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AOI TESTIMONY ON HB 2675 & HB 2677 BEFORE THE HOUSE BUSINESS & LABOR COMMITTEE

February 27, 2013

AOI opposes both House Bill 2675 and House Bill 2677.

The issue of prevailing wages is a legitimate public policy discussion, but AOI believes strongly it does not belong in the context of private projects on private land in Oregon communities most in need of long term economic development.

House Bills 2675 and 2677 eliminate job opportunities exactly where they are needed most – in Oregon's economically distressed communities.

HB 2675 mandates prevailing wages for projects that occur in an enterprise zone. HB 2677 requires prevailing wages if the project utilizes a tax incentive – also directly affecting enterprise zone projects.

The purpose of Oregon's enterprise zone system is to help attract private business investment into areas of the state that are economically disadvantaged. The program is available to communities with low median incomes or an unemployment rate that's at least two percentage points higher than the state unemployment rate.

Under the program, in exchange for locating or expanding in an enterprise zone, eligible businesses receive a total exemption from property taxes normally assessed on new plant and equipment for typically three to five years.

There are currently 60 enterprise zones (47 rural, 13 urban) in Oregon sponsored by local governments that serve as a focal point for local economic development efforts.

A prevailing wage mandate would effectively offset the savings from the enterprise zone tax incentives by boosting the cost of construction and increasing compliance paperwork, thus negating the benefits of this critical economic development tool for Oregon's most economically distressed areas.

AOI believes this is a policy that would be a long term detriment to job growth and tax revenue for the Oregon communities that need them most.