

FILED
OFFICE OF THE CITY CLERK
OAKLAND

CITY OF OAKLAND
BILL ANALYSIS



13 JUN 27 PM 3:45
Date: June 11, 2013

Bill Number: SB 7

Bill Author: Senator Steinberg

DEPARTMENT INFORMATION

Contact: Olga Bolotina

Department: Office of Dan Kalb, Councilmember, District 1

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RECOMMENDED POSITION: Support

Summary of the Bill: SB 7 would say that a charter city is not eligible to use state funds for its public works projects unless the city has a policy of requiring contractors on its city-funded, municipal projects to comply with the State's prevailing wage law. Senate Bill 7 does not prevent a charter city from foregoing prevailing wages for projects that are paid for purely with municipal funds.

Positive Factors for Oakland: Numerous economic studies show that prevailing wage contracts save tax dollars through higher productivity, better quality workmanship and a faster rate of project completion.

These studies have also shown that requiring prevailing wages boosts economic activity on the local level due to the fact that it levels the playing field during the bidding process and local contractors are less likely to be underbid by non-local contractors who lower their bids by shortchanging workers.

A 2011 study, conducted by a Colorado State University senior economist, concluded that over a five year period, San Jose's prevailing wage policy added \$164 million in economic activity, produced \$1.9 million in local tax revenue, and generated more than 1,500 local construction jobs.

The 2011 study also pointed out the "beneficial social impacts" on the local economy when prevailing wages were paid, including lower public assistance costs and traffic and environmental benefits from the greater use of local workers.

Negative Factors for Oakland: None

Item: _____
Rules & Legislation Comte.

PLEASE RATE THE EFFECT OF THIS MEASURE ON THE CITY OF OAKLAND:

- Critical** (top priority for City lobbyist, city position required ASAP)
- Very Important** (priority for City lobbyist, city position necessary)
- Somewhat Important** (City position desirable if time and resources are available)
- Minimal** or **None** (do not review with City Council, position not required)

Known support:

State Building and Construction Trades Council of California, AFL-CIO [SPONSOR]
 Bricklayers and Allied Craftworkers Local #3
 California Chapters of the National Electrical Contractors Association
 California Labor Federation
 California Legislative Conference of the Plumbing, Heating and Piping Industry
 California State Association of Electrical Workers
 California State Pipe Trades Council
 California Teamsters Public Affairs Council
 Coalition of California Utility Employees
 Councilmember Esther Sanchez, City of Oceanside
 International Association of Heat and Frost Insulators Local 5
 Southern California Contractors Association
 United Association of Plumbers & Steamfitters Local Union #230
 Western States Council of Sheet Metal Workers

Known opposition:

Air Conditioning Trade Association
 Alameda County Mayors Conference
 Associated Builders and Contractors of California
 Bakersfield Chamber of Commerce
 California Contract Cities Association
 Cities of Adelanto, Alhambra, Apple Valley, Arroyo Grande, Bakersfield, Benicia, Big Bear Lake, Buena Park, Burbank, Carlsbad, Ceres, Cerritos, Chula Vista, Coalinga, Culver City, Cypress, Danville, Del Mar, Diamond Bar, Dinuba, Downey, El Cajon, El Centre, Eureka, Folsom, Fortuna, Gilroy, Glendora, Grass Valley, Grover Beach, Hayward, Highland, Huron, Indian Wells, Jackson, King City, Lakewood, La Quinta, Lemoore, Lindsay, Mendota, Merced, Modesto, Moreno Valley, Murrieta, Napa, Norwalk, Pacific Grove, Palm Desert, Palo Alto, Paramount, Pasadena, Petaluma, Pico Rivera, Plymouth, Rancho Cucamonga, Rancho Mirage, Ridgecrest, Roseville, Salinas, San Joaquin, San Luis Obispo, San Marcos, Santa Maria, Santee, Selma, Shafter, Signal Hill, Solvang, Tehachapi, Torrance, Tracy, Tulare, Victorville, Visalia, Vista, Wasco, West Covina, and Whittier
 Coachella Valley Economic Partnership
 Contra Costa Taxpayers Association
 Corona Taxpayers Association
 Desert Valley Builders Association
 Greater Merced Chamber of Commerce

Item: _____
 Rules & Legislation Comte.

