House Bill 2586

Sponsored by Representative SCHAUFLER; Representative MATTHEWS (Presession filed.)

SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure **as introduced.**

Classifies exemption from ad valorem property taxation as funds of public agency for purpose of requiring payment of prevailing rate of wage. Requires city, county or other sponsor of enterprise zone to notify Commissioner of Bureau of Labor and Industries of exemption from ad valorem property taxation connected with public works project located in sponsor's enterprise zone.

Requires sponsor of enterprise zone in which public works project is located to pay specified fee. Creates procedures by which multiple public agencies that award public works contract or multiple sponsors that designate enterprise zone in which public works project is located must apportion fees and apportion receipt of certified statements from contractors and subcontractors.

Declares emergency, effective on passage.

1 A BILL FOR AN ACT

- 2 Relating to the application of prevailing wage rates to enterprise zones; creating new provisions;
- amending ORS 279C.800, 279C.810, 279C.825, 279C.827, 279C.835 and 279C.845; and declaring an
- 4 emergency.

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- Be It Enacted by the People of the State of Oregon:
- 6 **SECTION 1.** ORS 279C.800, as amended by section 1, chapter 45, Oregon Laws 2010, is amended 7 to read:
- 8 279C.800. As used in ORS 279C.800 to 279C.870:
- 9 (1) "Fringe benefits" means the amount of:
- 10 (a) The rate of contribution a contractor or subcontractor makes irrevocably to a trustee or to 11 a third person under a plan, fund or program; and
 - (b) The rate of costs to the contractor or subcontractor that may be reasonably anticipated in providing the following items, except for items that federal, state or local law requires the contractor or subcontractor to provide:
 - (A) Benefits to workers pursuant to an enforceable written commitment to the workers to carry out a financially responsible plan or program for:
- 17 (i) Medical or hospital care;
 - (ii) Pensions on retirement or death; or
- 19 (iii) Compensation for injuries or illness that result from occupational activity;
- 20 (B) Insurance to provide the benefits described in subparagraph (A) of this paragraph;
- 21 (C) Unemployment benefits;
- 22 (D) Life insurance;
- 23 (E) Disability and sickness insurance or accident insurance;
- 24 (F) Vacation and holiday pay;
- 25 (G) Costs of apprenticeship or other similar programs; or
- 26 (H) Other bona fide fringe benefits.
- 27 (2) "Housing" has the meaning given that term in ORS 456.055.

NOTE: Matter in **boldfaced** type in an amended section is new; matter [*italic and bracketed*] is existing law to be omitted. New sections are in **boldfaced** type.

- 1 (3) "Locality" means the following district in which the public works **project**, or the major portion thereof, is to be performed:
 - (a) District 1, composed of Clatsop, Columbia and Tillamook Counties;
- 4 (b) District 2, composed of Clackamas, Multnomah and Washington Counties;
- 5 (c) District 3, composed of Marion, Polk and Yamhill Counties;
 - (d) District 4, composed of Benton, Lincoln and Linn Counties;
- (e) District 5, composed of Lane County;

