Approved April 4, 1991
Date

MINUTES OF THE Senate COMMITTEE ON Labor, Industry and Small Business.

The meeting was called to order by Senator Alicia Salisbury at
Chairperson

1:30 ~~a.m.~~/p.m. on March 27, 1991 in room 527-S of the Capitol.

All members were present except:

Committee staff present:
Jerry Donaldson, Legislative Research Department
Gordon Self, Revisor of Statutes office
Mary Jane Holt, Committee Secretary

Conferees appearing before the committee:
Representative Anthony Hensley
Bill Layes, Chief, Labor Market Information Services, Kansas Department of Human Resources
Thomas H. Marshall, Associate Counsel, Blake and Uhlig, Kansas City, Missouri
Gerald E. Meszaros, Council Coordinator, The Religion and Labor Council of Kansas City
James E. Mlynek, President, O.K. Johnson Electric Company
Arthur H. Griggs, Acting Secretary of Administration
Jack P. Foster, President, Jack Foster Company, Inc., Wichita
John R. Bueltel, President, Lee & Bueltel Construction Co., Inc.

Hearing on SB 275 Increase in taxable wage base under employment security law

Bill Layes, Chief, Labor Market Information Services, Kansas Department of Human Resources, reviewed several tables which showed the effects of increasing the taxable wage base for unemployment insurance contributions. Increasing the taxable wage base to either $712,000 or $10,000 lowers the contribution rates for each rate group of positive eligible employers. This does not necessarily result in employers paying less contributions. Tables I, IA, 4 and 6 show the contributions from low wage employers will generally decline when the wage base increases. Tables 2, 2A, and 5 show general increases in contributions from high wage employers. Table 7 shows the potential for reduced contributions even for higher wage employers, see Attachment I.

Senator Oleen moved to amend SB 275 by moving the taxable wage base from $12,000 to $10,000, and to report SB 275 , as amended, favorably for passage.

Due to the lack of a second the motion failed.

A motion was made by Senator Petty to report SB 275 favorably for passage. Senator Morris seconded the motion and the motion passed.

Hearing on HB 2278 Prevailing wages for state public works projects

Representative Anthony Hensley testified the use of federal wages under the 1903 Davis-Bacon Act would save money for the state by allowing the use of wage rates that are already gathered by the federal government. He noted the $2.67 billion highway program and construction of the new state prisons at ElDorado and Larned are being done with Davis-Bacon Act wages, which were included as a part of the authorization bills for the projects. He distributed information on state capital projects which listed low bids, bid price and whether the bids paid prevailing wages, see Attachment II.

Thomas H. Marshall, Associate Counsel, Blake and Uhlig, Kansas City, Missouri testified he represents Kansas AFL-CIO and recommended re-enactment of the prevailing wage law. He stated establishing a floor under wages requires that contractors seeking to bid for state work compete fairly and on a level playing field, thereby delivering more efficient work and more effective management, see Attachment III.

Gerald E. Meszaros, Council Coordinator, The Religion and Labor Council of Kansas City, testified in support of HB 2278, see Attachment IV.

CONTINUATION SHEET

MINUTES OF THE Senate COMMITTEE ON Labor, Industry and Small Business,

room 257-S, Statehouse, at 1:30 ~~a.m.~~/p.m. on March 27, 1991

James E. Mlynek, President, O.K. Johnson Electric Company testified HB 2278 is in the best interest of employees of contractors, not just the contractors. He said the bill would prohibit low wages from becoming a major competitive advantage in bidding state projects, see Attachment V.

Arthur H. Griggs, Acting Secretary of Administration, testified on behalf of Governor's Finney's administration that HB 2278 would protect Kansas workers by ensuring a fair wage is paid to local Kansas workers on state jobs; would have a positive economic impact on local economies; and would assure quality on state projects, see Attachment VI.

Jack P. Foster, President, Jack Foster Company, Inc., Wichita, submitted prepared testimony in support of HB 2278, see Attachment VII.

John R. Bueltel, President, Lee & Bueltel Construction Co., Inc. submitted prepared testimony urging the Committee to reinstate a Prevailing Wage Law for Kansas construction work, see Attachment VIII.

Senator Morris moved and Senator Strick seconded to approve the minutes of February 28, March 6 and March 7, 1991. The motion passed.

The Committee meeting was adjourned at 2:30 p.m.

GUEST LIST

COMMITTEE: LABOR, INDUSTRY & SMALL BUSINESS DATE: 3/27/91

NAME (PLEASE PRINT)	ADDRESS	COMPANY/ORGANIZATION
Paul Bicknell	Topeka	Dept of Human Resources
Bill Layes	"	Dept of Human Resources
TOM MARSHALL	475 NEW BROTHERHOOD BLDG. KANSAS CITY, KANSAS	Ks. AFL-CIO
Wayne Maichel	Top	Ks AFL-CIO
Curt Cowgill	D of Adm.	

KANSA DEPARTMENT OF HUMAN RESOURCES

KDHR

Office of the Secretary
401 S.W. Topeka Boulevard, Topeka, Kansas 66603-3182
913-296-7474 --- 913-296-0179 (Fax)

Joan Finney, Governor

Michael L. Johnston, Secretary

March 21, 1991

The Honorable Alicia Salisbury
Room 143-N
State Capitol
Topeka, KS 66612

RE: SB 275, Increasing the Taxable Wage Base

Dear Senator Salisbury:

Enclosed with this letter are tables showing various effects of increasing the taxable wage base for unemployment insurance contributions. The figures in Tables 1 through 2A are all for 1991 contribution rates and presume the wage base change would have occurred in previous years. The figures in Tables 4 through 7 are for contribution rates in 1991 and future years and presume wage base change occurs in 1991. Rate schedules contained in Tables 3 and 3A were applied to examples of the respective proposed wage base changes.

Tables 1, 2, 3, 4, and 5 present data relating to increasing the wage base to $12,000. Tables 1 and 2 present the effects on the 1991 tax rates and contributions of hypothetical low wage and high wage employers. Tables 4 and 5 present the effect on future rates and contributions. Table 3 shows the rate schedules if the wage base had been phased in over prior years. Tables 1A, 2A, 3A, 6, and 7 are similar to Tables 1, 2, 3, 4, and 5 except they relate to increasing the wage base to $10,000.

As shown in Tables 3 and 3A, increasing the taxable wage base to either $12,000 or $10,000 lowers the contribution rates for each rate group of positive eligible employers. This does not necessarily result in employers paying less contributions. As shown in Tables 1, 1A, 4, and 6, the contributions from low wage employers will generally decline when the wage base increases. Tables 2, 2A, 5, and 7 show general increases in contributions from high wage employers.

