

FISCAL IMPACT OF PROPOSED LEGISLATION

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

Measure: HB 2408 - A12

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

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Measure Description:

Includes within definition of "public works" project for constructing, reconstructing or performing major renovation of privately owned road, highway, building, structure or improvement that is located in enterprise zone or for which qualified business firm received or will receive exemption from ad valorem property taxation and has total project cost estimated as equaling or exceeding \$20 million.

Government Unit(s) Affected:

Statewide, Cities, Counties, Bureau of Labor and Industries (BOLI)

Analysis:

The measure would expand the definition of "public works" to include any project for constructing, reconstructing, or performing a major renovation of a privately owned road, highway, building, structure, or improvement of any type if it: (1) is located in an enterprise zone; (2) consists of or is sited on real property for which a qualified business firm has received or will receive an exemption from ad valorem property taxation; and (3) has a total project cost that the public agencies that fund the project reasonably estimate will equal or exceed \$25 million. It would also include the value of ad valorem property taxation as "funds of a public agency." The measure would clarify that a person who must pay a prevailing rate of wage on public works may not divide a public works project to avoid compliance with the law. The measure would also require that contractors and subcontractors who are party to a public works must submit certified statements to the public agencies that provided public funds or that will occupy or use at least 25 percent (25%) of the square footage of the completed project. A participating sponsor of an enterprise zone would also be entitled to receive a certified statement from the contractors and subcontractors. The measure would take effect upon passage and would apply to any contract for public works that a public agency enters into on or after 91 days after the measure's effective date.

Statewide:

The measure would have a minimal fiscal impact on state government.

Cities:

The measure could have a potentially significant fiscal impact to Cities that sponsor enterprise zones. The League of Oregon Cities estimates that Cities with robust construction or renovation projects may need a 0.5 full-time equivalent position to manage the increased workload and ensure compliance with the measure. However, because the fiscal impact would depend on whether a city sponsors enterprise zones and the prevalence of new projects therein, the fiscal impact to Cities is indeterminate.

Counties:

The Legislative Fiscal Office (LFO) believes that this measure may have a fiscal impact on Counties. LFO requested, but has not received, fiscal impact information from the Association of Oregon Counties (AOC). In

absence of this information, the fiscal impact to Counties is indeterminate. If fiscal impact information is provided by AOC, LFO will issue a revised fiscal impact statement.

Bureau of Labor and Industries (BOLI):

In addition to amending the prevailing wage rate (PWR) rules, BOLI would potentially experience an increase in requests from interested parties for coverage determinations, which are agency orders that may be contested through the administrative process. BOLI also anticipates that the measure would increase the number of complaints that are lodged against contractors that are subject to the new definition of “public works.” An increase in complaints could likewise increase the number of PWR cases that need to be adjudicated in an administrative hearing, which would increase the workload of the Administrative Prosecution Unit within BOLI.

Given that the magnitude of new requests and/or complaints is unknown, the potential costs of this measure are indeterminate. If the magnitude of new requests and/or complaints were to exceed the capacity of the five compliance specialists that investigate PWR violations and analyze coverage determination issues, BOLI would need to return to the 2020 Legislative Session or the Emergency Board for consideration of this issue.