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**HOUSE BILL NO. 1371**

Offered January 15, 2024

A *BILL* to amend the Code of Virginia by adding in Chapter 43 of Title 2.2 an article numbered 7, consisting of sections numbered 2.2-4377.1 through 2.2-4377.5, relating to the Virginia Public Procurement Act; local arbitration agreements.

Patron—Simon

Referred to Committee on General Laws

**Be it enacted by the General Assembly of Virginia:**

**1. That the Code of Virginia is amended by adding in Chapter 43 of Title 2.2 an article numbered 7, consisting of sections numbered 2.2-4377.1 through 2.2-4377.5, as follows:**

*Article 7.*

*Local Procurement Transparency Act.*

**§ 2.2-4377.1. Definitions.**

As used in this article:

"Civil rights dispute" means a dispute arising from an alleged violation of (i) the Constitution of the United States or the constitution of a state or (ii) any federal, state, or local law that prohibits discrimination on the basis of race, sex, age, gender identity, sexual orientation, disability, religion, national origin, or any legally protected status in education, employment, credit, housing, public accommodations and facilities, voting, veterans or service member services, health care, or a program funded or conducted by the federal government, Commonwealth of Virginia, or local government, including any law referred to or described in § 62(e) of the Internal Revenue Code of 1986, including parts of such law not explicitly referenced in such section but that relate to protecting individuals on any such basis.

"Employment dispute" means a dispute between one or more individuals or their authorized representative and a person arising out of or related to the work relationship or prospective work relationship between them, including a dispute regarding the terms of or payment for, advertising of, recruiting for, referring of, arranging for, or discipline or discharge in connection with such work, regardless of whether the individual is or would be classified as an employee or a non-employee with respect to such work, and including a dispute arising under any law referred to or described in § 62(e) of the Internal Revenue Code of 1986, including parts of such law not explicitly referenced in such section but that relate to protecting individuals on any such basis.

"Pre-dispute arbitration clause" means any contractual provision under which one or both parties to the contract commits to or is required to resolve through private arbitration, rather than in court, disputes that have not yet arisen between them at the time the contract is made.

"Senior executive" means any person who holds the title of president, chief executive officer, chief operating officer, chief financial officer, chief lending officer, or chief investment officer or, without regard to title, salary, or compensation, performs the function of one or more of these positions and whose position was compensated with taxable annual compensation averaging more than \$300,000 over three years preceding the date of the bid.

**§ 2.2-4377.2. Procurement procedures; disclosures.**

A. For any procurement solicitation or contract exceeding \$10,000 for goods or nonprofessional services, a participating locality may require the bidder or offeror to disclose information regarding the use of pre-dispute arbitration clauses in employment and civil rights disputes. The participating locality shall require the bidder or offeror to provide written or electronic submissions, together with any requested documents referenced in such submissions, to allow the locality to ascertain:

1. Whether the bidder or offeror requires persons with whom it is in a work relationship or prospective work relationship to sign or otherwise enter into a contract containing a pre-dispute arbitration clause that could require arbitration for an employment or civil rights dispute; and

2. Whether the bidder or offeror will require end users, in carrying out the contract, to sign or otherwise enter into a contract containing a pre-dispute arbitration clause as a condition of downloading a mobile application or using a website, the subject of the contract being to allow such end user to use such mobile application or website to pay a school district for goods, services, or fees related to education.

B. If a bidder or offeror indicates in its submission, pursuant to subsection A, that it utilizes arbitration, such bidder or offeror shall provide a copy of its pre-dispute arbitration clause to the participating locality along with the following information arising out of employment disputes or civil rights disputes initiated in a period commencing January 1 five years preceding the date of the bid through the first day of the prior month preceding the bid:

- 59 1. The number of requests for arbitration the bidder or offeror received;
- 60 2. The number of occasions the bidder or offeror filed a motion to compel arbitration in a judicial
- 61 proceeding;
- 62 3. The number of claimants that exercised their right to opt out of arbitration if the bidder or offeror
- 63 utilized an opt-out provision in its pre-dispute arbitration clause; and
- 64 4. The number of times a claimant prevailed in any arbitration related to any employment or civil rights
- 65 disputes that were submitted to arbitration.
- 66 C. Such disclosures shall not be exempt from disclosure pursuant to the Virginia Freedom of Information
- 67 Act (§ 2.2-3700 et seq.).
- 68 D. Nothing in this article shall apply to (i) an arbitration provision in a contract between an employer
- 69 and a labor organization or between labor organizations; (ii) senior executives who have negotiated
- 70 employment contracts that include pre-dispute arbitration provisions; (iii) pre-dispute arbitration clauses or
- 71 matters arising out of contracts entered into by wholly owned subsidiaries of any contractor not participating
- 72 in any goods or services provided in the contract; (iv) an arbitration provision required by a state or other
- 73 regulatory jurisdiction, or by the Financial Industry Regulatory Authority or other self-regulatory
- 74 organization, in relation to the registration or representatives of broker-dealers, investments advisers, or
- 75 issuers of securities; (v) arms-length negotiated pre-dispute arbitration agreements to resolve business-to-
- 76 business contractual disputes; (vi) a contract or agreement in effect before July 1, 2024; or (vii) a contract or
- 77 agreement entered into to address a public emergency in a locality declared by the Governor or the
- 78 governing body of the locality.
- 79 **§ 2.2-4377.3. Solicitation evaluation criteria.**
- 80 A. In addition to other factors relevant to awarding contracts under existing law, a participating locality
- 81 may consider the policies and practices related to arbitration of each bidder or offeror as disclosed in
- 82 submissions required pursuant to § 2.2-4377.2 in making an award of the contract.
- 83 B. A bidder or offeror that fails to disclose the information required pursuant to § 2.2-4377.2 shall not be
- 84 eligible to enter into a contract to provide goods or services to a participating locality.
- 85 **§ 2.2-4377.4. Compliance for post-award actions.**
- 86 A contractor required to provide information pursuant to § 2.2-4377.2 shall be required to update such
- 87 information every 12 months during the performance of any contract. The contractor shall furnish all
- 88 submissions and documents required pursuant to § 2.2-4377.2 to the contracting locality.
- 89 **§ 2.2-4377.5. Penalty.**
- 90 Upon a failure of a contractor to comply with § 2.2-4377.4, a locality may provide notice to the
- 91 contractor of such violation in writing. Upon a failure to cure such violation within 30 days, a locality may
- 92 cancel, terminate, or suspend, in whole or in part, any such contractor's contract and may declare the
- 93 contractor ineligible for further contracts with such locality for up to five years.