It should be noted that the employers used as examples for the attached tables are hypothetical. All low wage employers would not have tax movements similar to the example in Tables 1, 1A, 4, and 6 nor would all high wage employers be similar to Tables 2, 2A, 5, and 7.

3/27/91
L. I & I. B.

Attachment I
1-1

It is hoped this information proves useful to you. If further assistance is required, please contact Mr. Bill Layes.

Sincerely,

Michael L. Johnston
Secretary of Human Resources

Enclosures

cc: Paul Bicknell
A. J. Kotich
Sid Snider
Bob Molander

MLJ:WHL:TDM:csb

3/27/91
Att I
1-2

FOR ILLUSTRATION PURPOSES ONL'
Not intended to imply effect on individual ... ıns.

TABLE 1
POSITIVE ELIGIBLE ACCOUNT
EFFECT OF CHANGE TO $12,000 WAGE BASE 1/

Low Wage Employer

Payroll: 20 employees at $8,000/year
Total Wages: $160,000
Taxable Wage Base and Annual Taxable Wage: $8,000 (current)--$160,000; $12,000 (proposed)--$160,000
Contributions (all past periods): $32,000
Benefits (all past periods): $3,200
Average Annual Wages: Average of 3 years taxable wages

$$\text{Reserve Ratio} = \frac{\text{Contributions - Benefits}}{\text{Average Annual Wages}}$$

Actual 1991 Rate
1991 Contribution: $8,000 Current Wage Base: previous years, all $8,000
Reserve Ratio = $\frac{\$32{,}000 - \$3{,}200}{\$160{,}000} = 0.18000$
Rate Group = 8 Rate = 0.59%
Contributions = $160,000 x 0.59% = $944

1991 Contributions--if $12,000 wage base had gone into effect CY 1990
1991 Contributions: $12,000 Current Wage Base: previous years, all $8,000
Reserve Ratio = $\frac{\$32{,}000 - \$3{,}200}{\$160{,}000} = 0.18000$
Rate Group = 8 Rate = 0.39%
Contributions = $160,000 x 0.39% = $624

1991 Contributions--if $12,000 wage base had gone into effect CY 1989
1991 Contributions: $12,000 Current Wage Base: last year of average payroll, $12,000; first two years of average payroll, $8,000
Reserve Ratio = $\frac{\$32{,}000 - \$3{,}200}{\$160{,}000} = 0.18000$
Rate Group = 3 Rate = 0.11%
Contributions = $160,000 x 0.11% = $176

1991 Contributions--if $12,000 wage base had gone into effect CY 1988
1991 Contributions: $12,000 Current Wage Base: last two years of average payroll, $12,000; first year of average payroll, $8,000
Reserve Ratio = $\frac{\$32{,}000 - \$3{,}200}{\$160{,}000} = 0.18000$
Rate Group = 2 Rate = 0.06%
Contributions = $160,000 x 0.06% = $96

1991 Contributions, if $12,000 wage base had gone into effect CY 1987
1991 Contributions: $12,000 Current Wage Base: all years of average payroll at $12,000
Reserve Ratio = $\frac{\$32{,}000 - \$3{,}200}{\$160{,}000} = 0.18000$
Rate Group = 2 Rate = 0.06%
Contributions = $160,000 x 0.06% = $96

3/27/91

1/ This example is for CY 1991 rates, actual and estimated only. It does not represent the universe of low wage employers, nor does it reflect an application of wage base changes on contributions prior to CY 1991.

Att I

1-3

TABLE 2
POSITIVE ELIGIBLE ACCOUNT
EFFECT OF CHANGE TO $12,000 WAGE BASE 1/

High Wage Employer

Payroll: 20 employees at $20,000/year
Total Wages: $400,000
Taxable Wage Base and Annual Taxable Wage: $8,000 (current)--$160,000; $12,000 (proposed)--$240,000
Contributions (all past periods): $32,000
Benefits (all past periods): $3,200
Average Annual Wages: Average of 3 years taxable wages

$$\text{Reserve Ratio} = \frac{\text{Contributions - Benefits}}{\text{Average Annual Wages}}$$

Actual 1991 Rate
1991 Contribution: $8,000 Current Wage Base: previous years, all $8,000
Reserve Ratio = $\frac{\$32,000 - \$3,200}{\$160,000} = 0.18000$
Rate Group = 8 Rate = 0.59%
Contributions = $160,000 x 0.59% = $944

1991 Contributions--if $12,000 wage base had gone into effect CY 1990
1991 Contributions: $12,000 Current Wage Base: previous years, all $8,000
Reserve Ratio = $\frac{\$32,000 - \$3,200}{\$160,000} = 0.18000$
Rate Group = 8 Rate = 0.39%
Contributions = $240,000 x 0.39% = $936

1991 Contributions--if $12,000 wage base had gone into effect CY 1989
1991 Contributions: $12,000 Current Wage Base: last year of average payroll, $12,000; first two years of average payroll, $8,000
Reserve Ratio = $\frac{\$32,000 - \$3,200}{\$186,667} = 0.15429$
Rate Group = 14 Rate = 0.72%
Contributions = $240,000 x 0.72% = $1,728

1991 Contributions--if $12,000 wage base had gone into effect CY 1988
1991 Contributions: $12,000 Current Wage Base: last two years of average payroll, $12,000; first year of average payroll, $8,000
Reserve Ratio = $\frac{\$32,000 - \$3,200}{\$213,333} = 0.13500$
Rate Group = 18 Rate = 0.94%
Contributions = $240,000 x 0.94% = $2,256

1991 Contributions, if $12,000 wage base had gone into effect CY 1987
1991 Contributions: $12,000 Current Wage Base: all years of average payroll at $12,000
Reserve Ratio = $\frac{\$32,000 - \$3,200}{\$240,000} = 0.12000$
Rate Group = 23 Rate = 1.21%
Contributions = $240,000 x 1.21% = $2,904

3/27/91

1/ This example is for CY 1991 rates, actual and estimated only. It does not represent the universe of high wage employers, nor does it reflect an application of wage base changes on contributions prior to CY 1991.

Att I

1-4

FOR ILLUSTRATION PURPOSES ONLY
Not intended to imply effect on individual ......s.

