
MEMORANDUM

Legislative Fiscal Office
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To: *Transportation and Economic Development Subcommittee*

From: *Susie Jordan, Legislative Fiscal Office*
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Date: May 1 2013

Subject: *HB 2727 relating to Career and Technical Education*
Public Hearing

HB 2727 establishes the State Apprenticeship Education and Training Fund and continuously appropriates moneys in the fund to the State Apprenticeship and Training Council for specified purposes. The measure requires contracting agencies to pay into the Fund \$500 for each \$1 million, or increment thereof, of public improvement contract price over \$1 million threshold. The Department of Transportation projects with funds restricted by federal agencies or the Oregon constitution are exempt. The measure declares an emergency and becomes effective on passage.

The measure, the original staff measure summary, preliminary Joint Committee on Ways and Means staff measure summary, revenue impact statement [if available], and fiscal impact statement are available on the Oregon Legislative Information System (OLIS).

The measure previously had a work session in the House Higher Education and Workforce Development Committee on March 27 2013 and was referred to the Joint Committee on Ways and Means with a “do pass” recommendation by majority vote.

The fiscal impact is indeterminate because the number and value of potential construction contracts is unknown. Based on 2010 and 2011 data, if all of the projects were subject to provisions of this bill, \$1.1 million would have been generated in 2010 and \$885,000 would have been generated in 2011, however the actual amount would have been decidedly less due to the exemptions provided in the measure.

REVENUE: Revenue statement issued

FISCAL: Fiscal statement issued

Action:	Do Pass as Amended and Be Printed Engrossed and Be Referred to the Committee on Ways and Means by Prior Reference
Vote:	5 - 4 - 0
Yeas:	Gallegos, Gorsek, Greenlick, Harker, Dembrow
Nays:	Gilliam, Huffman, Johnson, Whisnant
Exc.:	0
Prepared By:	Victoria Cox, Administrator
Meeting Dates:	3/6, 3/25, 3/27

WHAT THE MEASURE DOES: Establishes State Apprenticeship Education and Training Fund (Fund) and continuously appropriates moneys in fund to State Apprenticeship and Training Council for specified purposes. Requires contracting agency to pay into Fund \$500 for each \$1 million, or increment thereof, of public improvement contract price over \$1 million threshold. Exempts Department of Transportation projects with funds restricted by federal agencies or Oregon Constitution. Declares emergency, effective on passage.

ISSUES DISCUSSED:

- Appropriateness of funding source
- Potential for increased project cost
- Estimate of \$1 million collected annually

EFFECT OF COMMITTEE AMENDMENT: Clarifies that \$500 payment applies to each increment of \$1 million of public improvement contract price over \$1 million threshold. Exempts Department of Transportation projects with funds restricted by federal agencies or Oregon Constitution.

BACKGROUND: Apprenticeship is occupational training that combines on-the-job experience with classroom instruction. Apprentice wages generally start at half the salary of journey workers during training, which lasts two to five years. In Oregon, apprenticeships are overseen by the Bureau of Labor and Industries Apprenticeship and Training Division.

House Bill 2727-A establishes the State Apprenticeship and Education Training Fund financed by contracting agency payments of \$500 for each \$1 million on public improvement contracts. Grants from the Fund are made to programs that directly provide career technical education for occupations prevalent in the construction and manufacturing industries.

FISCAL IMPACT OF PROPOSED LEGISLATION**Measure: HB 2727 A**Seventy-Seventh Oregon Legislative Assembly – 2013 Regular Session
Legislative Fiscal Office***Only Impacts on Original or Engrossed
Versions are Considered Official***

Prepared by: Tim Walker
Reviewed by: Paul Siebert, Doug Wilson, Susan Jordan
Date: 04/29/2013

Measure Description:

Establishes State Apprenticeship Education and Training Fund and continuously appropriates moneys in fund to State Apprenticeship and Training Council for specified purposes.

Government Unit(s) Affected:

Department of Administrative Services (DAS), Department of Education, Bureau of Labor and Industries (BOLI)

Summary of Expenditure Impact:

See Analysis.

Local Government Mandate:

This bill does not affect local governments' service levels or shared revenues sufficient to trigger Section 15, Article XI of the Oregon Constitution.

Analysis: This bill would establish the State Apprenticeship Education and Training Fund separate and distinct from the General Fund. The money in this fund would be used to fund grants to educational entities that support apprenticeship programs in construction trades. The bill would also require the Department of Administrative Services (DAS) to establish an account and collect funds from public works contracts. This bill would assess a fee of \$500 for each \$1.0 million, or fraction thereof, on public works and construction contracts.

The fiscal impact of this bill is indeterminate because the number and value of potential construction contracts is unknown. In addition, agencies that contract using federal funds, such as Oregon Department of Transportation and Oregon Military Department, would be exempt from the requirements of this bill due to the restrictions on the use of federal funds and grants. According to BOLI, in 2010 there were \$2.2 billion and 2011 \$1.8 billion in public works projects that were subject to prevailing wage requirements. These figures are for all projects subject to prevailing wage and projects that would be exempt from the provisions of this bill are not available. If all of the projects were subject to the provisions of this bill, \$1.1 million would have been generated in 2010 and \$885,000 would have been generated in 2011 to fund this program. The actual amount would have been substantially less due to the exemptions provided in this bill.

BOLI estimates the need of a Program Analyst 2 (1.00 FTE) and an Accounting Tech 2 (0.50 FTE) to oversee program operations and the associated financial reporting required by this bill. The estimated cost in the 2013-15 biennium would be \$214,000, presumably funded from the revenue generated from this bill. DAS reports an indeterminate fiscal impact due to the unknown volume of public works contracts that may be subject to this bill. ODE does not anticipate a fiscal impact from this bill and the overall fiscal impact of this bill is indeterminate.