A-Engrossed House Bill 3203

Ordered by the House April 21 Including House Amendments dated April 21

Sponsored by Representative CLEM (at the request of Northwest Utility Contractors Association, Oregon Building Trades Council, Oregon Pavement Association, Associated General Contractors, Oregon Concrete and Asphalt Producers Association, Associated Builders and Contractors)

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.

Requires contracting agency to perform analysis to determine whether constructing public improvement with contracting agency's own equipment and personnel will result in least cost to contracting agency. **Specifies elements of cost analysis.** Requires contracting agency to file analysis with [Secretary of State] Commissioner of Bureau of Labor and Industries.

[Permits Secretary of State] Requires commissioner to investigate contracting agency's alleged violation of Act and certain other statutes. Requires [Secretary of State] commissioner to investigate alleged violation in response to complaint from construction contractor or trade association that represents construction contractors. Permits [Secretary of State] commissioner to require contracting agency to negotiate and enter into agreement to comply with requirements of Act and to enter final order that sets forth terms of [any] agreement between contracting agency and construction contractor or trade association.

Permits party to agreement with contracting agency made in accordance with order of [Secretary of State] commissioner to bring action in court of this state to enforce terms of agreement. Permits court to [award actual damages to plaintiff in action or to] enjoin contracting agency from violation or grant writ of mandamus to compel contracting agency to perform action under agreement.

Becomes operative January 1, 2018.

[Declares emergency, effective on passage.]

Takes effect on 91st day following adjournment sine die.

A BILL FOR AN ACT

Relating to an analysis required before a contracting agency constructs a public improvement with the agency's own equipment and personnel; creating new provisions; amending ORS 279A.010 and 279C.305; and prescribing an effective date.

Be It Enacted by the People of the State of Oregon:

SECTION 1. ORS 279C.305 is amended to read:

279C.305. (1) [It is] The policy of the State of Oregon is that contracting agencies shall make every effort to construct public improvements at the least cost to the contracting agency.

(2) Not less than 30 days [prior to adoption of the contracting agency's] before adopting a budget for the subsequent budget period, each contracting agency shall prepare and file with the Commissioner of the Bureau of Labor and Industries a list of every public improvement [known to the contracting agency] that the contracting agency plans to fund in the budget period, identifying each improvement by name and estimating the total on-site construction costs. The list [shall] must also [contain a statement as to] state whether the contracting agency intends to perform the construction through a private contractor. If the contracting agency intends to perform construction work using the contracting agency's own equipment and personnel on a project estimated to cost more than \$125,000, the contracting agency shall [also show] include with the list an analysis that shows

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.

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- that the contracting agency's decision conforms to the policy stated in subsection (1) of this section. The list [is a] and the analysis are public [record] records and the contracting agency may periodically revise the list or analysis [may be revised periodically by the agency].
 - (3) As part of the analysis described in subsection (2) of this section, a contracting agency shall:
 - (a) Estimate the cost of constructing a public improvement by contracting with a private contractor;
 - (b) Include in the contracting agency's estimate of the costs the contracting agency would incur in constructing the public improvement with the contracting agency's own equipment and personnel:
 - (A) The cost of labor, including all benefits, workers' compensation insurance premiums and the cost of traveling to and from the site of the public improvement that the contracting agency pays to or on behalf of the contracting agency's employees;
 - (B) The cost of equipment, including any costs associated with acquiring, owning, insuring, storing, operating, repairing and maintaining the equipment and transporting the equipment to and from the site of the public improvement;
 - (C) The costs of administration and overhead the contracting agency will incur, including costs associated with maintaining a shop or office and the costs of insurance that the contracting agency allocates to the public improvement;
 - (D) The cost of tools and materials;

