

FISCAL IMPACT OF PROPOSED LEGISLATION

81st Oregon Legislative Assembly – 2021 Regular Session
Legislative Fiscal Office

Measure: SB 493 - MRB

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

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Measure Description:

Provides that prevailing rate of wage for trade or occupation in locality is rate of wage set forth in collective bargaining agreement for trade or occupation in locality or, if more than one collective bargaining agreement covers trade or occupation in locality, average of rate of wage set forth in collective bargaining agreements for trade or occupation in locality.

Government Unit(s) Affected:

Bureau of Labor and Industries (BOLI), Employment Department (OED), Department of Administrative Services (DAS), Oregon Judicial Department (OJD), Oregon Department of Transportation (ODOT), Housing and Community Services Department (HCSD), Cities, Counties

Summary of Fiscal Impact:

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

Analysis:

SB 493 MRB-Engrossed defines bona fide rate of wage (BFRW) as the rate certified by a labor organization as being applicable to at least 50 percent of its membership in the trade within a locality. The measure reconfigures counties within 14 districts defining:

- Region 1 to include districts 2, 3, and 5 (Clackamas, Multnomah, Washington, Marion, and Lane counties). The measure establishes prevailing wage rate (PWR) for a trade in Region 1 as the BFRW unless more than one collective bargaining agreement (CBA) is in effect, in which case the PWR is the average of the BFRWs.
- Region 2 as all remaining districts. The measure establishes the PWR for a trade in Region 2 as 85% of the BFRW; if more than one CBA is in effect, the PWR is 85 percent of the average of the BFRWs.

Bureau of Labor and Industries (BOLI), Employment Department (OED)

Passage of this measure is anticipated to have minimal impact on BOLI and the Employment Department (OED). Current law requires the BOLI Commissioner to determine the PWR for workers in each trade or occupation on an annual basis by means of an independent wage survey and a supplemental process. BOLI contracts with OED to complete this survey and BOLI's Wage and Hour Division Prevailing Wage Unit completes the supplemental process. With passage of this measure, BOLI would only need to determine the PWR if a CBA does not exist for trade or occupation in locality.

BOLI uses funds from the Prevailing Wage Fee (PWF) to contract with OED to complete the annual survey with the supplemental process being completed by staff within the PWR unit. The PWF is one tenth of one percent (.001) that is assessed on the contract price of all public works projects, the fee ranges from a minimum fee of \$250 to maximum fee of \$7,500. The PWF funds the Wage and Hour Divisions' Prevailing Wage unit which includes compliance, education, and survey responsibilities. BOLI does not anticipate the PWF changing as a result of this measure. For 2022, BOLI anticipates that it will continue the existing survey process to set the rates. After the initial transition, BOLI anticipates a reduction in the amount of PWF funds expended on the process to set the PWR with the elimination of the requirement for the large state-wide survey. However, the long-term savings is unclear because BOLI cannot predict how many smaller surveys it would need to do in localities without

CBA. Any savings that is realized would be redirected to staff for investigation and enforcement and education of the PWR law. BOLI will continue to use revenue collected through the Prevailing Rate Fee to execute the rate setting process. In the long-term, BOLI anticipates a reduction of costs associated with setting the PWR, which will enable the agency to redirect PWF funds from the PWR process towards other PWR activities.

Department of Administrative Services (DAS)

The Department of Administrative Services (DAS) reports that passage of this measure brings new requirements into procurement law and practice which may have an impact on the agency, but that impact is indeterminate, at this time.

Oregon Judicial Department (OJD), Oregon Department of Transportation (ODOT), Housing and Community Services Department (HCSD)

Changes proposed in the measure will alter the rates of wage applicable to public improvement contracts, beginning January 1, 2022. These changes may increase the overall cost of public improvements if the BFRW in localities where state projects are located are higher than current rates. This potential increase is indeterminate depending on the rate certified by a labor organization as being applicable to at least 50 percent of its membership in the trade within a locality. State agencies with public improvement contracts (e.g. ODOT, OJD, HCSD) anticipate absorbing any potential increase within their existing agency resources.

Cities, Counties

Like state agencies, changes proposed in the measure will alter the rates of wage applicable to local government public improvement contracts, beginning January 1, 2022. The League of Oregon Cities and the Association of Oregon Counties cited a January 2021 report from the University of Oregon Labor Education and Research Center titled, "[The Impact of Oregon's Prevailing Wage Rate Law: Effects on Costs, Training, and Economic Development](#)," to attest that passage of this measure could increase labor costs and therefore will have significant fiscal impact on the overall cost of local government public works and infrastructure projects.

However, the Legislative Fiscal Office (LFO) notes that the same report's final summary analysis asserts that simplistic wage differential studies do not account for other market forces. The study points out that once project size, project type, number of bidders, and the business cycle is accounted for, PWR laws have no effect on the cost of traditional public projects, including schools, highways, and public buildings. The report concludes with this statement, "The preponderance of peer-reviewed studies conducted since 2000 (83 percent) finds that prevailing wage laws have no effect on the cost of traditional public works projects, such as schools, highways, and public buildings."

Changes proposed in the measure may increase the overall cost of public improvements if the BFRW in localities where local government projects are located are higher than current rates. At this time, this potential increase is indeterminate depending on the BFRW certified by labor organizations.