TABLE 1A
POSITIVE ELIGIBLE ACCOUNT
EFFECT OF CHANGE TO $10,000 WAGE BASE 1/

Low Wage Employer

Payroll: 20 employees at $8,000/year
Total Wages: $160,000
Taxable Wage Base and Annual Taxable Wage: $8,000 (current)--$160,000; $10,000 (proposed)--$160,000
Contributions (all past periods): $32,000
Benefits (all past periods): $3,200
Average Annual Wages: Average of 3 years taxable wages

$$\text{Reserve Ratio} = \frac{\text{Contributions - Benefits}}{\text{Average Annual Wages}}$$

Actual 1991 Rate
1991 Contribution: $8,000 Current Wage Base: previous years, all $8,000
Reserve Ratio = $\frac{\$32,000 - \$3,200}{\$160,000} = 0.18000$
Rate Group = 8   Rate = 0.59%
Contributions = $160,000 x 0.59% = $944

1991 Contributions--if $10,000 wage base had gone into effect CY 1990
1991 Contributions: $10,000 Current Wage Base: previous years, all $8,000
Reserve Ratio = $\frac{\$32,000 - \$3,200}{\$160,000} = 0.18000$
Rate Group = 8   Rate = 0.46%
Contributions = $160,000 x 0.46% = $736

1991 Contributions--if $10,000 wage base had gone into effect CY 1989
1991 Contributions: $10,000 Current Wage Base: last year of average payroll, $10,000; first two years of average payroll, $8,000
Reserve Ratio = $\frac{\$32,000 - \$3,200}{\$160,000} = 0.18000$
Rate Group = 4   Rate = 0.20%
Contributions = $160,000 x 0.20% = $320

1991 Contributions--if $10,000 wage base had gone into effect CY 1988
1991 Contributions: $10,000 Current Wage Base: last two years of average payroll, $10,000; first year of average payroll, $8,000
Reserve Ratio = $\frac{\$32,000 - \$3,200}{\$160,000} = 0.18000$
Rate Group = 3   Rate = 0.13%
Contributions = $160,000 x 0.13% = $208

1991 Contributions, if $10,000 wage base had gone into effect CY 1987
1991 Contributions: $10,000 Current Wage Base: all years of average payroll at $10,000
Reserve Ratio = $\frac{\$32,000 - \$3,200}{\$160,000} = 0.18000$
Rate Group = 3   Rate = 0.13%
Contributions = $160,000 x 0.13% = $208

3/27/91

1/ This example is for CY 1991 rates, actual and estimated only. It does not represent the universe of low wage employers, nor does it reflect an application of wage base changes on contributions prior to CY 1991.

Att I

1-5

FOR ILLUSTRATION PURPOSES ONL
Not intended to imply effect on individuai ...ms.

TABLE 2A
POSITIVE ELIGIBLE ACCOUNT
EFFECT OF CHANGE TO $10,000 WAGE BASE 1/

High Wage Employer

Payroll: 20 employees at $20,000/year
Total Wages: $400,000
Taxable Wage Base and Annual Taxable Wage: $8,000 (current)--$160,000; $10,000 (proposed)--$200,000
Contributions (all past periods): $32,000
Benefits (all past periods): $3,200
Average Annual Wages: Average of 3 years taxable wages

$$\text{Reserve Ratio} = \frac{\text{Contributions - Benefits}}{\text{Average Annual Wages}}$$

Actual 1991 Rate
1991 Contribution: $8,000 Current Wage Base: previous years, all $8,000
Reserve Ratio = $32,000 - $3,200 / $160,000 = 0.18000
Rate Group = 8 Rate = 0.59%
Contributions = $160,000 x 0.59% = $944

1991 Contributions--if $10,000 wage base had gone into effect CY 1990
1991 Contributions: $10,000 Current Wage Base: previous years, all $8,000
Reserve Ratio = $32,000 - $3,200 / $160,000 = 0.18000
Rate Group = 8 Rate = 0.46%
Contributions = $200,000 x 0.46% = $920

1991 Contributions--if $10,000 wage base had gone into effect CY 1989
1991 Contributions: $10,000 Current Wage Base: last year of average payroll, $10,000; first two years of average payroll, $8,000
Reserve Ratio = $32,000 - $3,200 / $173,333 = 0.16615
Rate Group = 10 Rate = 0.59%
Contributions = $200,000 x 0.59% = $1,180

1991 Contributions--if $10,000 wage base had gone into effect CY 1988
1991 Contributions: $10,000 Current Wage Base: last two years of average payroll, $10,000; first year of average payroll, $8,000
Reserve Ratio = $32,000 - $3,200 / $186,667 = 0.15429
Rate Group = 13 Rate = 0.78%
Contributions = $200,000 x 0.78% = $1,560

1991 Contributions--if $10,000 wage base had gone into effect CY 1987
1991 Contributions: $10,000 Current Wage Base: all years of average payroll at $10,000
Reserve Ratio = $32,000 - $3,200 / $200,000 = 0.14400
Rate Group = 16 Rate = 0.98%
Contributions = $200,000 x 0.98% = $1,960

3/27/91

1/ This example is for CY 1991 rates, actual and estimated only. It does not represent the universe of high wage employers, nor does it reflect an application of wage base changes on contributions prior to CY 1991.

