FRESNO’S PROPOSED “LOCAL HIRE” ORDINANCE IS UNCONSTITUTIONAL AND LEGALLY VOID

This White Paper addresses a proposed ordinance that would amend the Fresno Municipal Code, Section 4-113, to require that on all public works construction projects undertaken by the City of Fresno (“Fresno”) in excess of $100,000, the successful bidder must employ, or make a good faith effort to employ, residents of Fresno for at least 50% of the work force.

The proposed ordinance, if passed, would violate the Fresno City Charter, the Privileges and Immunities Clause of the United States Constitution, the Equal Protection Clauses of the United States and California Constitutions, as well as other provisions of the California Constitution. In addition, Fresno and the members of its City Council would be subject to liability for adopting the proposed ordinance. Moreover, even if the constitutional and other legal infirmities of the proposed ordinance were somehow overcome, the ordinance will be practically impossible to implement, will not likely have the desired effect of reducing unemployment and travel time for Fresno residents, and almost certainly will result in higher bid prices and administrative costs for the city.

This White Paper was prepared by the Legal Advisory Committee of the Associated General Contractors of California.1 It addresses only the proposed ordinance under consideration by Fresno. It does not address any other “local hire” ordinances or policies currently under consideration or adopted by any other California public agency. Such other ordinances may suffer from the same legal and constitutional infirmities as the proposed Fresno ordinance, but this White Paper expresses no opinion as to whether that is the case.

I. THE PROPOSED ORDINANCE.

The stated policy of the proposed ordinance is “to encourage the hiring and retention of Fresno residents for the work to be performed under public works contracts.”2 The ordinance goes on to state that all contracts for public works of improvement in excess of $100,000 “shall

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2 It is not known if the proposed ordinance discussed in this White Paper has been introduced or read at any City Council meeting. It does not bear any ordinance number.
contain provisions pursuant to which the contractor shall make a good-faith effort . . . to employ qualified individuals who are, and have been for one year prior to the effective date of the contract, residents of Fresno in sufficient numbers so that no less than 50% of the contractor’s total construction work force, including any subcontractor work force, measured in labor work hours, is comprised of residents of Fresno.”

“If, after making a good-faith effort, a contractor or subcontractor is unable to comply with [the 50% requirement], employment of qualified individuals from neighboring municipalities may be counted so that no less than 60% of the contractor’s total work force is comprised of residents of Fresno and residents of neighboring municipalities.”

The proposed ordinance also requires that contractors on public works of improvement make a good-faith effort to “employ apprentices who are enrolled in and participating in a viable apprenticeship program and approved by the State Department of Apprenticeship Standards.”

“A bidder or contractor who fails to meet the goal of having 50 percent of its work force be residents of Fresno shall, nevertheless, be deemed to have made a “good faith effort” to hire sufficient numbers of residents of Fresno if, prior to the execution of the contract with the City, six (6) or more of the following activities have been undertaken and documented:”

The proposed ordinance then lists eleven possible activities that a bidder or contractor may undertake in order to satisfy the good faith effort requirement. These include attending pre-bid meetings, placing job orders with the local office of the State Employment Development Department, advertising job vacancies, providing assistance to residents of Fresno in completing job applications, establishing a job application center in Fresno, telephone solicitation of known potential local subcontractors, etc.

“Should any contractor or subcontractor fail to abide by the good-faith local resident employment and apprentice employment provisions [of the ordinance], the contractor or subcontractor may be declared by the City to be a nonresponsible bidder on future projects . . ..”

II. THE PROPOSED ORDINANCE VIOLATES THE FRESNO CITY CHARTER AND IS LEGALLY VOID.

Because the proposed ordinance directly conflicts with the Fresno City Charter (“Charter”), it will be found void under California law. With specific exceptions not applicable here, the Charter requires that all public works construction contracts be awarded to the lowest responsive, responsible bidder. In determining the lowest responsible bidder, the Charter allows for a preference to be given to local businesses. However, the proposed ordinance does not comply with that section of the Charter, because the ordinance focuses on the residency of the workers, not whether the bidder is a “local business”. Because the Charter requires that contracts be awarded to the lowest responsive, responsible bidder, the elimination of some bidders who otherwise would qualify violates the Charter and the proposed ordinance will be found void.
In *Domar Electric, Inc. v. City of Los Angeles*, the California Supreme Court discussed the relationship of a city charter and ordinances adopted by a city council concerning municipal affairs:

> [T]he charter represents the supreme law of the City, subject only to conflicting provisions in the Federal and State Constitutions and to preemptive State law. In this regard, "[t]he charter operates not as a grant of power, but as an instrument of limitation and restriction on the exercise of power over all municipal affairs which the city is assumed to possess; and the enumeration of powers does not constitute an exclusion or limitation. The expenditure of city funds on a city's public works project is a municipal affair.

> "[B]y accepting the privilege of autonomous rule the city has all powers over municipal affairs, otherwise lawfully exercised, subject only to the clear and explicit limitations and restrictions contained in the charter."4

The Charter provides, in relevant part:

**SEC. 1208. PROCUREMENT AND COMPETITIVE BIDDING.**

(a) Every contract involving an expenditure of city moneys of more than one hundred thousand dollars ($100,000), adjusted annually on the first of July to the nearest one thousand dollars ($1,000) in response to changes in the National Consumer Price Index (United States City Average For All Products), for materials, supplies, equipment or for any public work of improvement, **shall be let to the lowest responsive and responsible bidder** after notice by publication in a newspaper of general circulation within the city by one or more insertions, the first of which shall be at least seven days before time for opening bids. . . .

