Oppose HB 4045
Public Procurement Requirements on Private Construction

Oregon has very few tools to recruit and retain new business investments in economically distressed and disadvantaged communities. Many local governments, including cities, counties and ports, have successfully leveraged local incentive programs to lure large private investments, and target investments large and small to areas designated as economically distressed. These efforts have resulted in long-term, sustainable job opportunities and workforce training for thousands of Oregonians. HB 4045 threatens this current incentive system by placing new requirements on contractors and construction companies simply because their clients receive a local tax abatement.

HB 4045 Circumvents Interim Workgroup Efforts. Legislation similar to HB 4045 was introduced during the 2019 session and was opposed by a broad coalition including local governments, contractors and economic development interests. While the bill failed to pass, there were commitments from stakeholders to participate in an interim workgroup to further vet the many complex issues associated with the legislation. That workgroup, led by Senator Kathleen Taylor, met 15 times and included members from the trades, renewable energy industry, local governments, contractors, and legislators. As a result of the workgroup process, there is legislation currently in the senate (SB 1525) that honors the extensive work and time spent by this group. HB 4045 is more expansive than the 2019 legislation and is incredibly disappointing as it disregards and circumvents the workgroup process.

Existing Wage Requirements. Local governments have supported and defended these incentive tools because they care about creating local jobs and promoting local workforce wages that are consistent or better than the local average. State statutes specify economic hardship criteria required for communities looking to create an enterprise zone. There are requirements for job creation and permanent job wage levels in the enterprise zone and long-term rural enterprise zone program. Local jurisdictions may negotiate specific requirements in the Strategic Investment Program. These programs have successfully created both construction and permanent jobs. Local economic development professionals are very concerned about changes that will water down these incentives, especially given a lack of evidence that employees working on projects that use a local tax incentive are being underpaid.

Applicability to Private Companies. While proponents argue that temporarily foregoing local property taxes is the same as the direct expenditure of public funds, the compliance burden of HB 4045 ultimately falls on construction companies with no nexus to the applicable tax abatement received by project owners. Even at the $25 million threshold, mandating public procurement requirements on these private projects will eviscerate the economic incentive offered by a local government and dissuade projects from moving forward or reduce the availability of contractors experienced in public contracting, particularly in “non-urban counties.” We fear that the compliance obligations proposed in HB 4045 will limit the ability of small, local contractors to work on these projects due to additional cost and administrative burdens.

Lack of Availability of Local Contractors. The apprenticeship mandate that requires 10 percent or more work hours on a project will result in less competition and is attempting to drive the majority of work to those subject to a collective bargaining agreement. Specifically, non-union apprenticeship programs do not have programs in many of the non-licensed trades which would prohibit those local contractors from even bidding on the job. Furthermore, the definition of non-urban county consists of 18 of the 36 counties, so half the State would be under this mandate. An example is Deschutes County which is not under the definition of non-urban and therefore would discriminate against the vast majority of local contractors.

Economic Risks. Local tax incentives are effective because they reduce the initial cost of investment and attract long-term investment that may not occur otherwise as companies make
business decisions as to where they will locate. Prevailing wage mandates would offset the tax savings by increasing construction, reporting and compliance costs. By eliminating the incentive, private investors may decide against industrial expansion on a given site or may simply choose sites outside of Oregon. Under this scenario, Oregon would risk losing potential permanent jobs, construction jobs, associated income tax revenue, and local property tax revenue realized when these properties come back on the property tax roll.

**State Benefit and Local Control.** Local tax incentives do not negatively impact the state’s general fund expenditures. Local governments incentivize the use of abatements by temporarily reducing their own local tax revenues in exchange for the long-term benefits of job growth and healthy communities. The state mandate proposed by HB 4045 not only hampers the potential for a new local economic development tool, but also would reduce the anticipated benefit to the state by precluding job growth and the accompanying income tax revenue.

Oppose imposing public contracting requirements on private investment.

Please vote "NO" on HB 4045