

MINUTES OF THE House COMMITTEE ON Labor and Industry

The meeting was called to order by Representative Anthony Hensley at  
Chairperson

9:06 a.m./~~p.m.~~ on February 20, 1991 in room 526-S of the Capitol.

All members were present except:

Rep. Douville - Excused

Committee staff present:

Jim Wilson, Revisor  
Jerry Donaldson, Research Assistant  
Barbara Dudney, Committee Secretary

Conferees appearing before the committee:

Tom Slattery, Exec. Vice Pres., Associated General Contractors of Ks.  
Terry Leatherman, Exec. Dir. of Ks. Industrial Council, KCCI  
Robert Pallanich, Pres. , Sheet Metal Services, Inc., Overland Park, Ks.  
Dale Morrison, American Roofing, Inc., Leavenworth, Ks.  
Gene Baker, Exec. Dir., Heart of America Chapter of Assoc. Builders & Contractors, Inc.  
Ron Andersen, Pres, R.D. Andersen General Contractor, Inc., Topeka, Ks.

The meeting was called to order at 9:06 a.m. by the chairman, Rep. Anthony Hensley.

Chairman Hensley introduced Rep. Theo Cribbs and welcomed him back to the committee from his absence.

The chairman announced that the hearings on House Bill No. 2278 would continue and introduced conferees as opponents of the bill:

Tom Slattery, Executive Vice President, Associated General Contractors of Kansas, said his organization opposes the prevailing wage because they feel the free market system should be allowed to operate in the public sector the same as it does in the private sector. He pointed out that the state prevailing wage law was not enforced for many years until 1985, when Governor Carlin, by executive order, established a wage determination system in the Kansas Department of Human Resources. He thought this system was ineffective and led to the 1987 repeal. He said relying on federal Davis-Bacon wages, as House Bill No. 2278 calls for, is worse and there is no way the U.S. Department of Labor can maintain accurate wage determinations of what the prevailing wage is in the 105 counties in Kansas. He explained that past studies have shown that Davis-Bacon wage rates increase the cost of construction projects. He cited several of these studies: The American Enterprise Institute concluded that the prevailing wage raised costs from 4% to 7%; a GAO study estimated that Davis-Bacon wage rates inflated construction costs in 1977 between \$288 and \$513 million; the Grace Commission study indicated Davis-Bacon rates increased costs from 3.4% to 37.7% and a Congressional Budget Office study shows that the prevailing wage has caused construction costs to go up by 3.7%. Mr. Slattery summarized his opposition to the prevailing wage based on the following reasons: increase costs of public work construction, increases paper work, limits female and minority job opportunities in the building trades, impossible to administer accurately, restricts flexibility in the work force, reduces competition by turning contractors away from bidding state projects, and upsets local wage rates (attachment #1). Mr. Slattery then answered questions from several committee members.

CONTINUATION SHEET

MINUTES OF THE House COMMITTEE ON Labor and Industry,

room 526-S Statehouse, at 9:06 a.m./~~p.m.~~ on February 20, 1991

Terry Leatherman, Executive Director of Kansas Industrial Council, Kansas Chamber of Commerce and Industry, said that imposing a prevailing wage in Kansas is strongly opposed in the business community. He pointed out that KCCI has polled its members on the issue: 97% of the 700 members who responded to the poll said they oppose the concept of requiring employers to pay prevailing wages. He stated that Davis-Bacon wage rates will increase the cost of public works construction projects. He pointed to a 1971 GAO study that estimated the Davis-Bacon Act inflated wages by 15%. In a 1983 Congressional Budget Office study it was concluded the repeal of Davis-Bacon would save the federal government \$1.1 billion of its \$30 billion federal construction projects. He said that a 1979 study by the U.S. Comptroller General indicated that the Department of Labor's prevailing wage determination was wrong 87% of the time. He opposed requiring employers to pay prevailing wages for several reasons: this legislation abandons the principle of competition, productivity will decrease, private construction produces a quality product without prevailing wages, current labor laws provide enough protection for workers, and national studies have shown that prevailing wage legislation does not protect local contractors (attachment #2). Mr. Leatherman answered questions from committee members.