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- 8 (f) District 6, composed of Douglas County;
- 9 (g) District 7, composed of Coos and Curry Counties;
- 10 (h) District 8, composed of Jackson and Josephine Counties;
- 11 (i) District 9, composed of Hood River, Sherman and Wasco Counties;
- 12 (j) District 10, composed of Crook, Deschutes and Jefferson Counties;
- 13 (k) District 11, composed of Klamath and Lake Counties;
- 14 (L) District 12, composed of Gilliam, Grant, Morrow, Umatilla and Wheeler Counties;
- 15 (m) District 13, composed of Baker, Union and Wallowa Counties; and
- 16 (n) District 14, composed of Harney and Malheur Counties.
 - (4) "Prevailing rate of wage" means the rate of hourly wage, including all fringe benefits, that the Commissioner of the Bureau of Labor and Industries determines is paid in the locality to the majority of workers employed on projects of a similar character in the same trade or occupation.
 - (5) "Public agency" means the State of Oregon or a political subdivision of the State of Oregon, or a county, city, district, authority, public corporation or public entity organized and existing under law or charter or an instrumentality of the county, city, district, authority, public corporation or public entity.
 - (6)(a) "Public works" includes, but is not limited to:
 - (A) Roads, highways, buildings, structures and improvements of all types, the construction, reconstruction, major renovation or painting of which is carried on or contracted for by [any] a public agency to serve the public interest;
 - (B) A project that uses funds of a private entity and \$750,000 or more of funds of a public agency for constructing, reconstructing, painting or performing a major renovation on a privately owned road, highway, building, structure or improvement of any type;
 - (C) A project that uses funds of a private entity for constructing a privately owned road, highway, building, structure or improvement of any type in which a public agency will use or occupy 25 percent or more of the square footage of the completed project; [or]
 - (D) Notwithstanding the provisions of ORS 279C.810 (2)(a), (b) and (c), a device, structure or mechanism, or a combination of devices, structures or mechanisms, that:
 - (i) Uses solar radiation as a source for generating heat, cooling or electrical energy; and
 - (ii) Is constructed or installed, with or without using funds of a public agency, on land, premises, structures or buildings that a public body, as defined in ORS 174.109, owns[.]; or
 - (E) A project for constructing, reconstructing or performing a major renovation of a privately owned road, highway, building, structure or improvement of any type that:
 - (i) Is located in an enterprise zone, as defined in ORS 285C.050;
 - (ii) Consists of or is sited on real property for which a qualified business firm, as defined in ORS 285C.050, has received an exemption from ad valorem property taxation under ORS 285C.170 or 285C.175; and
 - (iii) Has a projected cost of \$2 million or more.

(b) "Public works" does not include:

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- (A) [The reconstruction or renovation of] Reconstructing or renovating privately owned property that a public agency leases; or
- (B) [The renovation of] **Renovating** publicly owned real property that is more than 75 years old [by a private nonprofit entity] if:
 - (i) The real property is leased **for more than 25 years** to the private nonprofit entity **that performs the renovation** [for more than 25 years];
- (ii) Funds of a public agency used in the renovation do not exceed 15 percent of the total cost of the renovation; and
- 10 (iii) Contracts for the renovation were advertised or, if not advertised, were entered into before 11 July 1, 2003, but the renovation [has not been] was not completed on or before July 13, 2007.
 - (7) "Sponsor" has the meaning given that term in ORS 285C.050.
 - **SECTION 2.** ORS 279C.810 is amended to read:
 - 279C.810. (1) As used in this section:
 - (a) "Funds of a public agency" does not include:
 - (A) Funds provided in the form of a government grant to a nonprofit organization, unless the government grant is issued for the purpose of construction, reconstruction, major renovation or painting;
 - (B) Building and development permit fees [paid or waived by the public agency] that the public agency pays or waives;
 - (C) Tax credits or tax abatements, except for exemptions from ad valorem property taxation allowed under ORS 285C.170 or 285C.175;
 - (D) Land that a public agency sells to a private entity at fair market value;
 - (E) The difference between:
 - (i) The value of land that a public agency sells to a private entity as determined at the time of the sale after taking into account any plan, requirement, covenant, condition, restriction or other limitation, exclusive of zoning or land use regulations, that the public agency imposes on the development or use of the land; and
 - (ii) The fair market value of the land if the land is not subject to the limitations described in sub-subparagraph (i) of this subparagraph;
 - (F) Staff resources [of] the public agency [used] uses to:
 - (i) Manage a project or to provide a principal source of supervision, coordination or oversight of a project; or
 - [(G)] (ii) [Staff resources of the public agency used to] Design or inspect one or more components of a project;
 - [(H)] (G) Moneys derived from the sale of bonds that [are loaned by] a state agency loans to a private entity, unless the moneys will be used for a public improvement;
 - [(I)] (H) Value added to land as a consequence of a public agency's site preparation, demolition of real property or remediation or removal of environmental contamination, except for value added in excess of the expenses the public agency incurred in the site preparation, demolition or remediation or removal when the land is sold for use in a project otherwise subject to ORS 279C.800 to 279C.870; or
 - [(J)] (I) Bonds, or loans from the proceeds of bonds, issued in accordance with ORS chapter 289 or ORS 441.525 to 441.595, unless the bonds or loans will be used for a public improvement.
 - (b) "Nonprofit organization" means an organization or group of organizations described in sec-