Howard Jarvis Taxpayers Association
Independent Cities Association
Inland Empire Taxpayers Association
Kern County Taxpayers Association
LA Co. Business Federation
LA County Division, League of California Cities
League of California Cities
Lewis Operating Corporation
Los Angeles County Business Federation
Marin County Mayors Council
Mayor Ashley Swearingin, City of Fresno
North of the River Chamber of Commerce
Plumbing-Heating-Cooling Contractors Association of California
Redwood Empire Division, League of California Cities
San Diego County Division, League of California Cities
San Diego Taxpayers Association
San Gabriel Valley Economic Partnership
San Joaquin Taxpayers Association
South Bay Association of Chambers of Commerce
Southwest California Legislative Council
Stockton Chamber of Commerce
Town of Apple Valley
Western Electrical Contractors Association

Attached: bill text.

Respectfully Submitted,

Councilmember Dan Kalb

Item: _____
Rules & Legislation Comte.

Introduced by Senator *Senators Steinberg and Cannella*

December 3, 2012

An act to amend ~~add Section 1724 of 1782~~ to the Labor Code, relating to public works.

LEGISLATIVE COUNSEL'S DIGEST

SB 7, as amended, Steinberg. Public works: ~~where performed:~~ charter cities.

Existing law requires that, except as specified, not less than the general prevailing rate of per diem wages, determined by the Director of Industrial Relations, be paid to workers employed on public works projects. Existing law defines "public works" to include, among other things, construction, alteration, demolition, installation, or repair work done under contract and paid for, in whole or in part, out of public funds, and street, sewer, or other improvement work done under the direction and supervision or by the authority of any officer or public body of the state, or of any political subdivision or district thereof, whether the political subdivision or district operates under a freeholder's charter or not.

This bill would prohibit a charter city from receiving or using state funding or financial assistance for a construction project if the city has a charter provision or ordinance that authorizes a contractor to not comply with prevailing wage provisions on any public works contract. The bill would, except as specified, prohibit a charter city from receiving or using state funding or financial assistance for a construction project for up to 2 calendar years if the city has, after January 1, 2014, awarded a public works contract without requiring the contractor to comply with

1 formal apprenticeship training in state-approved programs provide
2 the financial support and on-the-job training opportunities
3 necessary to train the next generation of skilled construction
4 workers.

5 (c) The majority of California workers do not have four-year
6 college degrees, and maintaining construction work as an
7 occupation that can provide good jobs to California workers is
8 important to the future of the state.

9 (d) The state's prevailing wage law helps to maintain
10 construction work as an occupation that provides middle-class
11 jobs to hundreds of thousands of California workers, enabling the
12 workers to support families and contribute to their communities.
13 The prevailing wage law also provides necessary on-the-job
14 training opportunities for the more than 50,000 apprentices
15 enrolled in state-approved apprenticeship programs in the building
16 and construction trades, enabling the apprentices to graduate from
17 the programs and pursue careers as journey-level workers.

18 (e) The state's prevailing wage law applies to construction
19 projects paid for in whole or in part out of public funds, including
20 projects awarded by any county, city, district, public housing
21 authority, public agency of the state, and assessment or
22 improvement districts.

23 (f) The California Supreme Court has held that charter cities
24 need not require contractors to comply with the state's prevailing
25 wage law on purely municipal projects. Many charter cities require
26 contractors to comply with the state's prevailing wage law on their
27 municipal projects, but some charter cities do not.

28 (g) Charter cities that require compliance with the prevailing
29 wage law on their municipal projects are furthering a state policy
30 that has substantial benefits that go beyond the limits of the city.
31 Many of the workers employed on a municipal project will not live
32 in the city where the project is located, and many apprentices
33 receiving training on municipal projects will pursue careers outside
34 the city.