. . .

. . .

(b) Notwithstanding subsection (a) above, the Council may by ordinance authorize the officer in charge of the purchasing function, in the evaluation of any or all sealed bids for the purchase of materials, supplies, equipment and/or any public work of improvement, to extend up to a five percent preference for a local business in award of all contracts except for those contracts funded by the Federal or State government when such funding would be jeopardized because of this preference. For purposes of this section, "local business" shall be as defined by Council within such ordinance.

(1) The amount of the preference shall be equal to the amount of the percentage applied to the lowest responsive and responsible bid.

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4 *Domar Electric, supra*, 4 Cal.4th at pp. 170-171; internal citations omitted throughout White Paper, unless otherwise noted.
If the bidder submitting the lowest responsive and responsible bid is not a local business, and if a local business has also submitted a responsive and responsible bid, and, with the benefit of the preference, the local business's bid is equal to or less than the original lowest responsive and responsible bid, the city shall award the contract to the local business at its submitted bid price.

The bidder shall certify, under penalty of perjury, that the bidder qualifies as a local business. The preference is waived if the certification does not appear on the bid."

Thus, with the exception of contracts awarded to local businesses (discussed below), the Charter requires that all public works contracts in excess of $100,000 be awarded to the lowest responsive, responsible bidder.

The term “responsible” has reference to the quality, fitness and capacity of the low bidder to satisfactorily perform the proposed work. Thus, a contract must be awarded to the lowest bidder unless it is found that he is not responsible, i.e., not qualified to do the particular work under consideration. California courts have routinely disallowed the concept of “relative superiority” in determining the lowest bidder:

To permit a local public works contracting agency to expressly or impliedly reject the bid of a qualified and responsible lowest monetary bidder in favor of a higher bidder deemed to be more qualified frustrates the very purpose of competitive bidding laws and violates the interest of the public in having public works projects awarded without favoritism, without excessive cost, and constructed at the lowest price consistent with the reasonable quality and expectation of completion.

In Associated General Contractors of California, Inc. v. City and County of San Francisco (“AGC”), the Ninth Circuit Court of Appeals found that an ordinance that attempted to steer public works contracts to minority-owned, women-owned and local business enterprises violated the San Francisco City Charter and was therefore void:

[W]e conclude that the ordinance violates the city charter insofar as it authorizes the award of contracts that are worth more than $50,000 and are not covered by charter section 7.204 [a local business preference] to other than lowest responsible bidders. Insofar as the ordinance's bid preferences, subcontracting goals and set asides would result in awards that violate the charter, they are void.

As in the AGC case, it is important to analyze whether the proposed ordinance falls within any of the exceptions set forth in the Charter that permit the award of public works contracts to a

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5 Fresno City Charter, Section 1208; emphasis added throughout White Paper, unless otherwise noted.
6 Inglewood-Los Angeles County Civic Center Authority v. Superior Court (1972) 7 Cal.3d 861.
7 Id., 7 Cal.3d at p. 867.
9 Id., 813 F.2d at p. 927.
bidder other than the lowest responsive, responsible bidder. As was the case in AGC, the proposed ordinance does not fall within any of the exceptions set forth in the Charter.

Charter section 1208(b) allows Fresno to award a public works contract to a bidder other than the lowest responsible bidder, if the next low bidder is a certified “local business” and its bid is no more than five percent higher than the lowest bid. The proposed ordinance, however, does not provide such a preference for local business. Instead, it requires that bidders demonstrate that more than 50% of their workers on the project (including those employed by the bidder’s subcontractors) are residents of Fresno. Thus, even a bidder that is not a “local business” could comply with the proposed ordinance and be awarded a contract. And, a bidder that is a local business could be denied a contract unless 50% or more of its workers are residents of Fresno. In the latter situation, there would be no preference given to the local business, as permitted by section 1208(b) of the Charter.

The fact that the proposed ordinance permits bidders to demonstrate a “good faith effort” to comply with the local residency requirement for workers does not mean that the ordinance is in compliance with the Charter. As explained above, the Charter requires that contracts in excess of $100,000 be awarded to the lowest responsive, responsible bidder (with specific exceptions). By requiring a good faith effort to meet the local residency requirement, the proposed ordinance sets up a situation where certain bidders will be excluded from the award of contracts unless they either meet the requirement or demonstrate a good faith effort to do so. Neither of these criteria is permitted under the Charter. As the court in AGC noted, “California courts have uniformly construed the term “lowest responsible bidder” to mean the bidder who can be expected to successfully complete the contract for the lowest price.”

Under the proposed ordinance, a responsible bidder who submits the lowest price could nevertheless be eliminated in favor of another bidder who complies with the ordinance. This the Charter does not permit.

Of course, Fresno is free to adopt whatever local residency requirements it chooses, with respect to contracts that are not subject to Charter section 1208(a). As the AGC court said:

Insofar as the city charter itself provides exceptions to the rule that contracts be awarded to the lowest responsible bidder, preferences falling within the contours of those exceptions are valid. But it is difficult to understand how this helps the city with respect to those preferences that do violate charter section 7.200. The normal inference is to the contrary. Since the charter's framers found it necessary to add express exceptions to the requirement that all contracts go to the "lowest reliable and responsible bidder," charter section 7.200 can only be read as a general limitation on the city's power.

Here, with respect to public works contracts in excess of $100,000, the elimination of bidders who either do not meet the 50% local residency requirement or who do not demonstrate a good faith effort to do so, means that considerations other than who is the lowest responsive, responsible bidder will be used to select the successful bidder. The Charter does not permit this. Should the proposed ordinance be challenged in court, it will be found void.