- tion 501(c)(3) of the Internal Revenue Code that is exempt from income tax under section 501(a) of the Internal Revenue Code.
 - (2) ORS 279C.800 to 279C.870 do not apply to:
- 4 (a) Projects for which the contract price does not exceed \$50,000. In determining the price of a project, a public agency:
 - (A) May not include the value of donated materials or work performed on the project by individuals volunteering to the public agency without pay; and
 - (B) Shall include the value of work performed by every person [paid by] a contractor or sub-contractor pays in any manner for the person's work on the project.
 - (b) Projects for which no funds of a public agency are directly or indirectly used. In accordance with ORS chapter 183, the Commissioner of the Bureau of Labor and Industries shall adopt rules to carry out the provisions of this paragraph.
 - (c) Projects:

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- (A) That are privately owned;
- (B) That use funds of a private entity;
- (C) In which a public agency will occupy or use less than 25 percent of the square footage of a completed project [will be occupied or used by a public agency]; and
 - (D) For which less than \$750,000 of funds of a public agency are used.
- (d) Projects for residential construction that are privately owned and that predominantly provide affordable housing. As used in this paragraph:
- (A) "Affordable housing" means housing that serves occupants whose incomes are [no] **not** greater than 60 percent of the area median income or, if the occupants are owners, whose incomes are [no] **not** greater than 80 percent of the area median income.
 - (B) "Predominantly" means 60 percent or more.
 - (C) "Privately owned" includes:
- (i) Affordable housing provided on real property [owned by] that a public agency owns if the real property and related structures are leased to a private entity for 50 or more years; and
- (ii) Affordable housing owned by a partnership, nonprofit corporation or limited liability company in which a housing authority, as defined in ORS 456.005, is a general partner, director or managing member and the housing authority is not a majority owner in the partnership, nonprofit corporation or limited liability company.
- (D) "Residential construction" includes the construction, reconstruction, major renovation or painting of single-family houses or apartment buildings not more than four stories in height and all incidental items, such as site work, parking areas, utilities, streets and sidewalks, pursuant to the United States Department of Labor's "All Agency Memorandum No. 130: Application of the Standard of Comparison "Projects of a Character Similar" Under Davis-Bacon and Related Acts," dated March 17, 1978. However, the commissioner may consider different definitions of residential construction in determining whether a project is a residential construction project for purposes of this paragraph, including definitions that:
 - (i) Exist in local ordinances or codes; or
- 41 (ii) Differ, in the prevailing practice of a particular trade or occupation, from the United States 42 Department of Labor's description of residential construction.
 - **SECTION 3.** ORS 279C.825 is amended to read:
 - 279C.825. (1)(a) The Commissioner of the Bureau of Labor and Industries, by order, shall establish a fee to be paid by the public agency **or public agencies** that [awards] **award** a public works

contract subject to ORS 279C.800 to 279C.870.