- (E) Costs associated with any contracts into which the contracting agency must enter;
- (F) The reasonable value of warranties and quality control if the contracting agency would require warranties and quality control of a private contractor that constructed the public improvement; and
- (G) Any other costs that the contracting agency would incur to construct the public improvement with the contracting agency's own equipment and personnel; and
- (c) Compare the cost the contracting agency estimates under paragraph (a) of this subsection with the cost the contracting agency would incur to construct the public improvement with the contracting agency's own equipment and personnel, taking into account all of the elements specified in paragraph (b) of this subsection.
- [(3)] (4) Before a contracting agency constructs a public improvement with [its] the contracting agency's own equipment or personnel, the contracting agency shall:
- [(a) If the estimated cost exceeds \$125,000, the contracting agency shall prepare adequate plans and specifications and the estimated unit cost of each classification of work. The estimated cost of the work must include a reasonable allowance for the cost, including investment cost, of any equipment used. As used in this paragraph, "adequate" means sufficient to control the performance of the work and to ensure satisfactory quality of construction by the contracting agency personnel.]
- (a) Prepare plans, specifications and estimates of the unit cost of each classification of work that are sufficient to control the performance of the work and ensure satisfactory construction quality, if the estimated cost of the public improvement exceeds \$125,000.
- (b) [The contracting agency shall cause to be kept and preserved] Prepare and preserve a full, true and accurate account of the actual costs of performing the work, including all [engineering and administrative expenses and the cost, including investment costs, of any equipment used] costs described in subsection (3)(b) of this section, and use the costs in future cost estimates for the public improvement. The final account of the costs is a public record.

- [(4)] (5) Subsections (2) [and (3)] to (4) of this section do not apply to a contracting agency [when] if the public improvement is [to be used for the distribution or transmission of] for distributing or transmitting electric power.
- [(5)] (6)(a) Except as provided in paragraph (b) of this subsection, for purposes of this section, resurfacing [of] highways, roads or streets at a depth of two or more inches [and] or at an estimated cost that exceeds \$125,000 is a public improvement.
 - (b) For purposes of this section, a public improvement does not include:
- (A) Maintaining a road with patching, chip seals or other seals as a maintenance treatment on highways, roads, streets or bridges; or
- (B) Maintenance resurfacing for a single road, highway or street in different locations along the road, highway or street, even if the total cost of the resurfacing exceeds \$125,000, provided that the cost of resurfacing any one location on the road, highway or street does not exceed \$125,000 and provided that the contracting agency does not artificially separate the resurfacing project into smaller projects in order to avoid the application of this section.

SECTION 2. Section 3 of this 2017 Act is added to and made a part of ORS chapter 279C. SECTION 3. (1)(a) A contractor that would be eligible to construct a public improvement under this chapter or a trade association of contractors acting on behalf of a member of the trade association may allege in a complaint to the Commissioner of the Bureau of Labor and Industries that a contracting agency has violated ORS 279C.305 or 279C.310.

- (b) A complaint under paragraph (a) of this subsection must set forth the acts or omissions that constitute the alleged violation. The contractor or trade association must file the complaint with the commissioner within one year after the alleged violation occurred.
- (c) A contractor or trade association may not file a complaint under this subsection if the contractor or trade association has brought an action in a court of this state that alleges an act or omission that is the same or substantially similar to an act or omission the contractor or trade association would allege in the complaint. The commissioner may not act on a complaint described in this paragraph.
- (2) The commissioner shall investigate an alleged violation of ORS 279C.305 or 279C.310. In the course of an investigation under this subsection, the commissioner may:
- (a) Compel attendance from witnesses, receive testimony and examine the witnesses under oath;
- (b) Require a contracting agency or an employee of a contracting agency to produce books, records, files and other documents; and
- (c) Take any other action the commissioner deems necessary to conduct the investigation.
- (3)(a) If after an investigation under this section the commissioner finds substantial evidence of a violation of ORS 279C.305 or 279C.310, the commissioner shall:
- (A) Notify the contracting agency in writing that the commissioner has found substantial evidence of a violation of ORS 279C.305 or 279C.310, describe the nature of the violation and, if the commissioner has not found a violation previously, state that for future violations, including any future violations that occur during construction of the same public improvement, the commissioner will require the contracting agency to negotiate and enter into an agreement under paragraph (b) of this subsection.
- (B) Provide a copy of any notice the commissioner issued under subparagraph (A) of this paragraph to any contractor or trade association that filed a complaint concerning the vio-

lation under subsection (1) of this section.