Att I

1-6

TABLE 3

ACTUAL AND PROJECTED CY 1991 RATE SCHEDULES

AT VARIOUS COMBINATIONS OF $8,000 AND $12,000 WAGE BASES

TAXABLE WAGE	$8,000		$12,000		$12,000		$12,000		$12,000	
AVG.WAGES	ACTUAL 8/8/8	RESERVE RATIO	RATE AT 8/8/8	RESERVE RATIO	RATE AT 8/8/12	RESERVE RATIO	RATE AT 8/12/12	RESERVE RATIO	RATE AT 12/12/12	RESERVE RATIO
RATE GROUP										
1	0.05	0.22612	0.03	0.23035	0.03	0.21010	0.03	0.19703	0.03	0.19074
2	0.08	0.20432	0.06	0.20538	0.06	0.18703	0.06	0.17640	0.06	0.17123
3	0.17	0.19393	0.11	0.19462	0.11	0.17855	0.11	0.16801	0.11	0.15999
4	0.25	0.19075	0.17	0.19007	0.17	0.17281	0.17	0.16198	0.17	0.15430
5	0.34	0.18681	0.22	0.18717	0.22	0.16846	0.22	0.15788	0.22	0.14967
6	0.42	0.18408	0.28	0.18473	0.28	0.16595	0.28	0.15427	0.28	0.14551
7	0.51	0.18136	0.33	0.18145	0.33	0.16436	0.33	0.15124	0.33	0.14271
8	0.59	0.17920	0.39	0.17939	0.39	0.16244	0.39	0.14880	0.39	0.14008
9	0.68	0.17746	0.44	0.17774	0.44	0.16059	0.44	0.14705	0.44	0.13753
10	0.76	0.17639	0.50	0.17663	0.50	0.15895	0.50	0.14520	0.50	0.13560
11	0.85	0.17491	0.55	0.17503	0.55	0.15744	0.55	0.14381	0.55	0.13386
12	0.93	0.17346	0.61	0.17368	0.61	0.15591	0.61	0.14227	0.61	0.13187
13	1.02	0.17253	0.66	0.17272	0.66	0.15486	0.66	0.14175	0.66	0.13090
14	1.10	0.17129	0.72	0.17149	0.72	0.15362	0.72	0.14012	0.72	0.12916
15	1.19	0.17060	0.77	0.17075	0.77	0.15249	0.77	0.13854	0.77	0.12735
16	1.27	0.16946	0.83	0.16960	0.83	0.15122	0.83	0.13694	0.83	0.12703
17	1.36	0.16864	0.88	0.16874	0.88	0.15069	0.88	0.13610	0.88	0.12580
18	1.44	0.16799	0.94	0.16800	0.94	0.14926	0.94	0.13477	0.94	0.12432
19	1.52	0.16746	0.99	0.16760	0.99	0.14889	0.99	0.13418	0.99	0.12313
20	1.61	0.16615	1.05	0.16640	1.05	0.14794	1.05	0.13319	1.05	0.12251
21	1.69	0.16515	1.10	0.16534	1.10	0.14723	1.10	0.13250	1.10	0.12162
22	1.78	0.16460	1.16	0.16483	1.16	0.14606	1.16	0.13149	1.16	0.12060
23	1.86	0.16456	1.21	0.16456	1.21	0.14485	1.21	0.13035	1.21	0.11964
24	1.95	0.16447	1.27	0.16456	1.27	0.14364	1.27	0.12948	1.27	0.11873
25	2.03	0.16287	1.32	0.16345	1.32	0.14309	1.32	0.12865	1.32	0.11784
26	2.12	0.16182	1.38	0.16217	1.38	0.14194	1.38	0.12732	1.38	0.11719
27	2.20	0.16066	1.43	0.16121	1.43	0.14124	1.43	0.12612	1.43	0.11615
28	2.29	0.15971	1.49	0.16011	1.49	0.14101	1.49	0.12568	1.49	0.11534
29	2.37	0.15869	1.54	0.15909	1.54	0.14101	1.54	0.12509	1.55	0.11404
30	2.46	0.15691	1.60	0.15737	1.60	0.13977	1.60	0.12394	1.60	0.11282
31	2.54	0.15579	1.65	0.15612	1.65	0.13856	1.65	0.12392	1.66	0.11220
32	2.63	0.15364	1.71	0.15406	1.71	0.13702	1.71	0.12383	1.71	0.11145
33	2.71	0.15149	1.76	0.15199	1.76	0.13500	1.76	0.12275	1.77	0.11093
34	2.80	0.14909	1.82	0.14960	1.82	0.13435	1.82	0.12123	1.82	0.11093
35	2.88	0.14733	1.87	0.14800	1.87	0.13239	1.87	0.12009	1.88	0.11004
36	2.97	0.14598	1.93	0.14690	1.93	0.12990	1.93	0.11819	1.93	0.10900
37	3.05	0.14340	1.98	0.14402	1.98	0.12799	1.98	0.11646	1.99	0.10737
38	3.13	0.14003	2.04	0.14073	2.04	0.12572	2.04	0.11415	2.04	0.10536
39	3.22	0.13744	2.10	0.13789	2.09	0.12339	2.10	0.11143	2.10	0.10306
40	3.30	0.13431	2.15	0.13489	2.15	0.12224	2.15	0.10834	2.15	0.10038
41	3.39	0.12947	2.21	0.13002	2.20	0.11891	2.21	0.10635	2.21	0.09785
42	3.47	0.12502	2.26	0.12533	2.26	0.11544	2.26	0.10337	2.26	0.09513
43	3.56	0.12056	2.32	0.12124	2.31	0.11095	2.32	0.09959	2.32	0.09283
44	3.64	0.11436	2.37	0.11501	2.37	0.10600	2.37	0.09520	2.37	0.08998
45	3.73	0.10850	2.43	0.10993	2.42	0.10020	2.43	0.09005	2.43	0.08481
46	3.81	0.10166	2.48	0.10295	2.48	0.09287	2.48	0.08443	2.48	0.07784
47	3.90	0.09369	2.54	0.09429	2.53	0.08548	2.54	0.07624	2.54	0.07030
48	3.98	0.08070	2.59	0.08220	2.59	0.07319	2.59	0.06623	2.59	0.06172
49	4.07	0.06455	2.65	0.06479	2.64	0.05611	2.65	0.05056	2.65	0.04675
50	4.15	0.03979	2.70	0.04067	2.70	0.03537	2.70	0.02966	2.70	0.02934
51	4.24	0.00000	2.76	0.00000	2.75	0.00000	2.76	0.00000	2.76	0.00000

