

Capital Projects Advisory Review Board
Construction Cost Escalation Committee

DRAFT

Report to Legislature - Construction Cost Escalation
10/08/25

The Legislature passed 2SSB 5268 in 2023 making changes to RCW 39.04.152 which authorizes the use of the Small Works Roster (SWR).

RCW 39.04.152 requires a review of the SWR threshold (set at \$350,000 in 2019) every five years beginning in 2025.

In the May 2025 meeting, the Capital Projects Advisor Review Board (CPARB) commissioned created a committee to meet with stakeholders and submit recommended CPARB changes to the 2019 threshold.

Members of the committee included:

- Olivia Yang, Higher Education Chair
- Theresa Bauccio-Teschlog, Cities
- Robert Blain, Counties
- Garrett Buckingham, Public Hospitals
- Ron Endlich, Transit
- Erin Frasier, Labor
- Bruce Hayashi, Architects
- Karen Mooseker, School Districts
- Angela Peterson, Ports
- Irene Reyes, Association of Small/Diverse Businesses
- Michael Transue, Specialty Contractors
- Justin Vena, General Contractors (SWR)

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The committee met every two weeks beginning June 18, 2025.

The issues discussed by the committee included

1. Purpose of a small works roster.
The small works roster was originally intended to reduce the transaction costs of public owners in procuring small dollar construction. Over time it has also been thought of to facilitate entry by small businesses into public works.
2. Use of a small works roster.
 - a) SHB 1306 encouraged the use of a Statewide Small Works Roster (SWR) to be administered by Municipal Research Service Center (MRSC).
 - b) The Statewide SWR is funded by the State through the Department of Commerce and may become a few-fee-based services to public owners and contractors (except certified firms).
 - c) All firms are eligible to apply to be on the Statewide SWR.
3. Inflation.
 - a) Various indices were used to determine actual inflation since 2019. These included the Construction Cost Index and the Consumer Price Index.
 - b) MRSC has calculated the escalation of \$350,000 based on these different indices.
 - c) These indices concluded that inflation since 2019 resulted in an increase of from \$350,000 from-to between \$406,000 to over \$500,000.

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4. Potential outcomes of increases.
 - a) There was considerable discussion around escalation from 2025 to 2030. Raising the threshold to as high as \$1M was proposed.
 - b) There was concern that a threshold of \$1M may invite medium or larger contractors to be on the SWR and potentially put small businesses firms at a bidding disadvantage. The counter points to this that volatility in the marketplace looking ahead is real. The new threshold for SWR must be realistic.
5. Pilot.

A small group of public owners will-offered to pilot projects greater than the new threshold. The pilot will-would test, among other issues, the impact of a higher threshold on make-up of contractors on roster (did medium and larger firms get on the roster and put the small businesses at a disadvantage?)
6. Status.

During the August 27, 2025, committee meeting, the following consensus structure was agreed upon:

 - a) The various index calculations will be reviewed by stakeholder groups to inform them of their proposed new threshold.
 - b) A group of public owners have-agreed to pilot projects higher than the new threshold.
 - c) MCA has-proposed sideboards for the pilots- the Public Owners are-would be reviewing.

During the September 24, 2025, committee meeting a tentative consensus was reached.

- The SWR ~~threshold~~ would be increased from \$350,000 to \$500,000 as of July 1 2025, with an annual increase of \$50,000 until 2030.
- There will be no pilot.
- The next review period will be in 2035.

Public owners believe this provides flexibility in procurement as anticipated costs of labor and materials increase at rates that may be greater than those in the past.

Small businesses believe that the higher thresholds would allow for a path for-towards larger projects and an ability to build up bonding capacity.

Specialty contractors expressed their concern that small businesses will continue to bid and remain competitive at the higher thresholds. Labor encourages the use of apprenticeship at the higher thresholds.

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