- (b) If the commissioner in the course of the investigation under paragraph (a) of this subsection finds that the same contracting agency previously violated ORS 279C.305 or 279C.310, the commissioner shall require the contracting agency to negotiate and enter into an agreement with the contractor or trade association that submitted a complaint under subsection (1) of this section to remedy the violation and prevent future violations. The commissioner in an order may set forth, and direct the contracting agency to comply with, the terms of the agreement.
- (4)(a) If a contracting agency that is a party to an agreement set forth in accordance with an order of the commissioner under subsection (3)(b) of this section breaches the agreement, a contractor or trade association that is also a party to the agreement may bring an action against the contracting agency in a court of this state to:
- (A) Petition the court for an injunction to prevent the contracting agency from breaching or continuing to breach the terms of the agreement; or
- (B) Seek a writ of mandamus under ORS 34.105 to 34.240 to compel the contracting agency to perform an action required under the terms of the agreement.
- (b) A contractor or trade association must bring an action under this subsection within one year after the contracting agency's alleged breach of the agreement.

SECTION 4. ORS 279A.010 is amended to read:

279A.010. (1) As used in the Public Contracting Code, unless the context or a specifically applicable definition requires otherwise:

- (a) "Bidder" means a person that submits a bid in response to an invitation to bid.
- (b) "Contracting agency" means a public body authorized by law to conduct a procurement. "Contracting agency" includes, but is not limited to, the Director of the Oregon Department of Administrative Services and any person authorized by a contracting agency to conduct a procurement on the contracting agency's behalf. "Contracting agency" does not include the judicial department or the legislative department.
 - (c) "Days" means calendar days.
 - (d) "Department" means the Oregon Department of Administrative Services.
- (e) "Director" means the Director of the Oregon Department of Administrative Services or a person designated by the director to carry out the authority of the director under the Public Contracting Code.
 - (f) "Emergency" means circumstances that:
- (A) Could not have been reasonably foreseen;
- (B) Create a substantial risk of loss, damage or interruption of services or a substantial threat to property, public health, welfare or safety; and
 - (C) Require prompt execution of a contract to remedy the condition.
- (g) "Energy savings performance contract" means a public contract between a contracting agency and a qualified energy service company for the identification, evaluation, recommendation, design and construction of energy conservation measures, including a design-build contract, that guarantee energy savings or performance.
 - (h) "Executive department" has the meaning given that term in ORS 174.112.
- (i) "Goods" includes supplies, equipment, materials, personal property, including any tangible, intangible and intellectual property and rights and licenses in relation thereto, and combinations of any of the items identified in this paragraph.

- (j) "Goods and services" or "goods or services" includes combinations of any of the items identified in the definitions of "goods" and "services."
 - (k)(A) "Grant" means:

- (i) An agreement under which a contracting agency receives moneys, property or other assistance, including but not limited to federal assistance that is characterized as a grant by federal law or regulations, loans, loan guarantees, credit enhancements, gifts, bequests, commodities or other assets, from a grantor for the purpose of supporting or stimulating a program or activity of the contracting agency and in which no substantial involvement by the grantor is anticipated in the program or activity other than involvement associated with monitoring compliance with the grant conditions; or
- (ii) An agreement under which a contracting agency provides moneys, property or other assistance, including but not limited to federal assistance that is characterized as a grant by federal law or regulations, loans, loan guarantees, credit enhancements, gifts, bequests, commodities or other assets, to a recipient for the purpose of supporting or stimulating a program or activity of the recipient and in which no substantial involvement by the contracting agency is anticipated in the program or activity other than involvement associated with monitoring compliance with the grant conditions.
- (B) "Grant" does not include a public contract for a public improvement, for public works, as defined in ORS 279C.800, or for emergency work, minor alterations or ordinary repair or maintenance necessary to preserve a public improvement, when under the public contract a contracting agency pays, in consideration for contract performance intended to realize or to support the realization of the purposes for which grant funds were provided to the contracting agency, moneys that the contracting agency has received under a grant.
- (L) "Industrial oil" means any compressor, turbine or bearing oil, hydraulic oil, metal-working oil or refrigeration oil.
 - (m) "Judicial department" has the meaning given that term in ORS 174.113.
 - (n) "Legislative department" has the meaning given that term in ORS 174.114.
- (o) "Local contract review board" means a local contract review board described in ORS 279A.060.
- (p) "Local contracting agency" means a local government or special government body authorized by law to conduct a procurement. "Local contracting agency" includes any person authorized by a local contracting agency to conduct a procurement on behalf of the local contracting agency.
 - (q) "Local government" has the meaning given that term in ORS 174.116.
 - (r) "Lowest responsible bidder" means the lowest bidder who:
- (A) Has substantially complied with all prescribed public contracting procedures and requirements;
 - (B) Has met the standards of responsibility set forth in ORS 279B.110 or 279C.375;
- (C) Has not been debarred or disqualified by the contracting agency under ORS 279B.130 or 279C.440; and
- (D) If the advertised contract is a public improvement contract, is not on the list created by the Construction Contractors Board under ORS 701.227.
- (s) "Lubricating oil" means any oil intended for use in an internal combustion crankcase, transmission, gearbox or differential or an automobile, bus, truck, vessel, plane, train, heavy equipment or machinery powered by an internal combustion engine.
- (t) "Person" means a natural person capable of being legally bound, a sole proprietorship, a