3/27/91

Att I

1-7

TABLE 3A
ACTUAL AND PROJECTED CY 1991 RATE SCHEDULES
AT VARIOUS COMBINATIONS OF $8,000 AND $10,000 WAGE BASES

TAXABLE WAGE AVG. WAGES RATE GROUP	$8,000 ACTUAL 3/8/8	RESERVE RATIO	$10,000 RATE AT 3/8/8	RESERVE RATIO	$10,000 RATE AT 3/8/10	RESERVE RATIO	$10,000 RATE AT 8/10/10	RESERVE RATIO	$10,000 RATE AT 10/10/10	RESERVE RATIO
1	0.05	0.22612	0.04	0.23118	0.04	0.21791	0.04	0.21038	0.04	0.20579
2	0.08	0.20432	0.07	0.20566	0.07	0.19544	0.07	0.18700	0.07	0.18305
3	0.17	0.19393	0.13	0.19488	0.13	0.18561	0.13	0.17823	0.13	0.17334
4	0.25	0.19075	0.20	0.19087	0.20	0.17940	0.20	0.17234	0.20	0.16709
5	0.34	0.18681	0.26	0.18717	0.26	0.17643	0.26	0.16805	0.26	0.16271
6	0.42	0.18408	0.33	0.18473	0.33	0.17398	0.33	0.16513	0.33	0.15920
7	0.51	0.18136	0.39	0.18145	0.39	0.17234	0.39	0.16366	0.39	0.15622
8	0.59	0.17920	0.46	0.17939	0.46	0.17005	0.46	0.16146	0.46	0.15392
9	0.68	0.17746	0.52	0.17771	0.52	0.16788	0.52	0.15968	0.52	0.15219
10	0.76	0.17639	0.59	0.17657	0.59	0.16606	0.59	0.15783	0.59	0.15074
11	0.85	0.17491	0.65	0.17500	0.65	0.16442	0.65	0.15596	0.65	0.14932
12	0.93	0.17346	0.72	0.17357	0.72	0.16318	0.72	0.15470	0.72	0.14855
13	1.02	0.17253	0.78	0.17262	0.78	0.16205	0.78	0.15371	0.78	0.14691
14	1.10	0.17129	0.85	0.17141	0.85	0.16147	0.85	0.15267	0.85	0.14576
15	1.19	0.17060	0.91	0.17068	0.91	0.16042	0.91	0.15120	0.91	0.14422
16	1.27	0.16946	0.98	0.16959	0.98	0.15977	0.98	0.15001	0.98	0.14279
17	1.36	0.16864	1.04	0.16869	1.04	0.15853	1.04	0.14881	1.04	0.14180
18	1.44	0.16799	1.11	0.16799	1.11	0.15754	1.11	0.14814	1.11	0.14057
19	1.52	0.16746	1.17	0.16752	1.17	0.15692	1.17	0.14751	1.17	0.14009
20	1.61	0.16615	1.24	0.16631	1.24	0.15569	1.24	0.14677	1.24	0.13929
21	1.69	0.16515	1.30	0.16528	1.30	0.15472	1.30	0.14576	1.30	0.13832
22	1.78	0.16460	1.37	0.16473	1.37	0.15400	1.37	0.14482	1.37	0.13774
23	1.86	0.16456	1.43	0.16456	1.43	0.15323	1.43	0.14372	1.43	0.13709
24	1.95	0.16447	1.50	0.16456	1.50	0.15235	1.50	0.14271	1.50	0.13591
25	2.03	0.16287	1.56	0.16309	1.56	0.15172	1.56	0.14226	1.56	0.13473
26	2.12	0.16182	1.63	0.16211	1.63	0.15172	1.63	0.14123	1.63	0.13361
27	2.20	0.16066	1.69	0.16098	1.69	0.15111	1.69	0.14108	1.69	0.13320
28	2.29	0.15971	1.76	0.15991	1.76	0.14996	1.76	0.14108	1.76	0.13213
29	2.37	0.15869	1.82	0.15877	1.82	0.14887	1.82	0.14001	1.82	0.13213
30	2.46	0.15691	1.89	0.15700	1.89	0.14743	1.89	0.13886	1.89	0.13170
31	2.54	0.15579	1.95	0.15579	1.95	0.14608	1.95	0.13775	1.95	0.13070
32	2.63	0.15364	2.02	0.15374	2.02	0.14480	2.02	0.13616	2.02	0.12969
33	2.71	0.15149	2.08	0.15162	2.08	0.14298	2.08	0.13450	2.08	0.12831
34	2.80	0.14909	2.15	0.14916	2.15	0.14122	2.15	0.13247	2.15	0.12650
35	2.88	0.14733	2.21	0.14769	2.21	0.13885	2.21	0.13086	2.21	0.12547
36	2.97	0.14598	2.28	0.14657	2.28	0.13748	2.28	0.12947	2.28	0.12398
37	3.05	0.14340	2.34	0.14372	2.34	0.13499	2.34	0.12723	2.34	0.12196
38	3.13	0.14003	2.41	0.14045	2.41	0.13203	2.41	0.12482	2.41	0.11957
39	3.22	0.13744	2.47	0.13753	2.47	0.13072	2.47	0.12225	2.47	0.11683
40	3.30	0.13431	2.54	0.13443	2.54	0.12792	2.54	0.12034	2.54	0.11356
41	3.39	0.12947	2.60	0.12971	2.60	0.12548	2.60	0.11746	2.60	0.11081
42	3.47	0.12502	2.67	0.12507	2.67	0.12132	2.67	0.11396	2.67	0.10851
43	3.56	0.12056	2.73	0.12100	2.73	0.11630	2.73	0.10873	2.73	0.10490
44	3.64	0.11436	2.80	0.11479	2.80	0.11188	2.80	0.10490	2.80	0.10113
45	3.73	0.10850	2.86	0.10975	2.86	0.10493	2.86	0.09906	2.86	0.09541
46	3.81	0.10166	2.93	0.10253	2.93	0.09775	2.93	0.09224	2.93	0.08842
47	3.90	0.09369	2.99	0.09403	2.99	0.08988	2.99	0.08480	2.99	0.08008
48	3.98	0.08070	3.06	0.08187	3.06	0.07716	3.06	0.07240	3.06	0.06940
49	4.07	0.06455	3.12	0.06467	3.12	0.06110	3.12	0.05545	3.12	0.05218
50	4.15	0.03979	3.19	0.04023	3.19	0.03828	3.19	0.03450	3.19	0.03390
51	4.24	0.00000	3.25	0.00000	3.25	0.00000	3.25	0.00000	3.25	0.00000

3/27/91

Att I

1-8

FOR ILLUSTRATION PURPOSES ONL
Not intended to imply effect on individuai ... ms.

TABLE 4
POSITIVE ELIGIBLE ACCOUNT
EFFECT OF CHANGE TO $12,000 WAGE BASE 1/
CY 1992 - 1995

Low Wage Employer

Payroll: 20 employees at $8,000/year
Total Wages: $160,000
Taxable Wage Base and Annual Taxable Wage: $8,000 (current)--$160,000; $12,000 (proposed)--$160,000
Contributions (all past periods): $32,000
Benefits (all past periods): $3,200
Average Annual Wages: Average of 3 years taxable wages

$$\text{Reserve Ratio} = \frac{\text{Contributions - Benefits}}{\text{Average Annual Wages}}$$

Actual 1991 Rate
1991 Contribution: $8,000 Current Wage Base: previous years, all $8,000
Reserve Ratio = $\frac{\$32,000 - \$3,200}{\$160,000} = 0.18000$
Rate Group = 8 Rate = 0.59%
Contributions = $160,000 x 0.59% = $944

1992 Contributions--if $12,000 wage base had gone into effect CY 1991
1992 Contributions: $12,000 Current Wage Base: previous years, all $8,000
Reserve Ratio = $\frac{\$32,944 - \$3,200}{\$160,000} = 0.18590$
Rate Group = 6 Rate = 0.28%
Contributions = $160,000 x 0.28% = $448

1993 Contributions--if $12,000 wage base had gone into effect CY 1991
1993 Contributions: $12,000 Current Wage Base: last year of average payroll, $12,000; first two years of average payroll, $8,000
Reserve Ratio = $\frac{\$33,392 - \$3,200}{\$160,000} = 0.18870$
Rate Group = 2 Rate = 0.06%
Contributions = $160,000 x 0.06% = $96

1994 Contributions--if $12,000 wage base had gone into effect CY 1991
1994 Contributions: $12,000 Current Wage Base: last two years of average payroll, $12,000; first year of average payroll, $8,000
Reserve Ratio = $\frac{\$33,488 - \$3,200}{\$160,000} = 0.18930$
Rate Group = 2 Rate = 0.06%
Contributions = $160,000 x 0.06% = $96

1995 Contributions, if $12,000 wage base had gone into effect CY 1991
1995 Contributions: $12,000 Current Wage Base: all years of average payroll at $12,000
Reserve Ratio = $\frac{\$33,584 - \$3,200}{\$160,000} = 0.18990$
Rate Group = 2 Rate = 0.06%
Contributions = $160,000 x 0.06% = $96

3/27/91
Att I

1/ This example does not represent the universe of low wage employers. It projects future contributions based on 1991 rate schedules actual and estimated to account for variations in wage bases. It does not reflect changes in employment, wages, and benefit charges for individual employers.

