

SB 1525 STAFF MEASURE SUMMARY

Carrier: Rep. Fahey

House Committee On Business and Labor**Action Date:** 02/19/20**Action:** Do Pass.**Vote:** 9-0-2-0**Yeas:** 9 - Barker, Barreto, Breese-Iverson, Bynum, Clem, Doherty, Evans, Fahey, Holvey**Exc:** 2 - Bonham, Boshart Davis**Fiscal:** Has minimal fiscal impact**Revenue:** No revenue impact**Prepared By:** Jan Nordlund, LPRO Analyst**Meeting Dates:** 2/17, 2/19**WHAT THE MEASURE DOES:**

Requires business subject to property tax exemption program to advertise a proposed construction project at least 14 days before bid submissions are due, and to provide notice to at least one statewide building trade organization. Requires business undertaking the construction project, or the contractor for the project, to notify the entity providing the tax abatement of any project labor agreement entered into. Requires sponsor of enterprise zone or the governing body to annually submit to Business Oregon a report of all project labor agreements for projects subject to property tax exemption program. Requires Business Oregon to annually provide to Legislative Assembly a summary report on businesses whose property was granted property tax exemption. Requires first report to be made by December 15, 2021. Requires contractors and subcontractors to retain certified payroll records associated with public works projects for six years. Requires Commissioner of Bureau of Labor and Industries, in cooperation with advisory committee, to annually review policies, procedures, and methods associated with implementing and administering prevailing wage rate laws. Requires Commissioner to annually report to Legislative Assembly, beginning in 2021 and ending in 2025, the results of the review and any recommendations to modernize and streamline implementation and administration of prevailing wage rate laws. Authorizes rural enterprise zone sponsor to negotiate conditions for participation in the tax abatement program. Becomes operative January 1, 2021. Takes effect 91st day following adjournment *sine die*.

ISSUES DISCUSSED:

- Measure reflects consensus of work group
- Efforts to not diminish economic development incentives of property tax abatement programs
- Information gathered and reported will lead to informed discussions in the future

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.

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House Bill 2408-A (2019), which was not enacted, 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, House Bill 1525 aligns record keeping requirements which demonstrate compliance with the PWR with the six-year statute of repose.