FISCAL IMPACT OF PROPOSED LEGISLATION **Measure: SB 555 - 2**

Seventy-Eighth Oregon Legislative Assembly – 2015 Regular Session
Legislative Fiscal Office

Only Impacts on Original or Engrossed Versions are Considered Official

Prepared by:	Kim To
Reviewed by:	Paul Siebert, Laurie Byerly, Linda Ames, Julie Neburka, John Borden, Matt Stayner, Steve Bender, Lind Gilbert, John Terpening, Tim Walker, Michelle Deister
Date:	4/8/2015

Measure Description:
Requires qualified nonprofit agency for individuals with disabilities to pay at least minimum wage or prevailing rate of wage set forth in state or federal law to individuals with disabilities.

Government Unit(s) Affected:
Department of Administrative Services (DAS), Oregon Department of Transportation (ODOT), Oregon Health Authority (OHA), Department of Human Services (DHS), Department of Consumer and Business Services (DCBS), Department of Forestry, Department of Corrections, Department of Energy, Department of State Lands, Department of Fish and Wildlife, Oregon Liquor Control Commission, Oregon Youth Authority, Oregon Commission for the Blind, Department of Aviation, Oregon Parks and Recreation Department, Oregon State Police, Oregon State University, Employment Department, Oregon Travel Experience [Semi-Independent], Department of Justice, Bureau of Labor and Industries (BOLI), cities, counties

Local Government Mandate:
This bill does not affect local governments' service levels or shared revenues sufficient to trigger Section 15, Article XI of the Oregon Constitution.

Analysis:
Senate Bill 555 with the – 2 amendment requires Qualified Rehabilitation Facilities (QRF) to pay individuals with disabilities at least the prevailing wage rate (PWR). The bill requires the Department of Administrative Services (DAS) to verify that these facilities pay at least the PWR. The – 2 amendment exempts contracts entered into before January 1, 2016, and specifies that QRF are required to pay the PWR to individuals with disabilities when existing contracts expire, or on July 1, 2018. The bill contains an emergency clause, and is effective on passage. The – 2 amendment does not change the indeterminate fiscal.

At this time, the fiscal impact of this bill on contract prices paid by public agencies for goods and services produced by QRF is indeterminate.

Section 14(c) of the Fair Labor Standards Act authorizes QRF employers, after receiving a certificate from the Wage and Hour Division, to pay wages less than the Federal minimum wage to workers who have disabilities for the work being performed. The fact that a worker may have a disability is not in and of itself sufficient to warrant the payment of a subminimum wage (SMW). Section 14(c) only applies when the disability actually impairs the worker's earning or productive capacity for the work being performed. SMW must commensurate with the workers' productivity as compared to the wage and productivity of experience workers who are not disabled for the work. The Department of Administrative Services (DAS) reports that roughly 500 of the 4,500 QRF employees with disabilities are currently paid using this 14(c) certificate. However, due to the time constraints of the fiscal process, DAS and the other affected public agencies cannot gather and collate data from each participating QRF in order to quantify the impact of this bill. Although the QRF program is administered by DAS, public agencies directly negotiate contracts with QRF providers. Currently, 21 state agencies use QRF providers via over 200 state agency contracts that could be affected by this increase in wages. Each of these contracts are tailored specifically to the facility served in the contract, so the impact of the wage requirement of this bill will be different for each contract, depending on whether any 14(c) employees are assigned work under the contract and to what extent, as well as whether or not these contracts are renewed by July 1, 2018. The majority of state agencies have no or few contracts with QRF. For these agencies, the fiscal impact is anticipated to be minimal. However, for a few agencies with large or numerous contracts with QRF (e.g. the Department of Human Services, Oregon Department of Transportation), there could be a potential impact. DAS and these agencies will continue gathering the needed data to better quantify this impact, and this fiscal will be revised when this information is collated.