- (b) The sponsor or sponsors of an enterprise zone in which a public works project is or will be located shall pay a fee in the amount of \$5,000.
- (2)(a) If more than one public agency is involved in awarding a public works contract subject to ORS 279C.800 to 279C.870, the public agencies involved shall agree which public agencies shall pay the fee required under subsection (1)(a) of this section and in what amounts. If the public agencies do not agree, each public agency shall pay a proportional share of the fee based on the amount of public funds the public agency provides for the contract or the amount of space the public agency occupies or uses in the public works project.
- (b) If more than one sponsor has participated in the designation of an enterprise zone in which a public works project subject to ORS 279C.800 to 279C.870 is located, the participating sponsors shall agree which sponsors shall pay the fee required under subsection (1)(b) of this section and in what amounts. If the sponsors do not agree, the sponsors are jointly and severally liable for paying the fee.
 - (3) The commissioner shall use the **proceeds of the** fee to pay the costs of:
 - [(A)] (a) Surveys to determine the prevailing rates of wage;
- [(B)] (b) Administering and providing investigations under and enforcement of ORS 279C.800 to 279C.870; and
- [(C)] (c) Providing educational programs on public contracting law under the Public Contracting Code.
- [(b)] (4) The commissioner shall establish the fee described in subsection (1)(a) of this section at 0.1 percent of the contract price. [However, in no event may a fee be charged and collected] The commissioner may not charge or collect a fee under this subsection that is less than \$250 or more than \$7,500.
- [(2)] (5) The commissioner shall pay moneys received under this section into the State Treasury. The moneys shall be credited to the Prevailing Wage Education and Enforcement Account created by ORS 651.185.
- [(3)] (6)(a) [The] A public agency shall pay the fee described in subsection (1)(a) of this section at the time the public agency notifies the commissioner under ORS 279C.835 that a contract subject to the provisions of ORS 279C.800 to 279C.870 has been awarded.
- (b) A sponsor shall pay the fee described in subsection (1)(b) of this section at the time the sponsor notifies the commissioner under ORS 279C.835 that the sponsor approved, under ORS 285C.140, an eligible business firm's application to have qualified property that is a public works project and that is in the sponsor's enterprise zone exempted from ad valorem property taxation.

SECTION 4. ORS 279C.827 is amended to read:

279C.827. (1)(a) A public agency or a person that under ORS 279C.800 to 279C.870 must pay a prevailing rate of wage on a public works project may not divide a public works project into more than one contract for the purpose of avoiding compliance with ORS 279C.800 to 279C.870.

(b) [When] If the Commissioner of the Bureau of Labor and Industries determines that a public agency or a person that under ORS 279C.800 to 279C.870 must pay a prevailing rate of wage on a public works project has divided a public works project into more than one contract for the purpose of avoiding compliance with ORS 279C.800 to 279C.870, the commissioner shall issue an order [compelling] to compel compliance.

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- (c) In making [determinations] a determination under this subsection, the commissioner shall consider:
 - (A) The physical separation of the [project] structures of the public works project;
 - (B) The timing of the work on [project] phases or structures of the public works project;
- (C) The continuity of [project] contractors and subcontractors working on [project] parts or phases of the public works project;
- (D) The manner in which the public agency and the contractors administer and implement the [project] public works project;
- (E) Whether a single public works project includes several types of improvements or structures; and
 - (F) Whether the combined improvements or structures have an overall purpose or function.
- [(2) If a project is a public works of the type described in ORS 279C.800 (6)(a)(B) or (C), the commissioner shall divide the project, if appropriate, after applying the considerations set forth in subsection (1)(c) of this section to separate the parts of the project that include funds of a public agency or that will be occupied or used by a public agency from the parts of the project that do not include funds of a public agency and that will not be occupied or used by a public agency. If the commissioner divides the project, any part of the project that does not include funds of a public agency and that will not be occupied or used by a public agency is not subject to ORS 279C.800 to 279C.870.]
- [(3) If a project includes parts that are owned by a public agency and parts that are owned by a private entity, the commissioner shall divide the project, if appropriate, after applying the considerations set forth in subsections (1)(c) and (2) of this section to separate the parts of the project that are public works from the parts of the project that are not public works. If the commissioner divides the project, parts of the project that are not public works are not subject to ORS 279C.800 to 279C.870.]
- (2) If a public works project is of the type described in ORS 279C.800 (6)(a)(B) or (C), the commissioner, after applying the considerations set forth in subsection (1)(c) of this section, shall divide the public works project, if appropriate, to separate the parts of the public works project that use funds of a public agency or that a public agency will occupy or use from the parts of the public works project that do not use funds of a public agency and that a public agency will not occupy or use. If the commissioner divides the public works project, any part of the public works project that does not use funds of a public agency and that a public agency will not occupy or use is not subject to ORS 279C.800 to 279C.870.
- (3) If a public works project includes parts that a public agency owns and parts that a private entity owns, the commissioner, after applying the considerations set forth in subsections (1)(c) and (2) of this section, shall divide the public works project, if appropriate, to separate the parts of the public works project that the public agency owns from the parts of the public works project that the private entity owns. If the commissioner divides the public works project, parts of the public works project that the private entity owns are not subject to ORS 279C.800 to 279C.870.