10 Id., 813 F.2d at p. 926.
11 Id., 813 F.2d at p. 927.
III. THE PROPOSED ORDINANCE VIOLATES THE PRIVILEGES AND IMMUNITIES CLAUSE.

The proposed ordinance also violates the Privileges and Immunities Clause of Article IV, section 2 of the United States Constitution, which provides that “[t]he Citizens of each State shall be entitled to all Privileges and Immunities of Citizens in the several States.” The primary purpose of the Privileges and Immunities Clause is to prevent States from enacting measures that discriminate against nonresidents for reasons of economic protection.12 As the Supreme Court has explained, the Privileges and Immunities clause “place[s] the citizens of each State upon the same footing with citizens of other States, so far as the advantages resulting from citizenship in those States are concerned.”13 The Clause is triggered by discrimination against nonresidents on matters of “fundamental concern.”14

Local hire ordinances like the one proposed by Fresno, even if adopted solely by a city or municipality to regulate the expenditure of local public funds, must still withstand scrutiny under the Privileges and Immunities Clause.15 The U.S. Supreme Court in *Camden* concluded that a municipality is merely a political subdivision of the State from which its authority derives, and thus the fact that a local hire ordinance is passed by a city, and not the State, in no way shields the law from analysis under the Privileges and Immunities Clause.16

Moreover, the fact the proposed ordinance discriminates on the basis of municipal residency, and not State residency, similarly does not shield it from analysis under the Privileges and Immunities Clause because, under the proposed ordinance, an out-of-state citizen who seeks employment in Fresno will not enjoy the same privileges as a California resident residing in Fresno.17 “It is now established that the terms ‘citizen’ and ‘resident’ are ‘essentially interchangeable’ for purposes of analysis of most cases under the Privileges and Immunities Clause. A person who is not residing in a given State is ipso facto not residing in a city within that State. Thus, whether the exercise of a privilege is conditioned on State residency or on municipal residency he will just as surely be excluded.”18

In addition, even if an ordinance passes muster under other constitutional challenges, such as the Commerce Clause, the applicable law may not withstand scrutiny under the Privileges and Immunities Clause, and thus is unconstitutional. “[T]he distinction between market participant and market regulator relied upon in *White* to dispose of the Commerce Clause challenge is not dispositive in this context. The two clauses have different aims and set different standards for State conduct. The Commerce Clause acts as an implied restraint upon State regulatory powers. … The Privileges and Immunities Clause, on the other hand, imposes a direct restraint on State action in the interests of State harmony…This concern with comity cuts across the market regulator-market participant distinction that is crucial under the Commerce Clause. It is discrimination against out-of-state residents on matters of fundamental concern which triggers

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13 *Paul v. Virginia* (1869) 8 Wall. 168, 180.
15 Id., at p. 215.
16 Id.
17 Id., at p. 216.
the clause, not regulation affecting interstate commerce. Thus, the fact that Camden is merely setting conditions on its expenditures for goods and services in the marketplace does not preclude the possibility that those conditions violate the Privileges and Immunities Clause.”

Application of the Privileges and Immunities Clause to a particular law or ordinance entails a two-step inquiry. First, the court must determine whether the ordinance burdens a fundamental privilege protected by the clause. Second, the court examines whether the State or local entity has shown “substantial reason” for the difference in treatment, and if so, whether the preference bears a close connection to that reason.

A. The Opportunity To Pursue Employment With A Private Contractor Is A Fundamental Right Protected Under the Privileges and Immunities Clause, Even For Work Funded With Public Money.

The opportunity to seek employment is a fundamental right protected by the Privileges and Immunities Clause. Indeed, “the Clause plainly and unmistakably secures and protects the right of a citizen of one State to pass into any other State of the Union for the purpose of engaging in lawful commerce, trade, or business without molestation.” “[A] resident of one State is constitutionally entitled to travel to another State for purposes of employment free from discriminatory restrictions in favor of State residents imposed by the other State”. Pursuit of a common calling is one of the most fundamental of the privileges protected by the clause and many, if not most, of the cases expounding on the Privileges and Immunities Clause have dealt with this “basic and essential activity.”

In the Camden case, the plaintiffs challenged a municipal ordinance requiring that at least 40% of the labor force of contractors and subcontractors working on city construction projects be city residents. Although the court acknowledged there is no fundamental right to public employment, the court determined the critical analysis of the Camden ordinance, under the Privileges and Immunities Clause, rested on whether it created an employment bias with private contractors and subcontractors against out-of-state residents. The determination of whether the analyzed privilege was “fundamental” for purposes of the Privileges and Immunities Clause did not depend on whether the employees of private contractors and subcontractors were engaged in public works, or could be said to be “working for the City.” Rather, the focus was on the initial opportunity to seek employment with private employers, which the court held was “sufficiently basic to the livelihood of the Nation” as to fall within the purview of the Privileges and

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19 Camden, supra, 465 U.S. at pp. 219 - 220.
20 Id., at p. 218.
21 Id., at pp. 218, 222; see also, Toomer v. Witsell (1948) 334 U.S. 385, 398.
23 Hicklin, supra, 437 U.S. at p. 525.
26 Id., at p. 221.
27 Id.
Immunities Clause even if those same private employers were engaged in construction projects funded in whole or in part by the city.\textsuperscript{28}