35 (h) The state has limited financial resources to support local
36 construction projects, and it would further state policy to provide
37 financial assistance only to those charter cities that require
38 compliance with the prevailing wage law on all their municipal
39 construction projects. To the extent that requiring compliance with
40 the state's prevailing wage law may raise the cost of municipal

1 (3) *State funding and financial assistance includes direct state*
2 *funding, state loans and loan guarantees, state tax credits, and*
3 *any other type of state financial support for a construction project.*
4 *State funding and financial assistance does not include tax*
5 *revenues that charter cities are entitled to receive without*
6 *conditions under the California Constitution.*

7 (e) *The Director of Industrial Relations shall maintain a list of*
8 *charter cities that may receive and use state funding and financial*
9 *assistance for their construction projects.*

10 ~~SECTION 1. Section 1724 of the Labor Code is amended to~~
11 ~~read:~~

12 ~~1724. "Locality in which public work is performed" means the~~
13 ~~county in which the public work is done.~~

13 JUN 27 PM 3:45

OAKLAND CITY COUNCIL

Resolution No. _____ C.M.S.

INTRODUCED BY COUNCILMEMBER KALB

RESOLUTION IN SUPPORT OF SENATE BILL (SB) 7 (STEINBERG) – STATE LEGISLATION THAT WILL PROMOTE PREVAILING WAGE STANDARDS IN CHARTER CITIES IN CALIFORNIA.

WHEREAS, California adopted a prevailing wage law in 1931 to require contractors and subcontractors on public projects to pay construction workers wages at least equal to the wages prevailing in local labor markets;

WHEREAS, prevailing wages promote good middle class jobs in our community and make it possible for workers to pay their mortgages, feed their families, and support local businesses in Oakland;

WHEREAS, the economic activity generated by prevailing wage jobs, enriches our local tax base and makes it possible for our city to maintain vital services for residents;

WHEREAS, studies have shown that when prevailing wage standards are removed substantial costs are shifted onto taxpayers in the form of public subsidies for housing, food, and healthcare.

WHEREAS, the prevailing wage law allows contractors and subcontractors on public projects to pay a lower wage rate to apprentices registered in state-approved apprenticeship programs, thereby providing training opportunities for the next generation of skilled workers;

WHEREAS, the prevailing wage law serves important public purposes, including protecting workers from exploitation, allowing all contractors to bid for public work on a level playing field, protecting the wage based in local labor markets, providing opportunities for training skilled workers, attracting the most skilled workers to public projects, and avoiding the strain on public resources that occurs when workers are not provided health and pension benefits;

WHEREAS, the California Legislature has introduced a bill, Senate Bill 7 (Steinberg) that would prohibit a charter city from receiving or using state funding or state financial assistance for a construction project if the city has a charter provision or ordinance that authorizes a contractor not to comply with the state prevailing wage provisions; now, therefore be it

RESOLVED that the City of Oakland supports the California's Legislature's findings and declarations as stated in Section 1 of Senate Bill 7 (Steinberg) as articulated in this Resolution, and be it

FURTHER RESOLVED that the City of Oakland supports the passage of Senate Bill 7 Steinberg that would add Labor Code Section 1782 to the California Labor Code and thereby make charter cities that maintain a prevailing wage policy on their municipal projects eligible to receive and use state funding and financial assistance for their construction projects; and be it

FURTHER RESOLVED, that a copy of this Resolution be provided to the Governor, Assembly Speaker John Pérez, Senate President pro Tem Darrell Steinberg, State Senator Loni Hancock, Assemblymember Toni Atkins, Assemblymember Rob Bonta, and Assemblymember Nancy Skinner.

IN COUNCIL, OAKLAND, CALIFORNIA,

PASSED BY THE FOLLOWING VOTE:

A YES - BROOKS, GALLO, GIBSON MCELHANEY, KALB, KAPLAN, REID, SCHAAF, AND
PRESIDENT KERNIGHAN

NOES -
ABSENT -
ABSTENTION -

ATTEST:

LATONDA SIMMONS
City Clerk and Clerk of the Council of
the City of Oakland, California