Robert Pallanich, President of Sheet Metal Services, Inc., Overland Park, Kansas, stated he opposes forcing taxpayers to pay artificially inflated prices for public works construction. He compared school construction in the Kansas City area where in Kansas, without a prevailing wage law, the cost was \$67.50 per square foot, while in Missouri, with a prevailing wage law, the cost was \$82 a square foot. He feels the construction trades have attained high wages through "50 years of strong arm tactics that border on extortion, often using violence to achieve their goals." He said contractors who support prevailing wage rates are unable to adapt to free market conditions, so they want a law to force other contractors to change their business practices (attachment #3). Mr. Pallanich answered questions.

Dale Morrison, representing American Roofing, Inc., Leavenworth, Kansas, stated that if his company was required to pay prevailing wages, the costs of construction on recent past projects would have increased their bid by more than 20%. He used the example of American Roofing's low bid on a re-roofing project at the University of Kansas (attachment #4). Mr. Morrison answered questions.

Gene Baker, Executive Director, Heart of America Chapter of Associated Builders and Contractors, Inc., Kansas City, Missouri, said the prevailing wage issue is not a question of union versus non-union. It is a question of saving taxpayers' dollars. He stated that House Bill No. 2278 would increase costs on all public work done in Kansas. He believes that higher wages mandated on public work will carry over to the private sector (attachment #5).

Ron Andersen, President of R.D. Andersen General Contractor, Inc., Topeka, stated that Davis-Bacon wages are highly inflationary because the U.S. Department of Labor often conducts wage surveys using information from sources other than employers. He said these surveys are inaccurate, untimely and contrary to law. He claimed that Davis-Bacon wages are a taxpayer subsidy for construction workers. He also claimed that prevailing wage is a union versus non-union issue. He said union wages discriminate against entry level employees, while "open shop" construction companies like his hire unskilled or undereducated employees to give them the opportunity to enter the job market. He criticized Tom Marshall's testimony of yesterday because he is not a contractor and he does not employ construction workers. He pointed out that the El Dorado prison project had cost overruns of \$6 million that were likely the result of a requirement to pay the prevailing wage rate (attachment #6).

The chairman declared that the public hearings on House Bill No. 2278 to be closed. He announced that the committee would take final action on the bill in tomorrow's meeting.

The meeting was adjourned at 10:01 a.m.

GUEST LIST

COMMITTEE: House Labor and Industry

DATE: February 20, 1991

NAME	ADDRESS	COMPANY/ORGANIZATION
Terry Leatherman	Topeka	KCCT
Janet Chandler	Granville	Washburn M.
HAROLD W. SMITH	TOPEKA	Drywall Const.
Raymond Wall	Topeka	Drywall Const Inc
Steve Bessette	Topeka	Drywall Const Inc.
Tom Slattery	Topeka	AGC of Ks.
Roy Andersen	Topeka	R.D. Andersen Inc
Anne Baker	Lenexa	Assoc. Builders & Contractors
Harry D. Silver	Wichita	K. AFL-CIO
Jim D. Hoff	Topeka	KS AFL-CIO
Mitch Welleboer	Topeka	KS AFL-CIO
Bob Totten	Topeka	K-C-A
Bob Pallanich	D.P., KS	Sheet Metal Services
Mary Ann Pallanich	" "	" " "
Dan Rambow	Topeka	Ks. Contractors Assn.
W. Udson	"	KTCA
Don Lindsey	OSAWATOMIE	UT4
Gil Kidd	Tope	LU. 142
Clyde A. BRACKEN	1234 N. W. EUGENE TOPEKA KS 66608	FLOORCOVERING LOCAL # 1179
Ross Stronimay	KC KANSAS	WIM
Mike Dalano	1307 Buchanan Topeka Kans.	Local 203 Roofers
Melores Engel	Topeka	USDOL-BAT
Mary Heubauer	Topeka	ASSOC PRESS



Testimony Before House Labor and Industry Committee

on HB 2278

Thomas E. Slattery

Associated General Contractors of Kansas

February 20, 1991

I am Tom Slattery, executive vice president of the Associated General Contractors of Kansas. AGC of Kansas represents 250 general contractors, subcontractors and associate members who are directly engaged in or provide services for the commercial and industrial building construction industry in Kansas.

