

May 18, 2021 – From the Desk of: Representative Vikki Breese-Iverson



Local Governments Urge Your Opposition to SB 493-A,

or Requests that the Bill Return to Committee for Additional Work

The League of Oregon Cities, Special Districts Association of Oregon, Eastern Oregon Counties Association and Oregon School Boards Association urge your opposition to SB 493-A. We believe that passage of this bill may result in a more volatile wage determination system and other unintended consequences, including the potential for cost increases for schools, infrastructure, and other critical projects across the state. In addition, we believe that rural and small communities will be more significantly impacted by this legislation during a time when many communities are already struggling to figure out how to pay for necessary infrastructure that is simply too expensive for ratepayers/taxpayers to afford.

At a minimum, we would encourage that the bill either be sent back to the House Rules Committee for amendments that would mitigate against potential cost impacts, or that the bill be sent to the Ways and Means Committee as we do believe that the A-Engrossed version will result in cost increases for some public infrastructure and other public works projects.

What the bill does:

Current law requires the Oregon Bureau of Labor and Industries (BOLI) to use a wage survey to determine the construction wage rates that should be paid in various parts of the state for public works projects. Current law also already allows BOLI to use other data, including from collective bargaining agreements, if the wage survey data isn't sufficient to determine appropriate regional wage rates.

SB 493-A eliminates the wage survey in regions where a collective bargaining agreement exists. Under SB 493-A, the new minimum construction wages would be based solely on the highest wage rate identified in a collective bargaining agreement (CBA). As a result of some statewide CBAs, this legislation is likely to pull certain rural wages up even more than in urban areas – eliminating any notion of reflecting local economies.

We have asked, at a minimum, to include an averaging of CBA rates with some sideboards to mitigate against rate spikes over 15-20% in one year and are disappointed that those requests have not been incorporated into this bill.

Why Local Governments Oppose SB 493-A:

It is important to note that this bill does not change the types of projects that are subject to prevailing wage. Public works projects in Oregon, with a cost over \$50,000, are already subject to paying prevailing wages. We have heard arguments from proponents that we will save money through project efficiencies if SB 493-A is passed. However, a report from the [University of Oregon Labor Education Research Center](#) indicates that passage of this law will result in \$100 million in additional construction wages annually. Studies suggesting that prevailing wage laws don't impact project costs are based on the general merit of

prevailing wage laws in general and use comparisons of projects that are subject to prevailing wage law versus those that are not. Again, SB 493-A does not change the types of projects that are subject to prevailing wage – it changes the wage rate determination process and does so in a way that sets the highest rate as the new minimum. We have not yet seen a study or data that demonstrates how paying the exact same workers at wage rates of 20-50% more in some instances will save money for the project. We urge the legislature to more carefully evaluate this dynamic. This feels like a significant gamble with public taxpayer and ratepayer dollars when we are already struggling to pay for necessary infrastructure – especially in small and rural communities.

We have not been able to understand how a project would result in additional construction wages while, at the same time, costing less through efficiencies and cost savings; especially when you are talking about using the same highly skilled workforce. Either the workers are working fewer hours or receiving less in over-time (resulting in less construction wages), or we are paying more. ***\$100 million in additional construction wages annually has to reflect money that came from somewhere/someone, and we believe it comes through increased costs on public works projects.***

At a minimum, if there are project cost savings that may be realized from paying higher prevailing wage rates, that should be the decision/risk of the entity who is spending those dollars. We, as local governments, are the stewards of local taxpayer/ratepayer dollars and will ultimately be accountable to our ratepayers/taxpayers when water or sewer rates must be increased, when projects don't pencil out or when we have to increase other charges to pay for increased costs of infrastructure.

Increased costs to infrastructure result in increased costs to taxpayers/ratepayers/system development charges/etc. It is also important to keep in mind that additional infrastructure costs are not directly paid for by local governments; those costs are paid for by our ratepayers and citizens – many of who are already concerned and struggling with affordability issues especially for drinking water and sewer costs. Infrastructure costs continue to increase and our backlog for infrastructure is significant – an estimated \$23 billion for water/sewer alone in the next 20 years. For many communities, increased infrastructure costs simply mean projects don't happen. It is already cost prohibitive for many communities to invest in necessary infrastructure improvements. Again, for many communities, especially small and rural communities, cost increases simply mean projects won't happen or the scope of a project will be narrowed. ***Budgetary constraints are already a reality for our residents and ratepayers, especially those that are low-income or on fixed incomes, and we do worry that any significant cost increases will either mean additional costs for those citizens or will result in projects that simply don't pencil out, resulting in unresolved infrastructure backlogs in many Oregon communities.***

We have and continue to ask for the opportunity to find a path forward to consider workable solutions to mitigate some of our concerns. We are fully committed to taking the time required to get this bill right. If there is even a slight chance that this bill will add costs to infrastructure and other critical public projects, it is essential that the state and local governments have that conversation and understand, fully, the impacts that this legislation will have on our current infrastructure backlog, and the citizens that are already struggling to afford infrastructure improvements that are essential for public health, public safety, community livability and environmental protection.

We ask for you to work with us, to hear our concerns and to spend the time necessary to get this significant policy change right. We are not willing to take a gamble on infrastructure when we are already so far behind and we urge your consideration and no vote on SB 493-A.

Questions: Contact Tracy Rutten Rainey, League of Oregon Cities (trutten@orcities.org)