FOR ILLUSTRATION PURPOSES ONL'
Not intended to imply effect on individual firms.

TABLE 5
POSITIVE ELIGIBLE ACCOUNT
EFFECT OF CHANGE TO $12,000 WAGE BASE 1/
CY 1992 - 1995

High Wage Employer

Payroll: 20 employees at $20,000/year
Total Wages: $400,000
Taxable Wage Base and Annual Taxable Wage: $8,000 (current)--$160,000; $12,000 (proposed)--$240,000
Contributions (all past periods): $32,000
Benefits (all past periods): $3,200
Average Annual Wages: Average of 3 years taxable wages

$$\text{Reserve Ratio} = \frac{\text{Contributions - Benefits}}{\text{Average Annual Wages}}$$

Actual 1991 Rate
1991 Contribution: $8,000 Current Wage Base: previous years, all $8,000
$$\text{Reserve Ratio} = \frac{\$32{,}000 - \$3{,}200}{\$160{,}000} = 0.18000$$
Rate Group = 8 Rate = 0.59%
Contributions = $160,000 x 0.59% = $944

1992 Contributions--if $12,000 wage base had gone into effect CY 1991
1992 Contributions: $12,000 Current Wage Base: previous years, all $8,000
$$\text{Reserve Ratio} = \frac{\$32{,}944 - \$3{,}200}{\$160{,}000} = 0.18590$$
Rate Group = 6 Rate = 0.28%
Contributions = $240,000 x 0.28% = $672

1993 Contributions--if $12,000 wage base had gone into effect CY 1991
1993 Contributions: $12,000 Current Wage Base: last year of average payroll, $12,000; first two years of average payroll, $8,000
$$\text{Reserve Ratio} = \frac{\$33{,}616 - \$3{,}200}{\$186{,}667} = 0.16294$$
Rate Group = 8 Rate = 0.39%
Contributions = $240,000 x 0.39% = $936

1994 Contributions--if $12,000 wage base had gone into effect CY 1991
1994 Contributions: $12,000 Current Wage Base: last two years of average payroll, $12,000; first year of average payroll, $8,000
$$\text{Reserve Ratio} = \frac{\$34{,}552 - \$3{,}200}{\$213{,}333} = 0.14696$$
Rate Group = 10 Rate = 0.50%
Contributions = $240,000 x 0.50% = $1,200

1995 Contributions, if $12,000 wage base had gone into effect CY 1991
1995 Contributions: $12,000 Current Wage Base: all years of average payroll at $12,000
$$\text{Reserve Ratio} = \frac{\$35{,}752 - \$3{,}200}{\$240{,}000} = 0.13563$$
Rate Group = 10 Rate = 0.50%
Contributions = $240,000 x 0.50% = $1,200

3/27/91

1/ This example does not represent the universe of high wage employers. It projects future contributions based on 1991 rate schedules actual and estimated to account for variations in wage bases. It does not reflect changes in employment, wages, and benefit charges for individual employers.

att I
1-10

FOR ILLUSTRATION PURPOSES ONLY
Not intended to imply effect on individual firms.

TABLE 6
POSITIVE ELIGIBLE ACCOUNT
EFFECT OF CHANGE TO $10,000 WAGE BASE 1/
CY 1992 - 1995

Low Wage Employer

Payroll: 20 employees at $8,000/year
Total Wages: $160,000
Taxable Wage Base and Annual Taxable Wage: $8,000 (current)--$160,000; $10,000 (proposed)--$160,000
Contributions (all past periods): $32,000
Benefits (all past periods): $3,200
Average Annual Wages: Average of 3 years taxable wages

$$\text{Reserve Ratio} = \frac{\text{Contributions - Benefits}}{\text{Average Annual Wages}}$$

Actual 1991 Rate
1991 Contribution: $8,000 Current Wage Base: previous years, all $8,000
Reserve Ratio = $\frac{\$32{,}000 - \$3{,}200}{\$160{,}000} = 0.18000$
Rate Group = 8 Rate = 0.59%
Contributions = $160,000 x 0.59% = $944

1992 Contributions--if $10,000 wage base had gone into effect CY 1991
1992 Contributions: $10,000 Current Wage Base: previous years, all $8,000
Reserve Ratio = $\frac{\$32{,}944 - \$3{,}200}{\$160{,}000} = 0.18590$
Rate Group = 6 Rate = 0.33%
Contributions = $160,000 x 0.33% = $528

1993 Contributions--if $10,000 wage base had gone into effect CY 1991
1993 Contributions: $10,000 Current Wage Base: last year of average payroll, $10,000; first two years of average payroll, $8,000
Reserve Ratio = $\frac{\$33{,}472 - \$3{,}200}{\$160{,}000} = 0.18920$
Rate Group = 3 Rate = 0.13%
Contributions = $160,000 x 0.13% = $208

1994 Contributions--if $10,000 wage base had gone into effect CY 1991
1994 Contributions: $10,000 Current Wage Base: last two years of average payroll, $10,000; first year of average payroll, $8,000
Reserve Ratio = $\frac{\$33{,}680 - \$3{,}200}{\$160{,}000} = 0.19050$
Rate Group = 2 Rate = 0.07%
Contributions = $160,000 x 0.07% = $112

1995 Contributions, if $10,000 wage base had gone into effect CY 1991
1995 Contributions: $10,000 Current Wage Base: all years of average payroll at $10,000
Reserve Ratio = $\frac{\$33{,}792 - \$3{,}200}{\$160{,}000} = 0.19120$
Rate Group = 2 Rate = 0.07%
Contributions = $160,000 x 0.07% = $112

3/27/91

1/ This example does not represent the universe of low wage employers. It projects future contributions based on 1991 rate schedules actual and estimated to account for variations in wage bases. It does not reflect changes in employment, wages, and benefit charges for individual employers.