Thus, the \textit{Camden} court concluded that a “local hire” ordinance like the one proposed by Fresno burdens a fundamental privilege protected by the Privileges and Immunities Clause – the opportunity to seek employment with a private employer – thereby fulfilling step one of the two-step inquiry.\textsuperscript{29}

\begin{itemize}
    \item \textbf{B. Fresno Has Not Shown A Substantial Reason For Treating Non-Residents Differently, Nor That Non-Residents Constitute A Particular Source of Evil At Which The Ordinance Is Aimed, Nor That There Is A Reasonable Relationship Between The Dangers of Non-Citizens and The Discrimination Placed On Them.}
\end{itemize}

Once a challenger establishes that a policy implicates a fundamental privilege or immunity, the burden shifts to the governmental entity to show that there is a “substantial reason” for the difference in treatment.\textsuperscript{30} In \textit{Toomer v. Witsell},\textsuperscript{31} the Court established a two-part test for determining whether a discriminatory provision will survive scrutiny under the Privileges and Immunities Clause.\textsuperscript{32} \textit{Toomer} invalidated a South Carolina statute that required nonresidents to pay a fee 100 times greater than that paid by residents for a license to shrimp commercially in the State’s territorial waters. \textit{Toomer} held that although these types of residency preferences are not invalid \textit{per se}, the State must show “substantial reasons” to discriminate against nonresidents and the degree of discrimination must bear a close relation to these reasons.\textsuperscript{33}

As for the “substantial reasons” element, the Court explained that the Privileges and Immunities Clause prohibits discrimination against citizens of other States “where there is no substantial reason for the discrimination beyond the fact that they are citizens of other States.”\textsuperscript{34} A State or local government may not discriminate against nonresidents unless there is a clear showing that non-citizens constitute a “peculiar source of evil” at which the discriminatory statute is aimed.\textsuperscript{35}

Second, even where the presence of nonresidents causes or exacerbates the problem the State seeks to remedy, there must be a “reasonable relationship between the danger presented by non-citizens, as a class, and the discrimination practiced upon them.”\textsuperscript{36} In deciding whether the degree of discrimination bears a sufficiently close relation to the reasons proffered by the State, courts may consider whether, “within the full panoply of legislative choices otherwise available

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    \item \textsuperscript{28} \textit{Id.}, at pp. 221 – 222, citing \textit{Baldwin, supra}, 436 U.S. at p. 388. Similarly, in \textit{Piper, supra}, the Court struck down a residency requirement for admission to the New Hampshire bar on the grounds that the practice of law is a common calling and sufficiently important to deserve protection as a fundamental privilege. \textit{See also, Supreme Court of Virginia v. Friedman} (1988) 487 U.S. 59, 65-66.
    \item \textsuperscript{29} \textit{Camden, supra}, 465 U.S. at pp. 221 – 222.
    \item \textsuperscript{30} \textit{Id.}, at p. 222.
    \item \textsuperscript{31} (1948) 334 U.S. 385 (“\textit{Toomer}”).
    \item \textsuperscript{32} \textit{Hicklin, supra}, 437 U.S. at p. 525, citing \textit{Toomer, supra}, 334 U.S. at p. 398.
    \item \textsuperscript{33} \textit{Id.}
    \item \textsuperscript{34} \textit{Id.}
    \item \textsuperscript{35} \textit{Id.}
    \item \textsuperscript{36} \textit{Id.}, at p. 526.
\end{itemize}
to the State, there exist alternative means of furthering the State’s purpose without implicating constitutional concerns.”\textsuperscript{37}

Indeed, at least one commentator has stated that the \textit{Piper} case appears to have added yet a third element to the “substantial reasons/close relation” test – a “less restrictive means” test whereby a court will judge the close relation of a preferential statute to the city’s substantial reason in light of the other policy options which the city had available.\textsuperscript{38} To pass muster, the resident preferences must be “less restrictive” of the rights of nonresidents than other policy options. At a minimum, whether one views this as a third element to the test or not, courts rarely allow local hire ordnances to pass Privileges and Immunities Clause challenges, most often because the governmental entity fails to meet its burden in passing the “substantial reasons/close connection” portion of the two-prong test.

Thus, in \textit{Hicklin}, the Supreme Court struck down an “Alaska Hire” law, which required that all contracts relating to oil and gas pipelines to which the State was a party contain a requirement that qualified Alaska residents be hired in preference to nonresidents, because Alaska had made no findings that nonresidents were “a peculiar source of evil” contributing to Alaska’s uniquely high unemployment rate.\textsuperscript{39} What little evidence there was in the record indicated that the major cause of Alaska’s high unemployment rate was not the influx of nonresidents, but rather, the fact that a substantial number of Alaska’s residents (especially those of Eskimo and Native American descent) lacked education and job training, or were excluded from job opportunities due to their geographical remoteness.\textsuperscript{40} The Court further held that Alaska Hire’s across-the-board grant of job preference to all Alaskan residents was overly broad and not closely tailored to advance the government objective.\textsuperscript{41}

In \textit{Camden}, there were no fact findings in the trial court to show that there was a “substantial reason” for the preference or to show that non-residents “constitute a particular source of evil at which the statute is aimed.”\textsuperscript{42} Ergo, the Court remanded for further proceedings.