Since the early 1980s AGC of Kansas has had a policy against the concept of "prevailing wage" laws at all levels of government. We believe that the free market system should be allowed to operate in the area of public works the same as it does in the private sector.

Kansas had a state prevailing wage law from the early 1890s until 1987. The law, originally enacted to protect local workers from low wages paid to immigrants, lay dormant for many years unnoticed and not enforced. During the early 1980s there was only philosophical debate over the law. In 1985, the Governor, through executive order, called for wage rates to be determined and published in specifications for state projects. This action brought about much criticism of the method by which wages were determined, sometimes

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reflecting huge variances on jobs where counties might be adjacent to each other.

In April of 1987 the legislature repealed this 96 year old law. Similar laws or Little Davis Bacon laws have been repealed in many other states in recent years.

The proposal you consider today, HB 2278, is worse than its predecessor. The reason it is worse is that it would rely on federal Davis Bacon wages and job classifications to determine what kind of craftsman would get paid what amount in wages.

Davis Bacon wage rates are determined by the United States Department of Labor. The DOL must determine and maintain prevailing wages for more than 3,000 counties in at least 19 trades. That's 50,000 wage determinations. Multiply that by the four types of construction (heavy, highway, building and residential), and the figure increases to 228,000. There is simply no way the DOL can maintain accurate determinations of what the prevailing wage would be in the 105 counties in Kansas.

Often times, the Davis Bacon rate reflects the wages stated in a collective bargaining agreement. For example, some collective bargaining agreements cover 20 or more counties, often times in rural areas. When a wage survey is conducted it may well be that there has been no contractor active in that

area for sometime. However, the collective bargaining agreement is made available to the DOL and that may be the figure they use to determine a prevailing wage.

As was mentioned yesterday, the wage in a collective bargaining agreement also includes fringe benefits such as health and welfare and pension contributions.

Numerous studies through the years show that Davis Bacon wage rates increase the cost of construction projects.

The American Enterprise Institute study determined that it raised costs from 4% to 7%.

The General Accounting office issued nine reports on Davis Bacon between 1962 and 1979, all negative, with the final one urging repeal.

The Government Accounting office estimated the 1977 administrative cost of the Davis Bacon Act had increased \$201.6 million and that Davis Bacon inflated covered construction costs in 1977 between \$288 and \$513 million. The Grace Commission study indicated Davis Bacon rates increased costs from 3.4% to 37.7%.

The Congressional Budget office study showed that costs were increased by 3.7%. An Oregon state study showed

that Davis Bacon rates increased costs from 26.1% to 37.7% in rural areas.

Regardless of the amounts of increases these studies show the bottom line is that Davis Bacon wages do increase the cost of construction.

At a time when the legislature is totally preoccupied with trying to reduce costs, increase revenue and give tax relief, it seems inconsistent to consider a proposal such as HB 2278.

In summary, we oppose the use of Davis Bacon wage rates for state construction projects for the following reasons:

- 1) It would directly increase the cost of construction of state projects and indirectly boost private sector costs.
- 2) It generates paper work and can limit female and minority job opportunities.
- 3) It is impossible to administer properly and accurately.
- 4) It restricts work force flexibility.
- 5) It can turn many capable contractors away from bidding state projects, thus reducing competition and increasing costs.
- 6) It can upset local wage rates but does not necessarily protect local contractors or workers.
- 7) It is not necessary.



# LEGISLATIVE TESTIMONY

## Kansas Chamber of Commerce and Industry

500 Bank IV Tower One Townsite Plaza Topeka, KS 66603-3460 (913) 357-6321



A consolidation of the  
Kansas State Chamber  
of Commerce,  
Associated Industries  
of Kansas,  
Kansas Retail Council

HB 2278

February 20, 1991

### KANSAS CHAMBER OF COMMERCE AND INDUSTRY

Testimony Before the  
House Committee on Labor and Industry  
by

Terry Leatherman  
Executive Director  
Kansas Industrial Council

Mr. Chairman and members of the Committee:

I am Terry Leatherman, with the Kansas Chamber of Commerce and Industry. Thank you for the opportunity to present the reasons why KCCI is opposed to HB 2278, which calls for the imposition of federal Davis-Bacon prevailing wages for employees performing work on public works projects in Kansas.

