

# SENATE BILL REPORT

## HB 2535

---

As Reported By Senate Committee On:  
State & Local Government, February 23, 2000

**Title:** An act relating to payment of retained percentages on public improvement contracts using the general contractor/construction manager method.

**Brief Description:** Facilitating payments to subcontractors on design-build projects.

**Sponsors:** Representatives Miloscia, D. Schmidt, Ogden, Veloria and Haigh.

**Brief History:**

**Committee Activity:** State & Local Government: 2/21/2000, 2/23/2000 [DP].

---

### SENATE COMMITTEE ON STATE & LOCAL GOVERNMENT

**Majority Report:** Do pass.

Signed by Senators Patterson, Chair; Gardner, Vice Chair; Hale, Kline and McCaslin.

**Staff:** Diane Smith (786-7410)

**Background:** The general contractor/construction manager (GCCM) procedure is a multi-step competitive process to award a contract for a single firm to provide services during the design phase, as well as acting as both the construction manager and general contractor during the construction phase, for a specific facility of a relatively high cost. The contractor guarantees the project budget under this procedure.

The Department of General Administration, University of Washington, Washington State University, every county with a population greater than 450,000 (King, Pierce, and Snohomish counties), every city with a population in excess of 150,000 (Seattle, Tacoma, and Spokane), port districts with a population in excess of 500,000 (Port of Seattle and Port of Tacoma), and a public facilities district constructing a baseball stadium may use the general contractor/construction manager process on any project with an estimated cost of \$10 million or more. In addition, these entities may also use the GCCM procedure on several demonstration projects of between \$3 million and \$10 million in estimated cost.

Most public works contracts are subject to retainage requirements, where the public entity retains up to 5 percent of the contract amount from the general contractor for 45 days after completion of the project. The retained funds are used as a trust fund for the payment of laborers, subcontractors, material men, and excise taxes that are imposed on the project.

**Summary of Bill:** Retainage requirements are altered for contracts that are awarded using the GCCM alternative public works procedure.

The public body may accept subcontractor work that is completed during the first half of the time specified in the contract between the public entity and the general contractor for the

general contractor to complete the project. The public body may release the portion of the overall retained funds that are associated with the subcontractor work 45 days after providing notice of its acceptance of the subcontractor's work.

Claims against the retained funds after this 45-day period are not valid.

**Appropriation:** None.

**Fiscal Note:** Not requested.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Testimony For:** This is a product of the Alternative Public Works Committee that was developed after long debate and compromise so that now all favor the bill.

**Testimony Against:** None.

**Testified:** PRO: John Lynch, GA; Larry Stevens, United Subcontractors Assn.; Dan Sexton, WA State Assn. of Plumbers and Pipefitters.