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**Innovation, Community & Economic  
Development, & Veterans Committee**

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**HB 1306**

**Brief Description:** Addressing equity and efficiencies in public works procurement including modifying small works roster requirements.

**Sponsors:** Representatives Tharinger, Steele, Reed, Pollet and Leavitt.

**Brief Summary of Bill**

- Modifies small-works roster procedures.
- Requires the Department of Commerce to create a statewide small-works roster by June 30, 2024.
- Requires the Office of Minority and Women's Business Enterprises to adopt rules governing a public works small business certification program.
- Requires the Capital Projects Advisory Review Board to periodically review construction cost escalation data, roster utilization, and other appropriate data and metrics, and make recommendations to the Legislature on adjustments to contracting thresholds.
- Requires the Department of Enterprise Services to develop and make available on its public-facing website templates for bid invitations, bidding, and contracting.

**Hearing Date:** 1/24/23

**Staff:** Cassie Jones (786-7303).

**Background:**

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.*

## Small-Works Roster and the Limited Public-Works Process.

Public works includes all work, construction, alteration, and repair or improvement, other than ordinary maintenance, that is a cost to the state or a local government. All public works must comply with the public works prevailing wage requirements under Chapter 39.12 RCW.

### *Small-Works Roster.*

For public-works projects estimated to cost \$350,000 or less, state agencies and authorized local governments (agencies) may use the small-works roster process to award contracts. A small-works roster includes any responsible contractor who requests to be on the roster, which may be a single general list or lists for specialties or categories of work. Agencies must publicly advertise the roster at least once per year in a newspaper of general circulation within the jurisdiction, soliciting the names of eligible contractors.

Agencies must adopt procedures to secure quotations from contractors on the roster to assure that a competitive price is established and to award contracts to the lowest responsible bidder. A contract awarded from a small-works roster need not be advertised. Quotations may be invited from all appropriate contractors on the appropriate small-works roster. As an alternative, quotations may be invited from at least five contractors on the small-works roster in a manner that will equitably distribute the opportunity among contractors on the roster. If the estimated cost of the work is from \$250,000 to \$350,000, an agency that chooses to solicit bids from less than all the appropriate contractors must also notify the remaining contractors on the appropriate small-works roster that quotations on the work are being sought.

For projects awarded under the small-works roster process, the agency may waive certain retainage requirements and assume liability for the contractor's nonpayment of taxes and of laborers, subcontractors, mechanics, material persons, and suppliers. The agency retains the right of recovery against the contractor for any payments made on the contractor's behalf. Recovery of unpaid wages and benefits must be the first priority of actions filed against the retainage.

### *Limited Public-Works Process.*

For public-works projects estimated to cost less than \$50,000, agencies may use the limited public-works process to award contracts. Under the limited public-works process, the agency solicits bids from at least three contractors from the appropriate small-works roster and awards the contract to the lowest responsible bidder. The agency must equitably distribute opportunities for limited public-works projects among contractors willing to perform in the geographic work area.

An agency must maintain a list of the contractors contacted and awarded during the previous 24 months under the limited public-works process, including the name of the contractor, the contractor's registration number, the amount of the contract, a brief description of the type of

work performed, and the date the contract was awarded. For limited public-works projects, the agency may waive payment, performance bond, and retainage requirements, thereby assuming the liability for the contractor's nonpayment of laborers, mechanics, subcontractors, material persons, suppliers, and taxes, increases, and penalties. The agency retains the right of recovery against the contractor for any payments made on the contractor's behalf.

#### *Retainage.*

Retainage refers to a portion of the contractor's payment that is withheld by the contracting agency until the project is complete, and the portion is limited to 5 percent of the payment amount. The retainage is used to satisfy claims that a person, such as a laborer or supplier, may have under the contract and to pay any taxes or penalties that may be due from the contractor.

#### Capital Projects Advisory Review Board.

The Capital Projects Advisory Review Board (CPARB), in the Department of Enterprise Services (DES), was created to provide evaluation of public capital projects construction processes, including the impact of contracting methods on project outcomes, and to advise the Legislature on policies related to public-works delivery methods and alternative public-works contracting procedures. The CPARB members are required to be knowledgeable or have experience in state and federal laws, rules, and best practices concerning public contracting for minority, women, and veteran-owned businesses and small businesses. The CPARB must reflect the gender, racial, ethnic, and geographic diversity of the state, including the interests of persons with disabilities. The CPARB consists of 25 members, including four nonvoting legislative members—two from the House of Representatives and two from the Senate.

In addition to evaluating public-works contract procedures, CPARB appoints members to the Project Review Committee (PRC) to certify public bodies to use alternative contracting procedures, such as design-build (DB), general contractor/construction manager (GC/CM), or both, and to approve the use of DB or GC/CM procedures on a project-by-project basis.