corporation, a partnership, a limited liability company or partnership, a limited partnership, a forprofit or nonprofit unincorporated association, a business trust, two or more persons having a joint or common economic interest, any other person with legal capacity to contract or a public body.

- (u) "Post-consumer waste" means a finished material that would normally be disposed of as solid waste, having completed its life cycle as a consumer item. "Post-consumer waste" does not include manufacturing waste.
- (v) "Price agreement" means a public contract for the procurement of goods or services at a set price with:
 - (A) No guarantee of a minimum or maximum purchase; or

- (B) An initial order or minimum purchase combined with a continuing contractor obligation to provide goods or services in which the contracting agency does not guarantee a minimum or maximum additional purchase.
- (w) "Procurement" means the act of purchasing, leasing, renting or otherwise acquiring goods or services. "Procurement" includes each function and procedure undertaken or required to be undertaken by a contracting agency to enter into a public contract, administer a public contract and obtain the performance of a public contract under the Public Contracting Code.
 - (x) "Proposer" means a person that submits a proposal in response to a request for proposals.
 - (y) "Public body" has the meaning given that term in ORS 174.109.
- (z) "Public contract" means a sale or other disposal, or a purchase, lease, rental or other acquisition, by a contracting agency of personal property, services, including personal services, public improvements, public works, minor alterations, or ordinary repair or maintenance necessary to preserve a public improvement. "Public contract" does not include grants.
- (aa) "Public contracting" means procurement activities described in the Public Contracting Code relating to obtaining, modifying or administering public contracts or price agreements.
 - (bb) "Public Contracting Code" or "code" means ORS chapters 279A, 279B and 279C.
- (cc) "Public improvement" means a project for construction, reconstruction or major renovation on real property by or for a contracting agency. "Public improvement" does not include:
- (A) Projects for which no funds of a contracting agency are directly or indirectly used, except for participation that is incidental or related primarily to project design or inspection; or
- (B) Emergency work, minor alteration, ordinary repair or maintenance necessary to preserve a public improvement.
- (dd) "Public improvement contract" means a public contract for a public improvement. "Public improvement contract" does not include a public contract for emergency work, minor alterations, or ordinary repair or maintenance necessary to preserve a public improvement.
- (ee) "Recycled material" means any material that would otherwise be a useless, unwanted or discarded material except for the fact that the material still has useful physical or chemical properties after serving a specific purpose and can, therefore, be reused or recycled.
- (ff) "Recycled oil" means used oil that has been prepared for reuse as a petroleum product by refining, rerefining, reclaiming, reprocessing or other means, provided that the preparation or use is operationally safe, environmentally sound and complies with all laws and regulations.
 - (gg) "Recycled paper" means a paper product with not less than:
 - (A) Fifty percent of its fiber weight consisting of secondary waste materials; or
 - (B) Twenty-five percent of its fiber weight consisting of post-consumer waste.
- (hh) "Recycled PETE" means post-consumer polyethylene terephthalate material.
- 45 (ii) "Recycled product" means all materials, goods and supplies, not less than 50 percent of the

total weight of which consists of secondary and post-consumer waste with not less than 10 percent of its total weight consisting of post-consumer waste. "Recycled product" includes any product that could have been disposed of as solid waste, having completed its life cycle as a consumer item, but otherwise is refurbished for reuse without substantial alteration of the product's form.

