

CAPITAL PROJECTS ADVISORY REVIEW BOARD

Construction Cost Escalation

Regarding the Small Works Roster

**Report to the Legislature
2025**

CAPITAL PROJECTS ADVISORY REVIEW BOARD

The Capital Projects Advisory Review Board (CPARB), authorized by RCW 39.10, reviews alternative public works contracting procedures and provides guidance to state policymakers on ways to further enhance the quality, efficiency and accountability of all public works contracting methods.

EXECUTIVE SUMMARY

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

In addition, RCW 39.04.154 requires the CPARB to review of the SWR threshold.

Beginning in 2025 and every five years thereafter, the capital projects advisory review board must review construction cost escalation data for Washington state, readily available in industry publications, roster utilization, and other appropriate data and metrics, and make recommendations to the appropriate committees of the legislature on adjustments to the contracting thresholds described in RCW [39.04.152](#).

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

1. The SWR threshold would be increased from \$350,000 to \$500,000 as of July 1, 2025.
2. There was further discussion about future escalation through 2023. There was a proposal for a ~~\$50,000~~\$30,000 a year increase through 2030.
3. The next review period will be in 2030.

During the October 8, 2025, committee meeting there was a minority opinion that the annual increase shall be 4% through 2030.

<CPARB Agreement paragraph to be inserted at the conclusion of 10/9 meeting>

STATEMENT OF PURPOSE

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

CPARB MAKES THE FOLLOWING RECOMMENDATION:

<Can be bullet points, a statement, or the body of the report depending on the length and level of content. >

REPORT

In the May 2025 meeting, the Capital Projects Advisor Review Board (CPARB) created the construction cost escalation committee to meet with stakeholders and submit recommended changes to the 2019 (\$350,000) 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)

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 SWR policies are intended to reduce the transaction costs to public owners in procuring small dollar construction. These policies also serve to facilitate and encourage entry by small businesses of all types into public works contracting arena with the hopes of them stepping into larger and larger public works contracts over time.

2. Use of a Small Works Roster

- a) SHB 1306 (enacted 20xxx) encouraged the use of a statewide SWR to be administered by and housed at the Municipal Research Service Center (MRSC).
- b) Many agencies utilize their own SWR due to specificity of work types and restrictions.
- c) A single SWR was recognized by the legislature as removing barriers to small business in entering public works.
- d) The statewide SWR is funded by the State budget through the Department of Commerce – the funding was removed by the final 2025-27 Budget. Therefore, the program is currently a fee-based service to public owners and contractors (*except PWSBE certified firms*).
- e) All responsible contractors are eligible to apply to be on the statewide SWR.

3. Inflation

- a) Various indices were looked at to determine the appropriate SWR increase 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. *See Appendix 1*
- c) These indices concluded that inflation since 2019 resulted in an increase from \$350,000 to between \$452,000 to \$523,000.

4. Potential outcomes resulting from the proposed increases.

- a) There was considerable discussion around prospective escalation from 2025 to 2030. Raising the threshold to as high as \$1M was proposed and discussed.
- b) There was worry that a threshold of \$1M may invite medium or larger contractors to be on the SWR, which could have the effect of drowning out and discouraging small, certified, women, veteran, minority and women-owned business firms thereby putting them at a bidding disadvantage. The counter points are that volatility in the construction marketplace looking ahead is real and unpredictable. The new threshold for SWR must be realistic.

5. Status

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.
- There was further discussion about future escalation through 2023. There was a proposal for a \$50,000 a year increase through 2030.
- The next review period will be in 2030.

Public owners believe this provides a reasonable look prospectively regarding future 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 increases would allow for a path towards larger projects and an ability to build up bonding capacity and that small businesses will continue to bid and remain competitive at the higher thresholds.

Labor encourages the apprentice utilization requirements at the higher thresholds to support workforce development and prepare firms for existing requirements on larger projects (RCW 39.04.320).

During the October 8, 2025, committee meeting there was a minority opinion that the annual increase shall be 4% through 2030. The opinion is based on concern that the escalation is based on past indices. *See Appendix 2*

APPENDICES

- A. Bureau of Labor Statistics
- B. Data on \$50K Annual Increase
- C. Committee Members and Stakeholders

BUREAU OF LABOR STATISTICS >

The Consumer Price Index (CPI) has increased since 2009, with an average inflation rate of 2.53% per year. This means that today's prices are 1.49 times as high as average prices since 2009-13. The CPI is used to calculate the inflation rate.

Year	Annual	Cumulative Increase				
2009	-0.4					
2010	1.1	0.7				
2011	2.8	3.5				
2012	2.2	5.7				
2013	1.5	7.2				
2014	1.9	9.1				
2015	1.2	10.3	Cumulative Increase			
2016	1.9	12.2	3.1			
2017	2.8	15.0	5.9			
2018	3.3	18.3	9.2			
2019	2.7	21.0	11.9	350,000	Cumulative Increase	
2020	1.7	22.7	13.6		1.7	
2021	4.5	27.2	18.1		6.2	
2022	8.0	35.2	26.1		14.2	
2023	4.3	39.5	30.4		18.5	
2024	2.8	42.3	33.6	ccc = 106.25%	21.3	ccc = 42.45
			467,600	350k x .213	426,900	300k x 0.423

Source: Bureau of Labor Statistics

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DATA ON \$50K ANNUAL INCREASE FOR 5 YEARS

\$500K 2026	Year of increase	%'age increase at \$50K/year	Adjusted ceiling increase at 4%/year	Whole Numbers
\$ 550	7/1/2026	10%	\$ 520,000	\$ 520,000
\$ 600	7/1/2027	8.3	\$ 540,800	\$ 545,000
\$ 650	7/1/2028	7.7	\$ 562,432	\$ 565,000
\$ 700	7/1/2029	7.1	\$ 584,929	\$ 585,000
\$ 750	7/1/2030	6.6	\$ 608,326	\$ 610,000

CPARB MEMBERS AND CONSTRUCTION COST ESCALATION COMMITTEE MEMBERS AND STAKEHOLDERS

Committee Members:

- Olivia Yang, Higher Education Chair
- Theresa Bauccio-Teschlog, Cities
- Robert Blain, Counties
- Garett 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)

Committee Stakeholders:

<List of active stakeholders and their agencies>

(to be filled out by staff)

CPARB Members:

<Current CPARB Membership|>

(to be filled out by staff)