Following \textit{Camden}, when the local hire movement adopted resident preferences or first source policies, many ordinances simply recited the language from \textit{Camden} that non-residents were a particular source of evil.\textsuperscript{43} However, wording alone will not render a city’s local hire provisions constitutionally valid. Instead, courts will scrutinize local hiring plans for actual findings of resident unemployment and labor market conditions. This includes a showing that unemployment is due to the presence of non-residents as opposed to systemic problems, such as the loss of manufacturing industries and shift to a service-based economy, the lack of educational opportunities and job training for resident minorities, and other demographic factors which might

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\item \textsuperscript{37} Friedman, \textit{supra}, 487 U.S. at p. 67; \textit{Piper, supra}, 470 U.S. at p. 284.
\item \textsuperscript{38} Patrick Sullivan, \textit{In Defense of Resident Hiring Preferences: A Public Spending Exception to the Privileges and Immunities Clause}, 86 Calif. L. Rev. 1335, 1347 (1998). Interestingly, in the comment the author concedes that local hire laws, even if passing analysis under the Commerce Clause or Equal Protection Clause, will undoubtedly fail under the Privileges and Immunities Clause, and thus the author proposes a public spending exception be made else said laws will never survive.
\item \textsuperscript{39} \textit{Hicklin, supra}, 437 U.S. at p. 526.
\item \textsuperscript{40} Id., at pp. 526-527.
\item \textsuperscript{41} Id., at pp. 527-528.
\item \textsuperscript{42} \textit{Camden, supra}, 465 U.S. at p. 223.
\item \textsuperscript{43} See, Sullivan, \textit{In Defense of Resident Hiring Preferences, supra}, 86 Calif. L. Rev. at pp. 1341-1342.
\end{itemize}
contribute to a high unemployment rate. Because the showing needed to overcome an ostensible violation of the Privileges and Immunities Clause is so difficult to make, nearly all State courts that have adjudicated Privileges and Immunities Clause challenges to local hire laws have found the preferences to be unconstitutional. As one commentator explained:

In particular, most of the courts have struck down the hiring preference statutes because no evidence existed that nonresidents were a “peculiar source of the evil” at which the statutes were aimed. In applying the substantial reason test, the State courts have interpreted the phrase “peculiar source of the evil” to require a showing that nonresidents were a cause of the unemployment the hiring preference acts were designed to alleviate. Proving that nonresidents are the cause of unemployment in a State would be a difficult, if not impossible, evidentiary task, given the large number of variables contributing to unemployment.

Here, there are no findings by Fresno that there is a substantial reason for treating nonresidents of California differently, nor that non-residents constitute a peculiar source of evil at which the local-hire ordinance is aimed, nor that there is a reasonable relationship between the danger of non-residents and the discrimination this ordinance would place on them. Thus, without substantially more justification and evidence to meet the burden of establishing a substantial reason to discriminate against non-California residents, the proposed Fresno ordinance will fail as unconstitutional and unenforceable.

IV. THE PROPOSED ORDINANCE VIOLATES THE EQUAL PROTECTION CLAUSE.

The proposed ordinance’s requirement that public works contractors hire local residents also violates the Equal Protection Clauses of the Federal and State Constitutions. While there appear to be no California cases on point, in Hicklin v. Orbeck, the Alaska Supreme Court ruled that

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44 See, e.g., W.C.M. Window Co., Inc. v. Bernardi (7th Cir. 1984) 730 F.2d 486, 497-498 (Illinois preference law held invalid because of a lack of statistical or other evidence demonstrating the costs and benefits of the law).

45 See, 36 A.L.R.4th 941 [collecting cases]. See also, Salla v. County of Monroe (N.Y. 1979) 399 N.E.2d 909, 913-915 (While “the counteracting of unemployment is a legitimate State concern . . . there is nothing to indicate that an influx of nonresidents . . . is a major cause of our unemployment.”); Neshaminy Constructors, Inc. v. Krause (N.J. Ch. 1981) 437 A.2d 733, 738 (“Absent a showing of specific dangers posed by out-of-state employees, [New Jersey] may not attempt to resolve its problems on the backs of citizens of [its] neighboring States.”); Laborers Local Union No. 374 v. Felton Constr. Co. (Wash. 1982) 654 P.2d 67, 71 (“Neither appellants nor amicus has demonstrated that nonresidents are a peculiar evil, nor has either shown how the statute is ‘closely tailored’ to achieving a legitimate State purpose.”); People ex rel Bernardi v. Leary Constr. Co. (Ill. 1984) 464 N.E.2d 1019, 1022 (“There is nothing in the record, including the complaint itself, to show that nonresident laborers are a cause of unemployment in Illinois.”); Robinson v. Francis, 713 P.2d 259, 266 (Alaska 1986) (“What is lacking is a showing that non-residents are a ‘peculiar source of the evil’ of unemployment.”).


the one-year durational residency requirement of a local hiring law violated the Federal and State Equal Protection Clauses.48

The Fourteenth Amendment to the United States Constitution provides that no State shall deny to any person within its jurisdiction the equal protection of the laws.49 Equal protection means that the government may not deny a person or class of persons the same protection of law that other persons or other classes in like circumstances enjoy.50 In an equal protection challenge to a regulation that distinguishes among groups on the basis of a suspect class or in a manner that burdens the exercise of a fundamental right, the State must demonstrate that the regulation is necessary to further a compelling State interest and is the least drastic means available to further that interest.51 This is known as the strict scrutiny test.

In Dunn, the United States Supreme Court ruled that a durational residency requirement in order to vote directly impinged upon the right of travel, a fundamental right, and thus was subject to strict constitutional scrutiny:

Durational residence laws penalize those persons who have traveled from one place to another to establish a new residence during the qualifying period. Such laws divide residents into two classes, old residents and new residents, and discriminate against the latter to the extent of totally denying them the opportunity to vote…. Obviously, durational residence laws single out the class of bona fide State and county residents who have recently exercised this constitutionally protected right, and penalize such travelers directly…. Durational residence laws impermissibly condition and penalize the right to travel by imposing their prohibitions on only those persons who have recently exercised that right.... Absent a compelling State interest a State may not burden the right to travel in this way.52

All other regulations are subject to a more deferential standard of review and should withstand an equal protection challenge if they bear a reasonable relationship to a legitimate State interest.53 This is known as the rational basis test.