The Kansas Chamber of Commerce and Industry (KCCI) is a statewide organization dedicated to the promotion of economic growth and job creation within Kansas, and to the protection and support of the private competitive enterprise system.

KCCI is comprised of more than 3,000 businesses which includes 200 local and regional chambers of commerce and trade organizations which represent over 161,000 business men and women. The organization represents both large and small employers in Kansas, with 55% of KCCI's members having less than 25 employees, and 86% having less than 100 employees. KCCI receives no government funding.

The KCCI Board of Directors establishes policies through the work of hundreds of the organization's members who make up its various committees. These policies are the guiding principles of the organization and translate into views such as those expressed here.

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During appearances before the Kansas Legislature, KCCI attempts to reflect the views of the over 3,000 businesses which support the Kansas Chamber. Achieving that challenge is difficult, since the diversity of KCCI's membership often leads to opposing viewpoints on business issues before the Kansas Legislature. However, the issue of imposing a prevailing wage in Kansas has universal opposition in the business community. When KCCI members were asked about this issue last fall, 97% of the 700 members who responded to the survey indicated they oppose the concept of requiring employers to pay a prevailing wage to employees on public works projects. There are several fundamental reasons for the universal opposition of Kansas business men and women to this issue.

HB 2278 is tied to the federal Davis-Bacon Act, which was passed by Congress in 1931 as a Depression-era attempt to prevent roving construction labor from flooding a labor market and undercutting local wage rates. However, in the decades which have passed since its passage, significant problems have been identified regarding federal Davis-Bacon prevailing wages. These problems will come home to roost in Kansas, if HB 2278 is passed.

First, there is an overwhelming body of evidence to support the contention that requiring the payment of Davis-Bacon prevailing wages will drive up the cost of public works construction projects. As early as 1971, the General Accounting Office estimated the Davis-Bacon Act inflated wages by about 15%. In 1983, the Congressional Budget Office estimated the repeal of the Davis-Bacon Act would save the federal government \$1.1 billion of its \$30 billion budget for federal construction projects. Three factors figured into the Congressional Budget Office's \$1.1 billion cost saving estimate. They were wage-related cost increases, the elimination of work practice restrictions inherent with the Act, and the elimination of contractor paperwork requirements. The costs associated with the Act was recognized by Congress in the mid-80's, when it passed legislation placing thresholds on the size of federal contracts required to comply with the Davis-Bacon Act. However, these cost-cutting reforms of Davis-Bacon were removed from the final versions of federal legislation.

Another problem which Kansas should expect if HB 2278 is approved is the administrative maladies which have developed during the 60 year history of the Davis-Bacon Act. To appreciate the enormity of determining a prevailing wage, consider all of the factors the Department of Labor must consider. The Department of Labor must develop a "to the penny" wage rate for each job on a construction project, which could include hundreds of different job descriptions. The Department of Labor must factor into its determinations the type of construction work being performed, which ranges from the building of a dam to the construction of a high-rise office building. In addition, where the work is being performed is another important element in the equation.

The administrative nightmare of the Davis-Bacon Act was best illustrated in a 1979 study of the Department of Labor's prevailing wage determinations by the United States Comptroller General. The study indicated the Department of Labor's prevailing wage for a worker classification was wrong 87% of the time. To be kind to the Department of Labor, it should be pointed out the Comptroller General's study adopted Davis-Bacon testing standards in reaching its conclusion. However, it is a testament to inaccuracy to note that two departments of the federal government, following the same standards, disagreed on what a prevailing wage should be 87% of the time.

Since HB 2278 is tied to the federal Davis-Bacon Act, KCCI believes there are ample financial and administrative reasons to reject this legislation. However, it is perhaps even more important to point out some common sense reasons why the concept of requiring a prevailing wage be paid for work on public works projects is not a course Kansas should take.

1. The concept behind prevailing wage legislation is to abandon the principle of competition. The state of Kansas feels it is proper to seek the lowest possible bid, yet expect a quality product, when it purchases supplies or contracts with individuals to perform a service, yet seeks to eliminate this important element for workers on public works projects.