Att I
1-11

FOR ILLUSTRATION PURPOSES ONLY
Not intended to imply effect on individual firms.

TABLE 7
POSITIVE ELIGIBLE ACCOUNT
EFFECT OF CHANGE TO $10,000 WAGE BASE 1/
CY 1992 - 1995

High Wage Employer

Payroll: 20 employees at $20,000/year
Total Wages: $400,000
Taxable Wage Base and Annual Taxable Wage: $8,000 (current)--$160,000; $10,000 (proposed)--$200,000
Contributions (all past periods): $32,000
Benefits (all past periods): $3,200
Average Annual Wages: Average of 3 years taxable wages

$$\text{Reserve Ratio} = \frac{\text{Contributions - Benefits}}{\text{Average Annual Wages}}$$

Actual 1991 Rate
1991 Contribution: $8,000 Current Wage Base: previous years, all $8,000

$$\text{Reserve Ratio} = \frac{\$32{,}000 - \$3{,}200}{\$160{,}000} = 0.18000$$

Rate Group = 8 Rate = 0.59%
Contributions = $160,000 x 0.59% = $944

1992 Contributions--if $10,000 wage base had gone into effect CY 1991
1992 Contributions: $10,000 Current Wage Base: previous years, all $8,000

$$\text{Reserve Ratio} = \frac{\$32{,}944 - \$3{,}200}{\$160{,}000} = 0.18590$$

Rate Group = 6 Rate = 0.33%
Contributions = $200,000 x 0.33% = $660

1993 Contributions--if $10,000 wage base had gone into effect CY 1991
1993 Contributions: $10,000 Current Wage Base: last year of average payroll, $10,000; first two years of average payroll, $8,000

$$\text{Reserve Ratio} = \frac{\$33{,}604 - \$3{,}200}{\$173{,}333} = 0.17541$$

Rate Group = 6 Rate = 0.33%
Contributions = $200,000 x 0.33% = $660

1994 Contributions--if $10,000 wage base had gone into effect CY 1991
1994 Contributions: $10,000 Current Wage Base: last two years of average payroll, $10,000; first year of average payroll, $8,000

$$\text{Reserve Ratio} = \frac{\$34{,}264 - \$3{,}200}{\$186{,}667} = 0.16641$$

Rate Group = 6 Rate = 0.33%
Contributions = $200,000 x 0.33% = $660

1995 Contributions--if $10,000 wage base had gone into effect CY 1991
1995 Contributions: $10,000 Current Wage Base: all years of average payroll at $10,000

$$\text{Reserve Ratio} = \frac{\$34{,}924 - \$3{,}200}{\$200{,}000} = 0.15862$$

Rate Group = 7 Rate = 0.39%
Contributions = $200,000 x 0.39% = $780

3/27/91

1/ This example does not represent the universe of high wage employers. It projects future contributions based on 1991 rate schedules actual and estimated to account for variations in wage bases. It does not reflect changes in employment, wages, and benefit charges for individual employers.

Att I
1-12

Project Result	Low Bids	Bid Price	Pays Prevailing Wage
3 naval air reserve bldgs Olathe, KS 6/20/90	1) Kansas City Mech	620,000.00	Yes
	2) RMT Constr.	660,000.00	No
	3) Mill Valley Constr.	687,336.00	No
Military Bldg. Repair Fort Leavenworth 9/5/89	1) Capitol Elec.	617,600.00	Yes
	2) Webb Elec.	832,400.00	No
Dining Facility Leavenworth, KS 8/23/89	1) Lawhon Constr.	8,996,300.00	Yes
	2) DiCarlo Constr.	9,149,000.00	Yes
	3) Caddell Constr.	9,226,000.00	No
Heating Vent & AC KU Med Center 1989	1) Schwenk Inc.	587,824.00	Yes
	2) US Eng. Co.	793,069.00	Yes
	3) SSS Constr.	970,100.00	No
35th Division Training Center Ft. Leavenworth 1990	1) Coonrod & Assoc.	3,244,000.00	Yes
	2) Lawhon Constr.	3,271,800.00	Yes
	3) McPherson Constr.	3,300,000.00	No
Human Resources & Aging Department Olathe 11/6/90	1) Northwest Mech.	43,900.00	Yes
	2) Keller Constr.	46,816.00	No
	3) Central Constr.	48,913.00	Yes
State Office Bldg. 2/28/90 Topeka	1) Tefft & Donaldson	88,698.00	Yes
	2) S/S Bldrs.	91,288.00	No
	3) G.M.G. Cooling	95,434.00	No
Leid Center Kansas University 1/8/90	1) Universal Constr.	Don't have	Yes
	2) R.D. Anderson	bid prices	No
	3) J.E. Dunn	project	Yes
	4) Dahlstom and Ferrell		No
	5) Lee & Bueltel Constr.	11,000,000.00 Est.	Yes
Site Lighting Topeka Youth Center 10/6/89	1) OK Johnson	180,769.00	Yes
	2) D.L. Smith	189,480.00	Yes
	3) B & W Elec.	199,800.00	No
Switch Room Landon State Office 6/29/89	1) Interior Constr.	36,150.00	Yes
	2) Winston Brown	36,969.00	No
	3) S/S Bldrs.	42,264.00	No

L&IB
3/27/91
Attachment II
2-1

Haworth Hall Kansas University 5/16/89	1) Tefft & Donaldson 2) BA Green Constr. 3) Dahlstrom & Ferrell	258,846.00 274,950.00 280,000.00	Yes Yes No
Aircraft Parking Ramp Topeka, KS 7/20/90	1) Hermanns Exec. 2) Emerson Constr. 3) HT Paul Co.	3,443,500.00 3,747,025.00 4,531,010.00	Yes No No
Docking State Office Bldg. Topeka, Kansas	1) J.F. McGivern 2) Interior 3) S/S Bldrs.	139,950.00 140,552.00 156,349.00	Yes Yes No

3/27/91
Att II

BEFORE THE SENATE LABOR AND INDUSTRY COMMITTEE

KANSAS SENATE

HOUSE BILL NO. 2278

TESTIMONY ON BEHALF OF KANSAS AFL-CIO

BY THOMAS H. MARSHALL, ASSOCIATE COUNSEL

BLAKE & UHLIG
753 State Ave.
475 New Brotherhood Bldg.
Kansas City, Kansas 66101

March 27, 1991

L & I S.B.
3/27/91

Attachment III
3-1

Madam Chairman and members of the Committee:

My name is Tom Marshall. Our firm, Blake & Uhlig, serves as general counsel for the Kansas AFL-CIO. The Kansas AFL-CIO is comprised of more than 200 local unions which represent more than 65,000 employees, including almost 20,000 members employed in the construction industry throughout the State of Kansas. I am appearing today on their behalf because they frequently work on construction projects for the state, and they are deeply concerned about the wages and fringe benefits which are paid on state jobs. It is these workers, and others like them, whose interests House Bill No. 2278 is intended to serve. While it is likely that this committee will hear extensively from contractors, building associations and others who will be speaking in opposition to this bill, it is the citizens of Kansas who will work on these projects whose voices should be heard concerning the fairness of requiring that prevailing wages be paid on state work.