In regard to whether local hiring laws violate equal protection, the decision of the Alaska Supreme Court in Hicklin v. Orbeck54 is instructive. As discussed above, that case involved the constitutionality of the Alaska Hire Law of 1972. Under that law, a resident was defined, in pertinent part, as a person who had been physically present in the State for a period of one year immediately prior to the determination of his residency status. Certain persons not qualifying as “residents” challenged the law, alleging that the one-year durational residency requirement

49 See also, Cal. Const., art. I, § 7.
52 405 U.S. at pp. 334-335, 338, and 342.
54 (1977) 565 P.2d 159, reversed on other grounds by Hicklin, supra, 437 U.S. 518.
violated the Federal and State Equal Protection Clauses as well as the Privileges and Immunities Clause of the United States Constitution.

In regard to the equal protection claims, the Alaska Supreme Court first ruled that the one-year durational residency requirement was subject to strict scrutiny because it “penalizes those who have exercised their fundamental right of interstate migration.” The court went on to unanimously hold that the law violated the Equal Protection Clauses of both the Federal and State Constitutions because it was not the least drastic means available to reduce the State’s high unemployment rate. Along those lines, the court noted that the Alaska Legislature could have simply given preference to current State residents that were unemployed and/or recent trainees.

As to the Privileges and Immunities claim, the Alaska Supreme Court upheld the law against a challenge that it violated the Privileges and Immunities Clause. The challengers appealed that ruling to the United States Supreme Court. In reversing the Alaska Supreme Court’s decision, the United States Supreme Court held that the Alaska Hire Law violated the Privileges & Immunities Clause. However, no one appealed the ruling that the durational residency requirement of the Alaska Hire Law violated equal protection such that the Alaska Supreme Court’s decision on that score is still good law.

There appear to be no California cases dealing with whether local hire laws violate equal protection. However, in other cases involving laws with durational residency requirements, the California courts have ruled that such laws are subject to strict constitutional scrutiny because of the penalizing effect such restrictions have upon the fundamental right to travel. Other State courts have similarly held that governmental hiring practices which accord preferences to

55 Hicklin, supra, 565 P.2d at p. 162.
56 Id., at p. 165.
57 Id.
58 See, e.g., 437 U.S. at p. 522, fn. 6 and p. 534, fn. 19 (U.S. Supreme Court observed that the challengers appealed the Alaska Supreme Court ruling as to the Privileges & Immunities Clause only and that the State did not cross-appeal the Alaska Supreme Court ruling as to the Equal Protection Clause. The Court further observed that “[i]n light of our conclusion that Alaska Hire is invalid under the Privileges and Immunities Clause of Art. IV, § 2, we have no occasion to address [the] challenges to the Act under the Equal Protection Clause of the Fourteenth Amendment.”).
59 See, e.g., Thompson v. Mellon (1973) 9 Cal.3d 96, 101-102 (two-year residency requirement in order to be a candidate for local office was subject to strict scrutiny because it impinged on the right to travel, which the court noted includes “a right to intrastate as well as interstate migration.”); Johnson v. Hamilton (1975) 15 Cal.3d 461, 468 (durational residency requirement for candidates for local office impinges on, among others, right to travel and, thus, is subject to strict scrutiny); Bay Area Women’s Coalition v. City and County of San Francisco (1978) 78 Cal.App.3d 961, 968 (city charter provision requiring residency of at least five years in order to be eligible for appointment to city boards and commissions subject to strict scrutiny test); Cooper v. San Francisco Civil Service Commission (1979) 97 Cal.App.3d 495, 503, 504 (“Cooper”) (court applies strict scrutiny test to one year residency requirement for city employees in part based on impacts to right to travel, explaining that the right embodies “the initial right to migrate, re-settle, find a new job and start a new life.”).
persons who have satisfied durational residency requirements penalize the exercise of the right to travel.\[60\]

In short, if a local hiring law contains a durational residency requirement, it likely will be subject to strict scrutiny if challenged on equal protection grounds. As such, the government agency would be required to demonstrate that the law is necessary to further a compelling State interest and is the least drastic means available to achieve that interest. Assuming that the State interest is that of combating local unemployment, there almost certainly are less drastic means of achieving that end, such as by limiting the application of the law to unemployed residents. Because the proposed Fresno ordinance contains a durational residency requirement, it will be found to violate the Equal Protection Clause of the Federal and State Constitutions.

V. THE PROPOSED ORDINANCE VIOLATES OTHER PROVISIONS OF THE CALIFORNIA CONSTITUTION.

The proposed Fresno ordinance also violates two provisions of the California Constitution. Under the California Constitution, a city is prohibited from requiring that applicants for employment or employees be residents of that city.\[61\] In order to survive a constitutional challenge on this ground, Fresno must be able to provide a rational basis for the proposed ordinance,\[62\] which it cannot do. The California Constitution also recognizes and protects California residents’ right to engage in intrastate travel.\[63\] Since the proposed ordinance would infringe on the fundamental right to travel, the strict scrutiny test would apply, and the proposed ordinance likely would be struck down on this basis as well.