2. The concept of "you pay for what you get" when prevailing wages on construction projects is flawed. When Davis-Bacon rates are higher than the typical pay offered by contractors, it will have no effect on productivity, since there is not motivation for receiving the higher wage.

3. Public works projects represent around 20% of the construction marketplace. The remaining 80% of the marketplace, private construction contract work, manages to produce a quality product without the necessity of a prevailing wage.

4. The federal Davis-Bacon Act was a product of the Depression. Since its passage in 1931, there have been numerous labor laws which have been passed which make further protection of the worker in this area unnecessary.

5. National studies dispute the notion that prevailing wage legislation protects local contractors. Studies by Oregon State University and the federal General Accounting Office in 1980 indicated a higher percentage of public works contracts were awarded to construction companies outside the "home" county than private contracts for construction projects.

Thank you for this opportunity to express KCCI's opposition to HB 2278. I would be happy to attempt to answer any questions.

Robert Pallanich  
Overland Kansas

Subject; Prevailing Wage Law  
Position: Opposed

I am opposed to forcing Kansas tax payers to pay an artificially inflated price for construction services.

The "prevailing wage law" makes absolutely no provision to assure that the tax payer receives a fair return for his tax dollar. Yet, we are asked to pay extra for a job, purely because it is a "prevailing wage job".

Data from architects doing school design work in the Kansas City area, show that a school in Kansas, without a "prevailing wage law", cost about \$67.50 per square foot. The same school in Missouri, with a "prevailing wage law", cost about \$82 a square foot. Experience has shown the quality to be equal. So, what is the Kansas tax payer getting for this added expense? NOTHING.

The "prevailing wage" in no way represents an AVERAGE wage for working people in Kansas. The construction trades have attained these unrealistic amounts through 50 years of strong arm tactics that border on extortion, often using violence to achieve their goals.

One excuse for "prevailing wage laws", is the idea of attaining a "level playing field". Such laws are closer to price fixing than playing fields.

Some contractors have obligated themselves to a fixed wage structure. They can't seem to meet the realities of a free market, so they want a law to force everyone else to adapt to their situation.

I have been a construction employer for 8 years. In that time I employed many tradesmen. For 1/2 of those years I employed union tradesmen at "prevailing wage" rates, so I have first hand knowledge of "prevailing wage" jobs. I can assure you that paying generous wages DOES NOT guarantee high quality or productivity.

If Kansas saddles it's self with this unreasonable law, we will guarantee higher construction cost. It will in no way increase the quality or quantity of what we receive for our tax dollar.

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Let's not be fooled by the notion that the "prevailing wage law" looks out for working people. The only purpose of this unfair law is to advance a privileged few at the expense of everyone else.

In a time when the State is struggling to stretch it's limited funds, why are we searching for ways to increase the cost of public buildings.

AMERICA IS A FREE MARKET SYSTEM. LET'S LEAVE IT THAT WAY!

Thank You.

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# American Roofing Inc.

## Commercial Re-roofing Specialists

Serving Northeast Kansas since 1973  
913-682-1776 KC# 362-1776

February 19, 1991

**To All State Legislators:**

**Ref: House Bill 2278, enactment of prevailing wages for work projects in the State of Kansas**

We have heard proponents of House Bill 2278 say that enactment of the bill will not significantly increase construction costs on State projects. This statement makes no sense!

American Roofing has successfully and professionally performed millions of dollars worth of work on construction projects for the State of Kansas since 1973. We have an excellent reputation with the Division of Architectural Services and several State agencies. We can assure the legislators, and all the citizens of Kansas that if we were required to pay a prevailing wage rate on all past projects, those prices for those projects would have easily increased our bids to the State in excess of 20%, depending on the projects labor/material ratio.

**Recent example:**

American Roofing was recently low bid on a major re-roof project at the University of Kansas. (\$292,000.00) In bidding the project, we figured that a total of 12,000 man hours would be expended to perform the project start to finish.

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In figuring the job, we used.

