

HOUSE BILL REPORT

HB 1038

As Reported by House Committee On:
Labor

Title: An act relating to extending apprenticeship utilization requirements.

Brief Description: Extending apprenticeship utilization requirements.

Sponsors: Representatives Moeller, Appleton, Stanford, Hudgins, Santos and Ormsby.

Brief History:

Committee Activity:

Labor: 1/13/15, 2/9/15 [DPS].

Brief Summary of Substitute Bill

- Requires that at least 15 percent of labor hours on subsidized public works projects estimated to cost \$5 million or more be performed by apprentices.
- Provides that entities qualify for certain construction-related tax incentive programs only if they comply with apprentice utilization requirements.

HOUSE COMMITTEE ON LABOR

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 4 members: Representatives Sells, Chair; Gregerson, Vice Chair; Moeller and Ormsby.

Minority Report: Do not pass. Signed by 2 members: Representatives Manweller, Ranking Minority Member; G. Hunt, Assistant Ranking Minority Member.

Minority Report: Without recommendation. Signed by 1 member: Representative McCabe.

Staff: Trudes Tango (786-7384).

Background:

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

The Washington State Apprenticeship and Training Council, which is part of the Department of Labor and Industries, establishes apprenticeship program standards, approves apprenticeship training programs, and otherwise governs the programs.

Public works that are estimated to cost \$1 million or more must require that at least 15 percent of the labor hours be performed by apprentices enrolled in approved apprenticeship training programs. This requirement applies to public works contracts awarded by the state, school districts, and four-year institutions of higher education. It does not apply to agencies that are headed by a separately elected official. For public works by the Department of Transportation, the requirement applies only to public works estimated to cost \$2 million or more.

Awarding agencies may adjust the apprentice utilization requirement for specific projects for the following reasons:

- a demonstrated lack of availability of apprentices in specific geographic areas;
- a disproportionately high ratio of material costs to labor hours;
- a demonstrated good faith effort by participating contractors to comply with the apprentice utilization requirement; or
- other criteria the agency director deems appropriate, subject to review by the Office of the Governor.

Contractors may be disqualified from bidding on public works if they have been found out of compliance with certain apprentice utilization requirements.

A "public work" means all work, construction, alteration, repair, or improvement that is executed at the cost of the state or a local public agency.

Summary of Substitute Bill:

The requirement that at least 15 percent of labor hours be performed by apprentices is applied to subsidized public works projects that are estimated to cost \$5 million or more. A subsidized public work is a project where:

- one or more parties to the contract received or will receive a specified construction-related tax preference for the construction, expansion, or renovation of a qualified building; or
- one or more parties to the contract for the project received or will receive a loan or grant for the project from the state or any county, municipality, or political subdivision.

Subsidized public work does not include:

- work financed by a loan provided by a housing authority; or
- affordable housing projects that receive financing from the Housing Finance Commission and are not subject to federal prevailing wage requirements.

The construction-related tax incentive programs that require apprentice utilization are those for: (1) construction of warehouses, distribution centers, grain elevators, and cold storage;

(2) purchases to construct structures used for retail sales of biofuels; (3) installing and constructing anaerobic digesters; (4) construction and equipment purchases for manufacturing facilities in high unemployment counties; (5) construction and equipment purchases for high technology; (6) construction and equipment purchases for biotechnology and medical device manufacturing; and (7) construction of a corporate headquarters facility in a community empowerment zone.

An entity is qualified for one of these tax incentive programs only if it complies with the apprentice utilization requirement.

Upon request from a party to a contract for subsidized public work, the Washington State Apprenticeship and Training Council must provide written certification of the party's compliance with the utilization requirement.

Substitute Bill Compared to Original Bill:

The substitute bill amends the definition of "subsidized public work" to include projects funded by grants from a public agency and to specify that the tax preference received by a party to the contract is a tax preference for the construction, expansion, or renovation of a qualified building. The substitute also specifies that if the project was not eligible for the tax preference, the deferred taxes are immediately due to the Department of Revenue, adds an intent section, and makes a technical correction.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Substitute Bill: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) Encouraging apprenticeships will help replace the skilled construction workers who are retiring. Apprenticeship programs increase workplace safety. This bill clarifies what is meant by public funding. By receiving a tax break or a loan, the project is using tax payer money.

(In support with amendment) Publically subsidized housing projects should not be excluded in the bill.

(With concerns) Many larger cities have apprenticeship utilization requirements already, but smaller cities will have a hard time implementing these requirements. The exemption for projects under the Housing Finance Commission should be expanded to include the other projects they finance.

(Opposed) This bill expands what is considered a "public work." The projects in question are largely funded by private investments. It is counterintuitive to promote private investment with tax breaks and then impose this requirement. The bill micromanages what contractors can do and tells employers what jobs to put their apprentices on. The fact that employer can pay apprentices less than prevailing wages is all the incentive an employer needs to use apprentices. The bill increases the cost and complexity of projects. The more requirements that are imposed on projects, the higher the costs. Most small business owners don't feel included in the process.

Persons Testifying: (In support) Representative Moeller, prime sponsor; and Neil Hartman, Washington State Building and Construction Trades Council.

(In support with amendment) Terry Tilton, Northwest Carpenters.

(With concerns) Allison Hellberg, Association of Washington Cities; and Kim Herman, Washington State Housing and Finance Commission.

(Opposed) Jerry Vanderwood, Associated General Contractors of Washington; Larry Stevens, National Electrical Contractors Association; Scott Dilley, Washington Farm Bureau; and Gary Smith, Independent Business Association

Persons Signed In To Testify But Not Testifying: None.