- (jj) "Secondary waste materials" means fragments of products or finished products of a manufacturing process that has converted a virgin resource into a commodity of real economic value. "Secondary waste materials" includes post-consumer waste. "Secondary waste materials" does not include excess virgin resources of the manufacturing process. For paper, "secondary waste materials" does not include fibrous waste generated during the manufacturing process such as fibers recovered from waste water or trimmings of paper machine rolls, mill broke, wood slabs, chips, sawdust or other wood residue from a manufacturing process.
- (kk) "Services" mean services other than personal services designated under ORS 279A.055, except that, for state contracting agencies with procurement authority under ORS 279A.050 or 279A.140, "services" includes personal services as designated by the state contracting agencies.
 - (LL) "Special government body" has the meaning given that term in ORS 174.117.
- (mm) "State agency" means the executive department, except the Secretary of State and the State Treasurer in the performance of the duties of their constitutional offices.
- (nn) "State contracting agency" means an executive department entity authorized by law to conduct a procurement.
 - (oo) "State government" has the meaning given that term in ORS 174.111.
 - (pp) "Used oil" has the meaning given that term in ORS 459A.555.
- (qq) "Virgin oil" means oil that has been refined from crude oil and that has not been used or contaminated with impurities.
- (2) Other definitions appearing in the Public Contracting Code and the sections in which they appear are:

27	[<i>(a)</i>	"Adequate"ORS 279C.305]
28	[(b)] (a)	"Administering contracting
29		agency"ORS 279A.200
30	[(c)] (b)	"Affirmative action"ORS 279A.100
31	[(d)] (c)	"Architect"ORS 279C.100
32	[(e)] (d)	"Architectural,
33		engineering, photogram-
34		metric mapping,
35		transportation planning
36		or land surveying
37		services"ORS 279C.100
38	[(f)] (e)	"Bid documents"ORS 279C.400
39	[(g)] (f)	"Bidder"ORS 279B.415
40	[(h)] (g)	"Bids"ORS 279C.400
41	[(i)] (h)	"Brand name"ORS 279B.405
42	[(j)] (i)	"Brand name or equal
43		specification"ORS 279B.200
44	[(k)] (j)	"Brand name
45		specification"ORS 279B.200

1	[(L)] (k)	"Class special
2		procurement"ORS 279B.085
3	[(m)] (L)	"Consultant"ORS 279C.115
4	[(n)] (m)	"Contract-specific
5		special procurement"ORS 279B.085
6	[(o)] (n)	"Cooperative
7		procurement"ORS 279A.200
8	[(p)] (o)	"Cooperative procurement
9	-	group"ORS 279A.200
10	[(q)] (p)	"Donee"ORS 279A.250
11	[(r)] (q)	"Engineer"ORS 279C.100
12	[(s)] (r)	"Findings"ORS 279C.330
13	[(t)] (s)	"Fire protection
14		equipment"ORS 279A.190
15	[(u)] (t)	"Fringe benefits"ORS 279C.800
16	[(v)] (u)	"Funds of a public
17		agency"ORS 279C.810
18	[(w)] (v)	"Good cause"ORS 279C.585
19	[(x)] (w)	"Good faith dispute"ORS 279C.580
20	[(y)] (x)	"Goods"ORS 279B.115
21	[(z)] (y)	"Housing"ORS 279C.800
22	[(aa)] (z)	"Interstate cooperative
23		procurement"ORS 279A.200
24	[(bb)] (aa)	"Invitation to bid"ORS 279B.005
25		and 279C.400
26	[(cc)] (bb)	"Joint cooperative
27		procurement"ORS 279A.200
28	[(dd)] (cc)	"Labor dispute"ORS 279C.650
29	[(ee)] (dd)	"Land surveyor"ORS 279C.100
30	[(ff)] (ee)	"Legally flawed"ORS 279B.405
31	[(gg)] (ff)	"Locality"ORS 279C.800
32	[(hh)] (gg)	"Nonprofit
33		organization"ORS 279C.810
34	[(ii)] (hh)	"Nonresident bidder"ORS 279A.120
35	[(jj)] (ii)	"Not-for-profit
36		organization"ORS 279A.250
37	[(kk)] (jj)	"Original contract"ORS 279A.200
38	[(LL)] (kk)	"Permissive cooperative
39		procurement"ORS 279A.200
40	[(mm)] (LL)	"Person"ORS 279C.500
41		and 279C.815
42	[(nn)] (mm)	"Personal services"ORS 279C.100
43	[(oo)] (nn)	"Photogrammetric
44		mapping"ORS 279C.100
45	[(pp)] (oo)	"Photogrammetrist"ORS 279C.100

