



Oregon

John A. Kitzhaber, M.D., Governor

Department of Transportation

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DATE: April 9, 2013

TO: Senate Committee on Business and Transportation

FROM: Paul Mather
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SUBJECT: SB 782 -1

INTRODUCTION

Senate Bill 782 with the -1 amendment directs state contracting agencies to require apprentices to perform 10 percent of the apprenticeable occupation work hours on public improvement contracts greater than \$5 million.

DISCUSSION

The Oregon Department of Transportation requires the use of apprentices on highway construction contracts when the labor costs of the project are estimated to exceed \$1 million. ODOT uses an incentive/disincentive process and identifies the number of apprentice hours required times the \$20 hourly apprentice rate as a line item in the bid document. ODOT's apprentice program is achieving the goal, averaging 10.5 percent apprentice use on highway construction contracts through 2012. Senate Bill 782 with the -1 amendment creates several conflicts with ODOT's existing apprentice program.

SB 782-1 makes a requirement that 10 percent of the work hours in apprenticeable occupations be performed by apprentices. ODOT's apprentice program makes an estimate of the total number of labor hours needed for the contract and sets a 10 percent goal at the time the project is advertised for bid. Under SB 782-1, ODOT would not know if the 10 percent goal was met until the end of the contract—at that time, it is too late to make adjustments to meet the requirement.

Under ODOT's existing process, contractors are paid for each apprentice hour worked up to 150 percent of the goal established in the contract. Should a contractor not meet the goal, a disincentive is enacted, requiring the contractor to pay ODOT the entire line item for apprentice hours times the reimbursable rate (\$20). SB 782-1 does not include the disincentive. If at the end of the contract, ODOT determined the contractor had not met the 10 percent apprentice use, ODOT's only option would be issue a breach of contract against the contractor.

SB 782-1 removes the maximum apprentice hours for which a contractor may be reimbursed. Allowing for reimbursement up to 150 percent of the goal encourages contractors to use apprentices, while also providing ODOT with the ability to predict and budget for a maximum number of apprentice hours that may be reimbursed.

SUMMARY

Senate Bill 782-1 requires state agencies to implement the use of apprentices on public improvement contracts greater than \$5 million. ODOT has a successful apprentice program for its highway construction program. SB 782-1 creates conflicts with ODOT's existing apprentice program.