SECTION 5. ORS 279C.835 is amended to read:

- 279C.835. (1)(a) [*Public agencies*] **A public agency** shall notify the Commissioner of the Bureau of Labor and Industries in writing, on a form [*prescribed by*] the commissioner **prescribes**, whenever a contract subject to the provisions of ORS 279C.800 to 279C.870 has been awarded.
- (b) A sponsor shall notify the commissioner in writing, on a form the commissioner prescribes, whenever the sponsor approves under ORS 285C.140 an eligible business firm's application to have qualified property that is a public works project and is in the sponsor's

enterprise zone exempted from ad valorem property taxation.

- (2)(a) [The] A notification [shall] under subsection (1)(a) of this section must be made within 30 days [of] after the date [that] on which the contract is awarded.
- (b) A notification under subsection (1)(b) of this section must be made within 30 days after the date on which the sponsor approves under ORS 285C.140 an eligible business firm's application to have qualified property exempted from ad valorem property taxation.
- (c) [The] A notification [shall] under subsection (1) of this section must include payment of the fee required under ORS 279C.825. A notification under subsection (1)(a) of this section must also include [and] a copy of the disclosure of first-tier subcontractors that was submitted under ORS 279C.370.

SECTION 6. ORS 279C.845 is amended to read:

- 279C.845. [(1) The contractor or the contractor's surety and every subcontractor or the subcontractor's surety shall file certified statements with the public agency in writing, on a form prescribed by the Commissioner of the Bureau of Labor and Industries, certifying:]
- (1) A contractor or the contractor's surety and a subcontractor or the subcontractor's surety shall submit certified wage statements in writing to one of the following:
- (a) The public agency with which the contractor or subcontractor has a public works contract. If the public works project is of a type defined in ORS 279C.800 (6)(a)(B) or (C), the contractor shall submit the certified statements to the public agency that provided funds for the public works project or that will occupy 25 percent or more of the square footage of the completed public works project. If more than one public agency provided funds for the public works project or will occupy 25 percent or more of the square footage of the completed public works project, the public agencies involved shall agree upon which public agency will receive the certified statements.
- (b) The sponsor of the enterprise zone in which the public works project is located. If more than one sponsor participated in designating the enterprise zone, the participating sponsors shall agree upon which sponsor will receive the certified statements.
- (2) The certified wage statements must be on a form that the Commissioner of the Bureau of Labor and Industries prescribes and must:
- (a) **Specify** the hourly rate of wage **the contractor or subcontractor** paid each worker whom the contractor or the subcontractor [has] employed upon the public works **project**; and
- (b) **State** that no worker employed upon the public works [has been] **project was** paid less than the prevailing rate of wage or less than the minimum hourly rate of wage specified in the contract.
- [(2)] (3) The contractor or the contractor's surety or the subcontractor or the subcontractor or the subcontractor's surety shall attest by oath in the certified statement [shall be verified by the oath of the contractor or the contractor's surety or subcontractor or the subcontractor's surety] that the contractor or subcontractor has read the certified statement, that the contractor or subcontractor knows the contents of the certified statement and that to the [contractor] contractor's or subcontractor's knowledge the certified statement is true.
- [(3)] (4) The certified [statements] statement shall set out accurately and completely the contractor's or subcontractor's payroll records, including the name and address of each worker, the worker's correct classification, rate of pay, daily and weekly number of hours worked and the gross wages the worker earned upon the public works **project** during each week identified in the certified statement.
 - [(4)] (5) The contractor or subcontractor shall deliver or mail each certified statement required