Our average hourly rate of \$12.00 per hour, times  
the required 12,000 man hours - a net labor figure of .....\$144,000.00

To this \$144,000.00, we need to add 43% to cover FICA,  
social security, unemployment tax, workmen's comp.,  
and general liability insurance for a total direct  
labor cost of .....  $\underline{\quad \times \quad 1.43\%}$   
\$205,920.00

**If however**, we were required to use the prevailing rate  
for roofers in Douglas county Kansas, (\$21.14 per hr.)  
as provided to me yesterday by the division of wage  
determination, times the same 12,000 man hours, we  
would have come up with a net labor figure of..... \$253,680.00

To this \$253,680.00 we would still have to add the 43%  
to cover FICA, social security, unemployment tax,  
workmens comp, general liability insurance for a total  
direct cost of .....  $\underline{\quad \times \quad 1.43\%}$   
\$362,762.40

**"Real increases, not guess work"**

Cost with prevailing rates .....\$362,762.40  
Our bid price, no prevailing rates ..... $\underline{205,920.00}$   
Savings to state by keeping prevailing rates out of Kansas ..... \$156,842.40

This \$156,842.40 increase is real. It is the actual amount that would  
have "had to be added" to our bid if Kansas had prevailing wage rate laws.  
Our bid to the State would have had to increase from \$292,000 to at least  
\$448,842.00 or 53% just to satisfy a prevailing wage rate. Why do it?

Can Kansas afford this?

Are you legislators going to the taxpayers and ask for more money to fund  
these increases in State construction projects? ..... I hope not!

Mike Greenamyre,  
American Roofing Inc.





# HEART OF AMERICA CHAPTER

associated builders and contractors, inc.

February 20, 1991

Representative Anthony Hensley  
Chairman of the House Labor & Industry Committee

Dear Mr. Hensley,

I would like to thank the House Labor and Industry Committee for the time to express the ABC views on House Bill # 2278.

This is not a question of union vs. non-union, nor Labor vs. Management. It is nothing more than a question of economics, a question of tax payers' dollars.

This bill would, in fact, increase cost on all public work done in Kansas. Our own Supreme Court has candidly admitted Davis-Bacon wages are higher than the market place wages in the area. Who would pay these costs? There is only one place to obtain these funds, from the tax payers. The Kansas tax payers sent a clear message last November about tax increases.

Do you think that Kansas voters will want to pay more for a school building than the market place dictates?

We don't feel it is fair, equitable, nor politically sound to ask Kansas tax payers to take on more burdens.

The higher wages mandated on public work will carry over to the private sector and accelerate costs in that sector because they will be competing for the same workforce.

Why should most taxpayers have to earn a living by competing for jobs in the open market while a few get the benefit of special legislation at the tax payers expense.

You listened to contractors yesterday state they want you to put them on a level playing field. You then heard an attorney state that the wages make no difference in the bidding process. These two statements are in contradiction of one another.

I cannot see how labor cost would not bear heavily on the cost of any project. It is a major component of that cost and would effect the bottom line.

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I heard the words "poor quality" a lot yesterday. I will not belabor the point that the State of Kansas has inspection nor that the jobs have retainage. I will not spend time on the fact that the State requires contractors to be bonded and that contractors must qualify to insurance companies to obtain these bonds. I will merely say that 75% to 85% of all construction in the Unites States is done open shop. If the quality were not there this would not be the case. There was also a statement yesterday that no open shops have any kind of training programs for the crafts. This too is not the case. ABC has a training program nationwide, including Kansas.

We urge you to give consideration to your citizens and your budget and vote against House Bill # 2278 and prevailing wages in Kansas.

Gene Baker  
Executive Director



*r. d. andersen, inc.*  
*general contractor*

*box 2457 / topeka, kansas 66601 / 913-267-3722*

TO: House Labor & Industry Committee

DATE: February 20, 1991

FROM: R.D. Andersen

RE: House Bill 2278

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*2-20-91*

*fax: 913-267-0409*

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My name is Ron Andersen, I am president of R.D. Andersen, Inc., General Contractor, and I am here to speak in opposition to House Bill 2278. I have been in the construction business for 20 years and have worked in construction for over 33 years.

I have listened to testimony in favor of House Bill 2278, and I am not sure where some of the proponents obtained their information.

