

SB 493A: A Significant Increase in Oregon's Prevailing Wage Rates

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. 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. We are not opposed to prevailing wage, but 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.

Due to a similar policy, Washington has seen increases in prevailed wages, as identified by their Dept. of Labor and Industry.¹ 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 SB 5493 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%.

If the committee determines that this is a change that must occur, despite the risk of artificially inflated prevailing wages, our coalition recommends making several practical changes to the bill before passing it out of committee – particularly to deal with the issue of outliers that might create the spikes seen in Washington. One potential change is to return the bill to its original form and have the *average* collectively bargained wage be the prevailing wage. This would help prevent one outlier CBA from creating a spike in the wages. In addition, another change is to define what CBAs will be considered for the determination. Ensuring that “one-off” CBAs are not used will also to help prevent issues of spikes. One other change would be to require that BOLI study the outcome of these changes after two years, to determine that there have not been negative effects on the prevailing wage system as a result. Another additional consideration is to create two different prevailing wage rates, with one that more accurately reflect rural wages.

We urge you to not pass SB 493A out of committee. But, if you must, it is imperative to include the simple amendments outlined above to help prevent the spikes and issues seen in Washington.

For more information, please contact John Rakowitz, AGC (503-317-1781) or Tracy Rutten Rainey, LOC (503-830-9772)

¹ 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.