The CPARB has a duty to develop and recommend policies to encourage competition and to further enhance the quality, efficiency, and accountability of and equitable participation by disadvantaged business enterprises and make recommendations regarding best practices, expansion, continuation, elimination, or modification of the alternative public-works contracting methods, including specific recommendations for reducing barriers for and increasing participation by disadvantaged business enterprises.

#### Department of Enterprise Services.

The DES manages procurement of goods and services for state agencies. The DES is, in part, responsible for developing procurement policies and procedures that encourage and facilitate the purchase of goods and services from Washington small businesses, microbusinesses, minibusinesses, and minority- and women-owned businesses to the maximum extent practicable.

## Office of Minority and Women's Business Enterprises.

The Office of Minority and Women's Business Enterprises (OMWBE) was created to provide minority- and women-owned and controlled businesses with the maximum practicable opportunity for increased participation in public-works contracts and public contracts for goods and services. The OMWBE is the sole authority in Washington for certifying minority- and women-owned, and socially and economically disadvantaged, business enterprises. Certified business enterprises are listed in the OMWBE database. Cities, counties, state agencies, transportation, and educational institutions use the database to source small and diverse firms for potential contracting opportunities. Among other duties, the OMWBE must identify barriers to equal participation by qualified businesses in all state agency and educational contracts, and the OMWBE must establish annual participation goals by qualified businesses for each state agency and educational institution.

### **Summary of Bill:**

#### Small-Works Roster Process.

An agency may utilize a statewide small-works roster or create and maintain one or more small-works rosters for different categories of anticipated work. The agency must require contractors desiring to be placed on the small-works roster to indicate if they meet the definition of women- and minority-owned business, veteran-owned business, or small businesses. At least once per year, the agency must provide the OMWBE directory of certified firms a notice of the existence of the roster and solicit contractors for the roster. The contractor must agree and be able to receive notifications via email.

Agencies must document good faith efforts annually implementing the following:

- After an award is made, the bid quotations obtained must be recorded, publicly available, and available by request.
- An agency must publish a list of small-works contracts awarded and contractors contacted for direct negotiation.

An agency contracting through a small-works roster must invite bids notifying all contractors on the applicable roster that have indicated interest in performing work in the applicable geographical area.

For small public works with an estimated cost of less than \$150,000, an agency is encouraged to and may direct contract with small businesses before direct contracting with other contractors on the appropriate small-works roster without a competitive process under specified rules:

- If there are six or more contractors meeting the definition of small business on the applicable roster, the state agency must direct contract with one of those small businesses on the applicable roster that have indicated interest in performing work in the applicable

geographical area.

- If there are five or less contractors meeting the definition of small business on the applicable roster, the state agency or authorized local government may direct contract with any contractor on the applicable roster.

Each agency engaging in direct contracting must establish a women-, minority-, and veteran-owned business and small business utilization plan. An agency engaging in direct contracting may not favor certain contractors on the appropriate small-works roster by repeatedly awarding contracts without documented attempts to direct contract with other contractors on the appropriate small-works roster.

For small public-works contracts under \$5,000, there is no requirement for retainage or performance bonds.

#### Statewide Small-Works Roster.

The Department of Commerce (Commerce), through the Municipal Research and Services Center (MRSC), must develop a statewide small-works roster by June 30, 2024. The MRSC must develop criteria for the statewide roster with collaboration from affected state and local agencies. The roster must have features to filter the roster by different specialties, categories of anticipated work, or geographic areas served by contractors. The roster must also indicate whether the contractor is designated as a small business. Commerce must provide funding to the MRSC as appropriated to maintain and publicize a small-works roster, and work with MRSC to notify state and local governments authorized to use small-works rosters of the statewide roster authority and provide guidance on how to use the authority. State agencies and authorized local governments using small-works rosters must establish procedures for implementation.

#### Capital Projects Advisory Review Board.

Beginning in 2025 and every five years thereafter, the CPARB 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 contracting thresholds.

#### Department of Enterprise Services.

The DES must develop and make available on its public-facing website templates for bid invitations, bidding, and contracting that may be used by state agencies, authorized local governments, and contractors. A provision is eliminated that required the DES to conduct a survey and compile the results into a list of which states provide a bidding preference on public-works contracts for their resident contractors. The report was due the Legislature in 2011.

#### Office of Minority and Women's Business Enterprises.

The OMWBE must adopt rules governing the development and maintenance of a public-works small business certification program.

Other Provisions.

"Small business" is defined as a business meeting the certification criteria for size, ownership, control, and personal net worth adopted by the OMWBE. References to disadvantaged businesses enterprise are replaced with small and women-, minority-, or veteran-owned businesses throughout statutes relating to the CPARB and alternative public-works contracting. For port districts and irrigation districts, the limit for small-works contracting is increased from \$300,000 to \$350,000.

**Appropriation:** None.

**Fiscal Note:** Requested on January 17, 2023.

**Effective Date:** Sections 31 and 35 of the bill contain an emergency clause and take effect July 1, 2023. The remainder of the bill takes effect on July 1, 2024.