A. Article XI, Section 10 – Residency Requirements Are Prohibited.

The purpose of Article XI, section 10, of the California Constitution is to allow “any qualified individual to apply for a city job, regardless of residence.”[64] In Cooperrider, the San Francisco Civil Service Commission “gave notice that commencing November 6, 1976, an open and competitive examination would be held for the position of aquarist.”[65] “Pursuant to San Francisco Administrative Code section 16.98(a) applicants were required to have resided within the City and County of San Francisco for one year immediately prior to the closing date for the applications.”[66] “Cooperrider, a continuing resident of Piedmont since August 1976 attempted to submit an application,” but her application was denied for the sole reason that she did not meet the residency requirement stated in section 16.98(a).[67] The lower court concluded that

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\[60\] See, e.g., Eggert v. City of Seattle (1973) 505 P.2d 801, 805 (Washington Supreme Court rules that city charter provision granting a preference in municipal employment to persons who have resided in the city for one year violates the Federal Equal Protection Clause, reasoning that the requirement penalizes travel by depriving those who recently migrated to the city of the right to apply for employment); State of Alaska v. Wylie (1973) 516 P.2d 142 (Alaska Supreme Court strikes down durational residence requirement for State employment as violating State and Federal Equal Protection Clauses).

\[61\] Cal. Const., art. XI, § 10, subdiv. (b).


\[63\] Cal. Const., art. I, sections 7 and 24.

\[64\] See, Cooperrider, supra, 97 Cal.App. 3d at p. 501.

\[65\] Id., at p. 498.

\[66\] Id., at pp. 498-499.

\[67\] Id., at p. 499.
Cooperrider had exhausted all her administrative remedies and had standing to challenge the residency requirement, that the residency requirement created two classes of persons, thereby impinging on the constitutional right to “apply for public service positions without invidious discrimination,” and that “no substantial evidence was offered” demonstrating a rational basis for the ordinance. In affirming the lower court’s ruling, the Court of Appeal held that “discrimination against some in public employment can no longer be practiced on the basis that employment is a privilege that can be withheld from all . . . [; rather,] the right to be considered for public employment without unreasonable or invidious distinctions is as fundamental as a right to subsistence benefits or medical care.”

Here, Fresno attempts to require those contracting with it to do that which Fresno itself cannot do without violating the California Constitution – impose a residency requirement on applicants and employees. Though Fresno’s stated reasons for proposing the ordinance appear facially in the public interest, those reasons do not amount to a sufficient, rational basis for imposing the ordinance. The proposed ordinance fails to take into account the specialized knowledge, experience, and skills that may be required by different contracting parties. It also fails to take into account the fact that the timing of the “good faith effort” requirement does not comport with the hiring cycle for construction projects. Finally, the ordinance fails to take into account the implications it will have on the competitive bidding requirement set forth in the Charter (see above) because of the added cost compliance with the proposed ordinance will impose on contractors, which will necessarily need to be passed on to Fresno, and the increased labor costs associated with contractors being precluded from using some or all of their own work force. For all of these reasons, the proposed Fresno ordinance is not constitutional and cannot withstand a rational basis analysis.

B. Article I, Sections 7 and 24 – Right To Intrastate Travel.

The California Constitution also recognizes the right of intrastate travel. The proposed ordinance’s mandate that an individual must be domiciled within Fresno for at least one year prior to an award of a contract to be considered a “resident” impinges on this constitutional right to travel. In Cooperrider, the court held that the constitutional right to travel is not limited to “a right to commute, but the initial right to migrate, resettle, find a new job and start a new life.” Applying the strict scrutiny test, the appellate court rejected the City of San Francisco’s stated purpose of trying to prevent unemployment among the impoverished.

Here, the proposed ordinance runs afoul of this constitutional right to travel because it prevents someone who has lived in Fresno for less than one year from being considered for

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68 Id.
69 Id., at pp. 503-04.
70 The proposed ordinance states that it is necessary to combat unemployment in Fresno, to alleviate the need of Fresno residents to travel long distances to find work outside of Fresno, and to avoid children of Fresno residents being left unattended before and after school hours because their parents must travel to distant areas for work.
71 Cal. Const., art. I, §§ 7, 24; see also, Tobe v. City of Santa Ana, (1995) 9 Cal. 4th 1069, 1100 (“The right of intrastate travel has been recognized as a basic human right protected by . . . the California Constitution.”).
72 See, Cooperrider, supra, 97 Cal.App. 3d at pp. 503-04.
74 Id., at pp. 504-505.
employment by those contracting with Fresno on public projects valued at $100,000 or more. It essentially strips certain residents and non-residents of the right to pursue a livelihood of their choosing and forces contractors to engage in unconstitutional acts of discrimination. Moreover, by imposing the one-year domicile requirement, the proposed ordinance contravenes even its own stated purpose of alleviating unemployment in Fresno, preventing Fresno residents from having to travel for work, and alleviating the problem of children left unattended by Fresno resident parents who must work at a distance from home. Just as the court in Cooperrider found that the San Francisco ordinance could not withstand strict scrutiny analysis, here, Fresno’s proposed local hire ordinance likewise does not withstand constitutional analysis and cannot be adopted.

VI. FRESNO AND ITS CITY COUNCIL MEMBERS WILL BE LIABLE FOR DAMAGES IF THE PROPOSED UNCONSTITUTIONAL ORDINANCE IS ADOPTED.

Fresno would be liable for damages under the Federal Civil Rights Act of 1871 if it enacts the proposed unconstitutional local hire ordinance. Both the U.S. Supreme Court and the California State courts have recognized that an action for damages may be asserted against a local government for deprivation of Federal rights, privileges and immunities. In addition to damages, Fresno would be liable for an award of attorneys’ fees. Accordingly, given the nature and scope of the interests affected by the proposed ordinance, Fresno could face a substantial award of damages and attorneys’ fees if the ordinance is passed and implemented.

