

Update on New State Law for Contractor Registration

As reported in October 2014, the State adopted an annual registration program for contractors (and subcontractors) who must meet certain requirements to be eligible for public works contracts. These requirements include carrying worker's compensation insurance; having no outstanding liabilities for wages, damages, interest, fines or penalties; being in good standing and not disbarred by a governmental unit; and having a valid contractor's license as necessary for a particular trade. Contractors were required to register with the Department of Industrial Relations (DIR) beginning July 1, 2014. An overarching goal of the program is to ensure that contractors are paying prevailing wages.

Unless registered, contractors are now precluded from bidding on City projects, effective March 1, 2015. Beginning April 1, 2015, Cities must verify that contractors are registered before awarding a contract. Once a City awards a contract, it has five days to register the project with the DIR. Cities must register their projects in order for contractors to furnish certified payrolls to the DIR.

Staff has updated bid documents to reflect the new requirements and has begun verifying contractor certification. Processes must also be put in place to work with and/or reject unregistered contractors, which in addition to taking additional time could result in higher rates of bid rejections and contract modifications, and increased costs for alternate or replacement contractors/subs. These efforts will add time and potential costs to contract award and administration processes. Staff anticipates an adjustment period as the State system becomes fully operational over the next several months, and will then be better able to ascertain the true fiscal and operational impacts of the new law.