



# Oregon

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**DATE:** March 20, 2019

**TO:** Joint Committee on Transportation

**FROM:** Lindsay Baker, Government Relations Manager

**SUBJECT:** SB 450 (-1) – Least Cost Contracting Package Fix

## INTRODUCTION

SB 450 (-1) makes a technical adjustment to the least cost contracting accountability provision established in the transportation funding package (HB 2017) passed by the Oregon Legislature in 2017.

## DISCUSSION

House Bill 2017 (2017), *Keep Oregon Moving*, established a variety of accountability and reporting mechanisms, one of which is ensuring all entities receiving fuels tax revenue under the increases provided in the bill comply with ORS 279C.305. This law, which establishes Oregon's least cost policy for public improvement contracts, requires public contracting agencies follow a specific process for determining whether, and if so how, to contract out work instead of performing that work itself.

Under HB 2017, if an entity is out of compliance with ORS 279C.305 as determined by the OTC, subsequent fuels tax increases are not effective (HB 2017 conditionally raises the gas tax by \$0.02, effective January 1, 2020, 2022, and 2024). Not only is the OTC unable to independently determine compliance of each public contracting agency across the state, any one of the agencies, if found to be out of compliance, could jeopardize the fuels tax increases critical to the transportation package.

The changes proposed in SB 450, with the (-1) amendment, properly align the enforcement of Oregon's least cost contracting policy and provide an appropriate incentive to contracting agencies without jeopardizing the future of the transportation package. As drafted, SB 450 (-1) directs the Oregon Department of Transportation withhold fuels tax revenues from any contracting agency found to be in violation of the least cost contracting policy, or in material breach of a remedial agreement. This proposal provides a sufficient disincentive for noncompliance, while preserving the future stability of the transportation package.

## SUMMARY

SB 450 provides a necessary fix to better align the accountability and reporting mechanisms in HB 2017 (2017) with Oregon's least cost contracting policy. SB 450, with the (-1) amendment, provides sufficient accountability on public contracting agencies while maintaining the transportation package's foundational revenue stream.

Please let me know if you have any questions.