

# SENATE BILL REPORT

## HB 1830

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As of February 16, 2010

**Title:** An act relating to business definitions for public contracting.

**Brief Description:** Establishing business definitions for public contracting.

**Sponsors:** Representative Santos.

**Brief History:** Passed House: 3/06/09, 83-13; 2/10/10, 82-13.

**Committee Activity:** Economic Development, Trade & Innovation: 2/17/10.

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### SENATE COMMITTEE ON ECONOMIC DEVELOPMENT, TRADE & INNOVATION

**Staff:** Karen Campbell (786-7448)

**Background:** Public work includes all work, construction, alteration, and repair or improvement other than ordinary maintenance which is executed at a cost to the state or a municipality. For public work projects estimated to cost \$200,000 or less, state agencies and certain local governments may use the small works roster (Roster) process to award contracts. When an agency or local government elects to use this process, it must solicit bids from at least five contractors who have requested to be listed on a Roster. The agency or local government, if it decides to award the contract, awards it to the lowest responsible bidder. The agency or local government must make an effort to equitably distribute the opportunity among contractors on the Roster if the bids are solicited from fewer than all the contractors on the Roster.

The Roster process also allows for a limited public work process for projects estimated to cost less than \$35,000. A state agency or authorized local government may use the limited public works process to solicit and award the Roster contracts to small businesses that are registered contractors with gross revenues under \$1 million annually as reported on their federal tax return.

There are a number of definitions of small business found throughout the Washington code. A definition of small business was added to the Personal Service Contracts Act in 2009 as follows:

- an in-state business, including a sole proprietorship, corporation, partnership, or other legal entity that is owned and operated independently from all other businesses and has either: (1) 50 or fewer employees; or (2) gross revenue of less than \$7 million

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- annually as reported on its federal income tax return or its return filed with the Department of Revenue over the previous three consecutive years; and
- in-state business means a business that has its principal office located in Washington and its officers domiciled in Washington.

**Summary of Bill:** A definition of small business is added to the Public Works Act without reference to the definition added in 2009. A small business is defined as any business entity, including a sole proprietorship, corporation, partnership, or other legal entity, that: (1) is owned and operated independent from all other businesses; and (2) has a gross revenue of less than \$7 million annually as reported on its federal tax return or its return filed with the Department of Revenue. A definition of micro and mini businesses are also added. Mini-businesses are defined as those businesses having a gross annual revenue of more than \$1 million and less than \$3 million. Micro-businesses are defined as businesses having a gross annual revenue less than \$1 million.

State agencies and authorized local governments may use the limited public work process to solicit and award the Roster contracts to small businesses, mini-businesses, and micro-businesses as defined above.

**Appropriation:** None.

**Fiscal Note:** Available.

**Committee/Commission/Task Force Created:** No.

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