

FISCAL IMPACT OF PROPOSED LEGISLATION

Measure: HB 2415 - A5

80th Oregon Legislative Assembly – 2019 Regular Session
Legislative Fiscal Office

*Only Impacts on Original or Engrossed
Versions are Considered Official*

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Measure Description:

Requires that retainage be placed in interest-bearing account if contract price exceeds \$500,000.

Government Unit(s) Affected:

Department of Administrative Services (DAS), Department of Corrections (DOC), Statewide, Counties, Cities

Summary of Fiscal Impact:

Costs related to the measure are indeterminate at this time - See explanatory analysis.

Analysis:

The measure would require a contracting agency, if a contract price exceeds \$500,000, to place amounts deducted as retainage into an interest-bearing escrow account. Interest on the retainage amount would accrue from the date the payment request is approved until the date that the retainage is paid to the contractor to which it is due. The measure would also require an owner, contractor, or subcontractor, if a contract price exceeds \$500,000, to place amounts withheld as retainage into an interest-bearing escrow account. Interest on the retainage amount would accrue from the date the payment request is approved until the date that the retainage is paid to the contractor or subcontractor to which it is due. The measure would apply to contracts entered into on or after January 1, 2020.

Statewide, Counties, and Cities:

While the measure would have additional administrative costs associated with staff having to deposit funds in and manage an escrow account, it would have a minimal fiscal impact on state and local government.

Department of Administrative Services (DAS):

The measure would require the DAS Enterprise Asset Management (EAM) division to establish a new protocol for invoice management and retainage account management. EAM anticipates that a single interest-bearing escrow account would suffice for all contracts that would be impacted by this measure. EAM believes that this new protocol could require significant staff time to create the interest-bearing escrow account, invest it to accrue interest, and track and allocate each investment back to a project at close-out. The interest-bearing escrow account would be managed in a coordinated manner by EAM and the Chief Financial Office.

Based on the planning, construction, building, and maintenance contracts in the 2017-19 biennium, EAM anticipates that between 60 and 80 percent (60-80%) of its projects would be impacted by this measure. However, because it is unclear how many projects EAM intends to undertake, the fiscal impact to EAM is indeterminate. That said, the more projects EAM undertakes, the greater the impact. Assuming projects keep pace with the 2017-19 biennium, EAM anticipates needing an additional Accounting Technician 2 (0.50 to 1.00 FTE in 2019-21) to manage this interest-bearing escrow account.

Department of Corrections (DOC):

The measure would change the process by which DOC retains contractors. Because most DOC contracts are above \$500,000, DOC would need to update them to include new retainage rules. DOC would also have to begin using interest bearing escrow accounts for retainage for these contracts, which would be a process change as

retainage is currently held within DOC accounts that do not have fees related to opening, closing, or maintaining them. Assuming projects keep pace with the 2017-19 biennium, DOC anticipates needing an additional Accountant 1 position (0.83 to 1.00 FTE in 2019-21) to manage the opening, closing, and maintaining of the interest-bearing escrow account(s) and serve as the liaison between accounting and project managers. However, because it is unclear how many projects DOC intends to undertake, the fiscal impact to DOC is indeterminate. That said, the more projects DOC undertakes, the greater the impact.