

**SB 1525 STAFF MEASURE SUMMARY****Carrier:** Sen. Taylor**Senate Committee On Labor and Business****Action Date:** 02/04/20**Action:** Do pass.**Vote:** 5-0-0-0**Yeas:** 5 - Hansell, Hass, Knopp, Monnes Anderson, Taylor**Fiscal:** Has minimal fiscal impact**Revenue:** No revenue impact**Prepared By:** Tyler Larson, LPRO Analyst**Meeting Dates:** 2/4**WHAT THE MEASURE DOES:**

Establishes requirements for advertisement to solicit bids for business firm undertaking proposed construction project subject to property tax exemption incentives. Requires business firm to report to incentive sponsor any project labor agreements for construction project within 30 days of entering into agreement. Requires incentive sponsors to submit annual report to Oregon Business Development Department (Business Oregon) on all project labor agreements. Requires Business Oregon, beginning December of 2021, to submit annual report to Legislative Assembly on property tax exemption incentive programs, including name of each business firm, estimated assessed value of exempt property and taxes foregone, total fees and other payments made by business firm to incentive sponsors and other payees, distribution of gain share funds, and, where applicable, the number of new and existing employees and average annual wages paid to employees. Aligns record keeping requirements for certified payroll statements for prevailing wage with six-year statute of repose. Requires Commissioner of the Bureau of Labor and Industries (commissioner) to report annually to Legislative Assembly on efforts to modernize and streamline administration of prevailing wage beginning in 2021 and continuing through 2025. Allows enterprise zone sponsors, regardless of location, to require eligible business firms to satisfy other conditions to receive property tax exemption incentive. Amends notice and reporting requirements for business firms, incentive sponsors, and Business Oregon to align with annual report to Legislative Assembly.

**ISSUES DISCUSSED:**

- History of House Bill 2408-A (2019)
- Summary of interim work group process to develop measure
- Provisions of the measure
- Consensus on intent regarding construction advertisement requirements

**EFFECT OF AMENDMENT:**

No amendment.

**BACKGROUND:**

The Enterprise Zone (EZ), Long-Term Rural Enterprise Zone (LTREZ), and Strategic Investment Program (SIP) are statutory programs administered by Business Oregon which allow local sponsors to offer property tax exemptions to induce local development and job creation. Business firms seeking a property tax exemption must meet statutory requirements and, for urban EZs, LTREZ, and SIP, meet other criteria adopted by or negotiated with local sponsors. The prevailing wage rate (PWR) is the hourly wage, including all fringe benefits, that the Commissioner of the Bureau of Labor and Industries determines is paid in the locality and to the majority of workers employed in a specified trade. Contractors and subcontractors must pay the PWR to workers on a variety of public works projects, including any project that uses at least \$750,000 in public funds. Statute excludes tax credits or abatements from the definition of public funds.

## **SB 1525 STAFF MEASURE SUMMARY**

House Bill 2408-A (2019) would have applied the PWR to construction projects with a total project cost of at least \$20 million in enterprise zones for which a business firm sought a property tax exemption incentive. A work group composed of lawmakers, labor, construction contractors, business, and local government convened during the interim to consider issues raised by that measure. The work group considered administration of local property tax incentive programs, the types of projects receiving property tax incentives, whether or not local construction contractors and labor groups are able to effectively compete for that work, administration and application of the PWR, current construction wages in the region and nationally, and the information the Legislative Assembly requires to effectively oversee the administration of property tax incentive programs. Senate Bill 1525 is the consensus product of that work group.

First, the measure requires business firms seeking a local property tax incentive to advertise construction projects, ensuring that local contractors and labor groups have the opportunity to compete for those projects. Second, the measure ensures that eligible business firms and local sponsors are reporting key information, including the existence of project labor agreements for construction wages, to Business Oregon, which must make an annual report to the Legislative Assembly beginning in December of 2021. Third, the measure requires the commissioner to report annually for five years to the Legislative Assembly on attempts to modernize and streamline administration of the PWR. Fourth, the measure aligns local negotiating power by allowing all EZs, not just those located within a regional or metropolitan urban growth boundary, to adopt additional local conditions in order for a business firm to be authorized. Finally, the measure aligns record keeping requirements which demonstrate compliance with the PWR with the six-year statute of repose.