1	[(qq)] (pp)	"Prevailing rate of
2		wage"ORS 279C.800
3	[(rr)] (qq)	"Procurement
4		description"ORS 279B.005
5	[(ss)] (rr)	"Property"ORS 279A.250
6	[(tt)] (ss)	"Public agency"ORS 279C.800
7	[(uu)] (tt)	"Public contract"ORS 279A.190
8	[(vv)] (uu)	"Public works"ORS 279C.800
9	[(ww)] (vv)	"Purchasing contracting
10		agency"ORS 279A.200
11	[(xx)] (ww)	"Regularly organized fire
12		department"ORS 279A.190
13	[(yy)] (xx)	"Related services"ORS 279C.100
14	[(zz)] (yy)	"Request for
15		proposals"ORS 279B.005
16	[(aaa)] (zz)	"Resident bidder"ORS 279A.120
17	[(bbb)] (aaa)	"Responsible bidder"ORS 279A.105
18		and 279B.005
19	[(ccc)] (bbb)	"Responsible
20		proposer"ORS 279B.005
21	[(ddd)] (ccc)	"Responsive bid"ORS 279B.005
22	[(eee)] (ddd)	"Responsive
23		proposal"ORS 279B.005
24	[(fff)] (eee)	"Retainage"ORS 279C.550
25	[(ggg)] (fff)	"Special
26		procurement"ORS 279B.085
27	[(hhh)] (ggg)	"Specification"ORS 279B.200
28	[(iii)] (hhh)	"State agency"ORS 279A.250
29	[(jjj)] (iii)	"Substantial
30		completion"ORS 279C.465
31	[(kkk)] (jjj)	"Surplus property"ORS 279A.250
32	[(LLL)] (kkk	x) "Transportation
33		planning services"ORS 279C.100
34	[(mmm)] (LL	L) "Unnecessarily
35		restrictive"ORS 279B.405

SECTION 5. Section 3 of this 2017 Act and the amendments to ORS 279A.010 and 279C.305 by sections 1 and 4 of this 2017 Act apply to procurements that a contracting agency first advertises or otherwise solicits or, if the contracting agency does not advertise or solicit the procurement, to a public contract that a contracting agency enters into on or after the operative date specified in section 6 of this 2017 Act.

SECTION 6. (1) Section 3 of this 2017 Act and the amendments to ORS 279A.010 and 279C.305 by sections 1 and 4 of this 2017 Act become operative on January 1, 2018.

(2) The Commissioner of the Bureau of Labor and Industries, the Attorney General, the Director of the Oregon Department of Administrative Services, the Director of Transportation or a contracting agency that adopts rules under ORS 279A.065 may adopt rules and take

any other action before the operative date specified in subsection (1) of this section that is necessary to enable the commissioner, the Attorney General, the director or the contracting agency to exercise all of the duties, functions and powers conferred on the commissioner, the Attorney General, the director or the contracting agency by section 3 of this 2017 Act and the amendments to ORS 279A.010 and 279C.305 by section 1 and 4 of this 2017 Act.

SECTION 7. This 2017 Act takes effect on the 91st day after the date on which the 2017 regular session of the Seventy-ninth Legislative Assembly adjourns sine die.