

SENATE BILL REPORT

SB 5233

AS REPORTED BY COMMITTEE ON GOVERNMENTAL OPERATIONS,  
FEBRUARY 18, 1991

**Brief Description:** Giving preference to in-state contractors on public works projects when competing against certain out-of-state contractors.

**SPONSORS:** Senators McCaslin, Madsen, Patterson, Vognild, Saling, West, Stratton, Sutherland, Gaspard, Wojahn and Rasmussen.

**SENATE COMMITTEE ON GOVERNMENTAL OPERATIONS**

**Majority Report:** Do pass.

Signed by Senators McCaslin, Chairman; Roach, Vice Chairman; Madsen, and Sutherland.

**Staff:** Barbara Howard (786-7410)

**Hearing Dates:** February 5, 1991; February 18, 1991

**BACKGROUND:**

In purchasing goods and services, the state has established a process of reciprocity with other states who offer preferences to in-state vendors. The Department of General Administration (GA) must compile a list of in-state preferences offered to vendors by other states, and must adopt rules for the application of the reciprocity system.

It has been suggested that reciprocity be expanded to contractors for public works.

**SUMMARY:**

In awarding public contracts for public works, a state agency or local government must award a public works contract to the lowest responsible resident contractor whose bid does not exceed the bid of the lowest nonresident contractor. The formula to be applied is to multiply the nonresident's bid by the percentage of preference that applies in the nonresident contractor's state of residence.

"Resident contractor" means one who has paid business taxes in this state during the 12 calendar months preceding submission of the bid, has a business address in this state, and has stated in the bid whether the contractor is a "resident contractor."

**Appropriation:** none

**Revenue:** none

**Fiscal Note:** available

**TESTIMONY FOR:**

State contractors should be offered at least as much preference as vendors of goods and services. The critical factor is the impact on resident workers. Since there is no longer a requirement for contractors to employ residents, the greatest likelihood is that resident contractors will hire locally. There are two current examples: on one of the largest projects (the L&I building), the nonresident contractor is using state workers; on another (the DNR building), the contractor is not. There is also the impact on the tax base; resident workers contribute, but nonresident workers tend to send significant portions of their income to their home states.

**TESTIMONY AGAINST:**

There is less of a problem with contributions of in-state employees than there is with contracts requiring special expertise. In many cases, highly technical project skills are simply not available in state. Moreover, in-state preferences simply invite retaliation from states who might otherwise accept bids from our contractors. We have a national tradition against trade barriers among the states; this was one of the essential reasons that the original confederation failed.

**TESTIFIED:** PRO: Robert Dilger, Building and Construction Trades Council; Rick Slunaker, Associated General Contractors; Larry Stevens, National Electrical Contractors and Mechanical Contractors Associations; Cindy Zehnder, Joint Council of Teamsters #28; Mark Bean, South Puget Sound Council of Carpenters; CON: Gary Lowe, Washington Association of Counties; Dick Ducharme, Utility Contractors Association