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FROM THE DESK OF REPRESENTATIVE SHELLY BOSHART DAVIS - MAY 18, 2021



*Shelly Boshart Davis*

## Keep Construction Wages Local: Oppose SB 493A

**SB 493A** would change the determination of prevailing wage from the current survey process utilized by BOLI and the Employment Department, replaced by one using the highest collectively bargained wage in the locality. A similar bill passed in Washington and created substantial inflation in the prevailing wage rate.

**Statewide Impact:** Passing SB 493A would result in an increase to prevailing wage rates in Oregon, particularly in the more rural areas of the state. Such increases would cause public projects to cost substantially more, and less likely to pencil out when there are limited resources. This means fewer school projects, courthouse renovations, applicable affordable housing projects, and bridge projects, to name a few.

**About Local Wages, not Prevailing Wage Itself:** This bill is not about opposition to prevailing wage. But, we believe that prevailing wage needs to be calculated to reflect local wages. This blanket new policy would not allow for adjustment based on local wages, and as a result, we cannot support it.

**Anticipated increases based on Washington's experience:** Due to a similar policy, Washington has seen increases in prevailed wages, as identified by their Dept. of Labor and Industry.<sup>1</sup> To understand what this change might mean for Oregon, we can use the observed hourly rate increases in Washington State to estimate how total project costs might be impacted here. Using a recently completed 200-unit affordable housing project in Portland, we applied the hourly wage increases by trade using the observed average increase in Washington State. Hourly prevailing wages in Oregon prior to a CBA approach are in the \$20 to \$57 range, with an average of \$39 dollars per hour using this example project, which is equivalent to \$81,100 a year for full time work. Applying the increases in hourly assuming the observed impact passing of Washington's policy resulted in a total labor cost increase of 17.7%. Labor cost represented 55% of total construction cost, therefore the impact of the hourly wage increase would have raised the project cost by 9.8%.

**No amendments to avoid unintended consequences:** We offered potential amendments, particularly to deal with the issue of outliers that might create the spikes seen in Washington. These were not accepted, even though they would have been positive policy changes to make sure the bill doesn't have unintended consequences.

**We urge you to not pass SB 493A, and to instead send it to Ways and Means for full consideration of the potential fiscal impact.**

<sup>1</sup> See <https://secure.lni.wa.gov/wagelookup/> to view PWR in 2018 prior to the adoption of SB 5493, compared to 2019 after the adoption.

For more information, please contact John Rakowitz (AGC) - (503) 317-1781.