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by subsection (1) of this section to the public agency **or to the sponsor**. Certified statements for each week during which the contractor or subcontractor employs a worker upon the public works [shall] **project must** be submitted once a month, by the fifth business day of the following month. Information submitted on certified statements may be used only to ensure compliance with the provisions of ORS 279C.800 to 279C.870.

- [(5)] (6) [Each] **The** contractor or subcontractor shall preserve the certified statements for a period of three years from the date [of completion of] on which the contract is completed.
- [(6)] (7) Certified statements received by a public agency **or a sponsor** are public records subject to the provisions of ORS 192.410 to 192.505.
- [(7)] (8) Notwithstanding ORS 279C.555 or 279C.570 (7), if a contractor [is required to file] must submit certified statements to a public agency under this section, the public agency shall retain 25 percent of any amount [earned by] the contractor earns on the public works project until the contractor [has filed with the public agency] submits certified statements to the public agency as required by this section. The public agency shall pay the contractor the amount retained under this subsection within 14 days after the contractor [files] submits the certified statements as required by this section, regardless of whether a subcontractor [has] failed to [file] submit certified statements as required by this section. [The public agency is not required to verify the truth of the contents of certified statements filed by the contractor under this section.]
- [(8)] (9) Notwithstanding ORS 279C.555, the contractor shall retain 25 percent of any amount [earned by] a first-tier subcontractor earns on a public works project until the subcontractor [has filed with the public agency] submits certified statements to the public agency as required by this section. The contractor shall verify that the first-tier subcontractor [has filed] submitted the certified statements before the contractor [may pay] pays the subcontractor any amount retained under this subsection. The contractor shall pay the first-tier subcontractor the amount retained under this subsection within 14 days after the subcontractor [files] submits the certified statements as required by this section. [Neither the public agency nor the contractor is required to verify the truth of the contents of certified statements filed by a first-tier subcontractor under this section.]
 - (10) This section does not require:

- (a) A public agency or a sponsor to verify the truth of the contents of a contractor's certified statements; or
- (b) A public agency, sponsor or contractor to verify the truth of the contents of a subcontractor's certified statements.
- SECTION 7. The amendments to ORS 279C.800, 279C.810, 279C.825, 279C.827, 279C.835 and 279C.845 by sections 1 to 6 of this 2011 Act apply to contracts for public works first advertised or otherwise solicited or, if not advertised or solicited, first entered into on or after the operative date specified in section 8 (1) of this 2011 Act.
- SECTION 8. (1) The amendments to ORS 279C.800, 279C.810, 279C.825, 279C.827, 279C.835 and 279C.845 by sections 1 to 6 of this 2011 Act become operative 90 days after the effective date of this 2011 Act.
- (2) The Commissioner of the Bureau of Labor and Industries may take any action before the operative date specified in subsection (1) of this section that is necessary to enable the commissioner to exercise, on and after the operative date specified in subsection (1) of this section, all the duties, functions and powers conferred on the commissioner by the amendments to ORS 279C.800, 279C.810, 279C.825, 279C.827, 279C.835 and 279C.845 by sections 1 to 6 of this 2011 Act.

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SECTION 9. This 2011 Act being necessary for the immediate preservation of the public peace, health and safety, an emergency is declared to exist, and this 2011 Act takes effect on its passage.