Davis-Bacon wages are highly inflationary and do not represent the so-called prevailing wages. In Kansas, the Federal Department of Labor may perform three wage surveys a year, and much of the information they use, is from sources other than employers (union business agents send in data that is not supported by payrolls). High wages from urban areas are bootlegged into rural areas, greatly upsetting the status quo. High public wages also have a ripple effect through the private sector. Davis-Bacon wage surveys at best are blatantly poor, they are not timely, they are not accurate and contrary to law, they use data from other prevailing wage projects. Data is tainted, in that they use information other than payroll reports. Davis-Bacon wages are artificial and they do not represent the true prevailing wage, or the average wage. Davis-Bacon wages represent a subsidy. Why should the taxpayer be asked to subsidize construction workers?

We average over 100 employees and contrary to earlier testimony, we have many benefits for our employees which include vacations, paid holidays, health plans and a profit sharing program. Many of our employees are cross trained and are not bound by union jurisdiction. We are able to work individuals at many tasks, thereby broadening their skills and increasing their length of employment.

In addition to this being a taxpayer issue, this bill is a union/non-union issue as well as a right to work issue. The open shop segment of the construction industry is performing 75% of the construction work in the country, and it is doing it for a reason. Open shop contractors are able to deliver on-time work, under budget. And they could not continue to do it, if their work was not up to the necessary quality required.

We have completed numerous projects for the State of Kansas, including Hayworth Hall and the Science and Technology Library at Kansas University. Durland Hall and the Nichols Gym reconstruction at Manhattan. The Sheridan Coliseum Renovation at Fort Hays State, not to mention the Alumni Center at Kansas University which has a high degree of finish.

A large percentage of the labor required for building construction does not require a great deal of skill. Davis-

Bacon/union wages which are normally excessive tend to discriminate against the entry level employee. Davis-Bacon/union makes no provision for the unskilled or under-educated entry level employee. Many of the employees we hire are at the entry level. Entry level employees have the opportunity to enter the construction field with open shop contractors, which gives them a chance they might not have otherwise. Granted, entry level employees require more supervision and training, and there is greater turn-over in this group.

If you reflect on Tom Marshall's testimony of yesterday for a moment, you will recall that most of his testimony was hearsay, or generalizations. Tom talked about labor costs; he is not an employer of construction workers. He made reference to underbidding the competition as little as possible. Competitive bidding is the American free enterprise way, it assures the taxpayers that they are going to get the best price for their dollar. Competition is what the free enterprise system is all about. Davis-Bacon wages are excessive, not competitive. They are incongruous with the free enterprise system. The bidding process is not sophisticated enough to allow any contractor to knowingly be able to underbid the competition by one dollar. There are too many variables.

The legislature mandated Davis-Bacon wages on the prison work which was 6 million dollars over budget. The El Dorado prison work is being done by a contractor from Tennessee and another contractor from Kansas City. The Larned prison has been contracted to a Kansas City contractor. No local contractors are involved. Davis-Bacon wages invariably draws contractors from outside the area. Mandated wages were required on Bramlage Coliseum and it was a budget buster. If I recall, it had to be re-designed and re-bid.

I would like to quote from "Prevailing Wage Legislation - The Davis-Bacon Act", State "Little Davis-Bacon" Acts, The Walsh-Healy Act, and the Service Contract Act by Dr. Armand J. Thieblot II, University of Pennsylvania, The Whartan School Industrial Research Unit.

Chapter III, page 271, paragraph 2, under Review: "Among the Federal prevailing wage laws, the Davis-Bacon Act is the most important, the most intrusive, and the most expensive. The \$1 billion per year that it adds to the cost of government construction appears not to have increased the volume, or quality of work performed, but simply its expense. It has also helped create artificially high levels of wage rates in the construction industry. Passage of House Bill 2278 will not benefit the economic development of Kansas, or the Kansas taxpayer, it will only provide a disincentive for future economic growth in Kansas".

According to a study done by the University of Oregon at Eugene, Davis-Bacon wages increase the cost of construction from 10 - 26% depending on the local, urban vs. rural in some parts of the country.

In conclusion, I would like to suggest that this committee inspect Davis-Bacon wage determinations for the areas they represent in order to get a feel for the wages under consideration. Many Davis-Bacon wages are over twice what we pay our teachers, and State employees for the same type of work.