Further, the members of the Fresno City Council will face potential personal liability if they adopt the unconstitutional local hire provisions of the proposed ordinance. In Ramos v. County of Madera, and Morris v. County of Marin, the California Supreme Court found that local public agencies, including their officers and directors (board members) have no immunized “discretion” to depart from “mandatory duties” established by State law. In Ramos, county officials imposed more restrictive welfare eligibility standards than those under which State statutes commanded that assistance “shall be granted.” In Morris, county agents issued a construction permit without obtaining the certificate of insurance which State statutes declared “shall [be] require[d].” In both cases, the California Legislature made the basic policy decision about what specific, affirmative actions certain public agencies must take in particular circumstances, and their performance of those duties was, therefore, merely ministerial and “mandatory.”

78 (1971) 4 Cal.3d 685 (“Ramos”).
79 (1977) 18 Cal.3d 901 (“Morris”).
80 Ramos, supra, at p. 694, emphasis in original.
81 Morris, supra, at p. 906.
82 See, Ramos, supra, at pp. 692-695; Morris, supra, at pp. 911-917.
The rule articulated in *Ramos* and *Morris* is a limitation on the immunity for legislative or quasi-legislative acts provided under Government Code section 818.2\(^83\) or discretionary acts under Government Code section 820.2.\(^84\) That is, *Ramos* and *Morris* establish that, where a government agent acts in direct contradiction to a mandatory legal duty, he or she is not immune from liability on the premise that he or she exercised due discretion or adopted an enactment under quasi-legislative powers, because that discretion and quasi-legislative power are limited to actions not conflicting with existing California law. Thus, should the proposed local hire provisions be challenged in court, and should the court determine that the policies are in direct conflict with existing legal duties, the Fresno’s City Council members would have gone beyond their immunities and could be found personally liable.

**VII. THERE ARE NUMEROUS REASONS THAT MAKE THE PROPOSED ORDINANCE IMPractical, COSTLY, AND UNLikely TO ACHIEVE THE DESIRED EFFECT.**

In addition to being legally void, and unconstitutional, there are numerous practical issues with the proposed ordinance that make it impossible to comply with, more costly for contractors and Fresno staff, and unlikely to achieve the desired results. Thus, even if the legal and constitutional infirmities in the proposed ordinance could be overcome (they cannot), the proposed ordinance nevertheless represents a bad policy choice by Fresno.

First, the requirement that the good faith effort be documented prior to the execution of the contract is not practical. Under California law, at the time of bid the contractor is required to list the subcontractors that will be used for the project.\(^85\) For some of the subcontractors listed, their work may not be scheduled to start for months or years into the overall schedule of the project. It is not realistic to have the contractor perform the good faith effort prior to executing the contract. Prior to executing the contract, it will not be known who will be available to work, what the exact overall manpower will be for the term of the contract and what the overall crew size will be for the contractor or subcontractor. The local work force percentages simply cannot be documented prior to the execution of the contract. Whether the overall goal of 50% local residents has been achieved will not be known until the project has been completed and the total manpower for the project has been accounted for.

Moreover, forcing the contractor to engage in a good faith effort prior to the execution of the contract likely will have no effect on who ultimately is hired for the project. Even if all of the good faith effort steps undertaken by the contractor result in local residents submitting applications for employment, those persons may not be hired for months or years. By that time, they may have accepted other employment, or the contractor and subcontractors may have hired other workers from other locations and elect to use those workers on the Fresno project. Because the proposed ordinance requires that compliance or good faith efforts be documented prior to

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83 “A public entity is not liable for an injury caused by adopting or failing to adopt an enactment or by failing to enforce any law.”

84 “Except as otherwise provided by statute, a public employee is not liable for an injury resulting from his act or omission where the act or omission was the result of the exercise of the discretion vested in him, whether or not such discretion be abused.”

execution of the contract, there is no demonstrable basis to conclude that the number of local residents hired for any given project will increase.

Second, the documentation required by the proposed ordinance prior to bid, as well as after contract, is very cumbersome and costly, not only to contractors but also for Fresno’s city staff to administer and enforce. There can be no doubt that contractors and subcontractors will factor these costs into their bids, resulting in higher bid prices than otherwise would be the case, without the proposed local hiring requirements. Even if the bid prices were not affected, certainly the city staff will need to monitor compliance with the ordinance and review all of the documentation required to be submitted. At a time with municipal budgets increasingly under attack, it is unlikely that existing city staff will have the time or manpower to perform these functions. Thus, Fresno will be forced to hire additional staff just to monitor and enforce the proposed ordinance.

Third, the apprenticeship employment provisions of the proposed ordinance require documentation that is stricter than that required by the State Division of Apprenticeship Standards. Under the proposed ordinance, in addition to meeting the State standards, a “viable apprenticeship program” has to have a graduation rate of at least 50% or must have graduated apprentices for at least the last five years. This will preclude any newer apprenticeship program even if it is approved by the California State Department of Apprenticeship Standards. There is no good reason for this limitation on apprenticeship programs, and will further limit the pool of available Fresno residents who might otherwise qualify for employment on the proposed project.

VIII. CONCLUSION.

Because the proposed ordinance is legally void under California law, as well as unconstitutional under various provisions of the Federal and State Constitutions, it is certain to be struck down by a court if challenged. Even if these legal and constitutional infirmities could be overcome, the proposed ordinance is impractical, will cost the city time and money, and will not have the desired effect of increasing the number of Fresno residents that are employed on Fresno’s public works projects.