, so the numbers are skewed. Historical data should not be used.

Michael disagreed. Looking at the historical data from 2019 to 2025, the increase was \$30,000 a year. He suggested using that number.

Theresa agreed that the cost of materials is increasing and how the tariffs will affect costs is unknown. As the cost of materials goes up, that leaves less room for labor. The \$30,000 per year increase is too low. A 10% increase is reasonable because as the cost of materials goes up, that squeezes labor out of the equation.

Robert Blain suggested tying the escalation to the indexes. If agencies are comfortable with a \$650,000 threshold, why not consider it for 2025.

Bianna Morin said she appreciates the idea of escalation but needs time to talk with cities about what the right escalation number would be and get a better sense of what is the most accurate index to go by. Steven Ellis also would appreciate time to hear from more cities to see what they would be comfortable with.

Michael said setting a number versus a percentage is preferable from an agency standpoint to keep round numbers. With percentages, rounding has to be factored in. Historically, having raw numbers in statute is more easily implementable.

Axel said as a prior local elected official, it is more about finding the right process for the right project than the exact threshold number. Considering Michael and Irene's input, he suggested escalating from \$500,000 to \$650,000 in three years instead of five, then conducting a look-back.

Michael said there is still value in looking at historical data. For both the CPI and CCI it depends on what inputs are considered. He committed to taking another look and coming back with new numbers.

Bruce Hayashi emphasized having a range of opportunity with limits so that the municipalities and agencies know which approach they can go to for delivery of projects. The thresholds are based on estimates. Agencies will have to ask if they can meet the threshold, or if they estimate costs could exceed the threshold. It is more about what the threshold is for executing the work in this method of delivery, rather than the cost of the work. Using rational, whether a whole number or a percentage, is the guidance given. As costs escalate, the threshold will also rise, but a bar should be maintained to manage expectations on delivery methods.

Jon Rose said MRSC, as the implementers and the communicators, can experience difficulty explaining thresholds and how to execute them. If the threshold changes every year, by the time there is a level of understanding around the threshold, the threshold would change again.

Theresa said the threshold increases should be laid out in the rollout. She agreed with Michael that solid numbers instead of percentages are more easily understandable and implementable. She suggested coming to an agreement on a whole number and including it in the statute.

Chair Yang agreed. The bill, and eventually the RCW will specify in 2025 the threshold will be \$500,000, in 2026 the threshold will be \$530,000, and so on. The language around the pilot will specify the \$1 million threshold, with a check in or look-back at the two or two and a half year mark.

Irene reminded the committee that there is a new sales tax implemented in industries that have never been taxed before and that should be taken into consideration. The tax would be 10.5% or 11%.

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Theresa said in the last statute update and legislation, sales tax was removed from the limit, so sales tax is not calculated into those limits.

Next Meeting

The committee agreed that at the next meeting, representatives of labor, contractors, and professional services will report what SWR escalation threshold their members decided they would be comfortable with for the standard threshold, as well as a five-year pilot with a threshold of \$1 million. Owners have a regular meeting on September 19, which is an opportunity to get consensus from that group.

Chair Yang asked Talia Baker to extend the committee meetings through the end of October 2025. Talia will send invites to the committee.

Chair Yang sent out a draft report and asked that committee members review it. The threshold numbers are missing, but getting the committee's approval of the rest of the report will expedite finalizing the report once threshold numbers are decided. Talia said the report was sent to the distribution list and asked for additional stakeholders at this meeting send their emails if they would like access to view the draft report.

Michael clarified that his client is the MCA, but he considers himself as representing specialty contractors and subcontractors. Chair Yang asked Talia to update the agenda and meeting minutes to reflect this.

Nancy Deakins asked what the plan is for legislation. CPARB will not be able to vote on this until the December meeting unless a special meeting in November is requested.

Chair Yang suggested seeing how far along the committee can get in September then making decisions about where to go from there.

Talia said getting anything into a bill and submitted to the legislature and pushing it into December reduces the possibility of it becoming a bill.

Michael agreed this may be true if the bill goes through DES. If he can find somebody in the legislature who will authorize him to go to the code reviser and get a bill drafted he will do it.

Theresa said she knows of public agency council members that are legislators that will probably be supportive.

The committee agreed to end the meeting early.

Michael Transue moved to adjourn the meeting. Robert Blain seconded the motion. The committee was adjourned by unanimous vote.

Meeting ended at 3:56 p.m.

Action items for next meeting

1. Representatives of labor, contractors, and professional services ask their membership what projected SWR threshold they would be comfortable with for the standard threshold for 2025-2030 including escalations, as well as a five-year pilot with a threshold of \$1 million.
2. Owner reps will seek pilot support from the Owner's Group.
3. Michal Transue will take another look possible escalation numbers (\$500K-\$650K in 3 years?) and bring them to the next meeting.
4. City Representatives will discuss escalation numbers and collect information to get a better sense of what is the most accurate index to go by.
5. All members and stakeholders are asked to review the draft report and bring updates to the next meeting.
6. Meeting schedule will be extended through the end of October.

Next Meeting Agenda – 3:00 p.m. on 9/24/2025

- Representatives from labor, contractors and professional services will report back on what SWR threshold their membership would be comfortable with.

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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>

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](#).