Legislative efforts on behalf of workers on state construction projects are not new. Prior to repeal in 1987, the state of Kansas had been on record for nearly 100 years in support of the principle that workers on state projects should be paid the prevailing wage of the area where the work is to be done. The previous statute, K.S.A. 44-201, was originally adopted in 1891 and, during the last decade, was repealed primarily through the efforts of employers who stood to benefit by being able to reduce wages and thereby gain an

3/27/91
Att III
3-2

edge in bidding for state work. Once again, the opportunity to provide some measure of protection for workers is offered through House Bill No. 2278 which will require that federally determined prevailing wages under the Davis-Bacon Act be paid by contractors performing state work.

The object of the federal Davis-Bacon Act and more than 30 state prevailing wage laws has been and is to prevent the government and its agencies from undercutting wage standards in local areas during the process of letting contracts for state-funded and assisted construction work. These laws, and the house bill before you today, seek to achieve this goal by requiring that contractors on public jobs pay their workers in each craft not less than the prevailing rate of pay for that craft in the area where the work will be performed. These prevailing wages are made known to all contractors in advance of any bidding, and, because there is a floor below which wages may not fall, contractors cannot gain a competitive advantage over one another at the workers' expense. Without such protection, contractors may seek to win a particular bid by cutting workers' wages.

Payment of low wages by a contractor should not be permitted to become one of the measures by which state contracts are secured. Rather than selecting the contractor who is able to find workers willing to work for less money, the state will be much better served by allowing contractors to compete with one another based upon their management skills, experience and ability to perform the work efficiently and professionally. While it is necessarily true

3/27/91
Att III
3-3

that the state must award its work to the lowest, responsible bidder, establishing a floor below which wages may not fall does not eliminate any of the other factors which affect each contractor's competitive position.

Those who oppose prevailing wage legislation typically raise several arguments in support of their positions. It is most often claimed that requiring payment of prevailing wages will artificially inflate the cost of public construction projects. They have also argued that workers who are used to being paid less than the prevailing wage on private construction projects will somehow suffer from making more money on state projects causing inefficiencies, waste and low morale. It is further claimed that administrative costs of performing the work will increase and that opportunities for minorities and women will be reduced by the generally higher pay received by workers on such projects. These arguments suffer in several ways, not the least of which is the lack of empirical data to back them up.

The most frequent argument raised in opposition to prevailing wage legislation is that requiring payment of prevailing wages drives the cost of government construction up and therefore artificially inflates the burden borne by the taxpayers in paying for these higher costs. On the national level, these arguments have frequently been based on comparisons of the costs of private and public construction. It has been claimed that the costs of construction are inflated by anywhere from 1.4% to 26%. The figures are typically derived from studies which have been done

3/27/91
Att III
3-4

comparing commercial construction for private owners with public construction where prevailing wages are required. Higher wages, increased administrative costs, and the costs of compliance and enforcement are usually cited.

Such studies have almost invariably assumed that the worker-hours required to complete the work will be the same notwithstanding the fact that the wages paid may be different. Any analysis of the comparative cost impact of prevailing wage legislation should carefully examine this assumption, however it is usually ignored. In the late 1970's, the General Accounting Office studied 73 out of 18,000 projects and came to the conclusion that the Davis-Bacon Act had an inflationary impact on the costs of public construction. The study itself acknowledged that it had not been undertaken in a scientifically sound fashion and that the results of the study could not even be used to generalize about all of the projects that were ongoing during the year under consideration. The study further adopted precisely the same assumption of identical worker-hours being utilized without considering the fact that the assumption was subject to challenge.

This flaw in the GAO and other studies done in the late 1970's and early 1980's was pointed out in a report of the Massachusetts Institute of Technology performed by the Department of Civil Engineering. MIT concluded that employers give greater attention to the selection of their workers when required to pay higher wages than they might otherwise.

3/27/91
Att III
3-5

There can be no question that well trained and highly skilled construction craftsmen are often not willing to work for substandard wage rates. The workers who can be recruited to work below the prevailing wage rate are likely to be less skilled and less experienced. In many cases, these will be people with no formal construction training and only very casual attachments to the industry.

It seems clear that well trained, experienced workers will be able to complete a project much more quickly than workers with little construction experience. There's no advantage in employing someone at slightly lower wages if they take twice as long to finish the job.

In any case, the assumption by the GAO and other studies critical of the Davis-Bacon Act, that labor productivity is unrelated to wage levels, runs counter to established economic-production theory, and therefore, casts serious doubt on the validity of all such studies.

Even if the productivity differential is completely discounted, the reasoning of opponents of prevailing wage legislation is flawed. Their approach is one-dimensional and short sighted, since it completely ignores the costs, economic as well as social, that would be associated with a return to the conditions which existed prior to the enactment of such legislation, when the successful bidder was the one with the lowest bid -- regardless of how he cut his employees' wages to get there.

In order to scientifically examine the cost impact of

3/27/91
Att III
3-6

prevailing wage laws, a first step should be to look at the total costs of projects built under these laws, rather than looking merely at wage rates. This would be only a first step, as there may be significant differences in the quality of construction which don't show up in project costs.

Only a few studies of this type have been done. None of these provide any evidence to support the charge that prevailing wage laws are inflationary. In its Study of Public School Construction Costs, prepared by the Center to Protect Workers' Rights, in the late 1970's, a comparison was made of public school construction costs in states with and without prevailing wage laws. The study calculated the cost per classroom of new schools (adjusted for general interstate price differences), and then ranked the 48 contiguous states in order of average cost. If prevailing wage laws had had a significant cost impact, then states with these laws would be expected to be found clustered at the top of the list, and states without these laws would be found near the bottom.

In fact, no such pattern was found. Rather, the relationship between prevailing wage laws and construction costs appears to be fairly random. Nine of the twenty states with the highest cost per classroom had wage laws which were only partially applicable or not applicable at all to school construction. Of the twenty states with the lowest per room average costs, half had prevailing wage laws that were fully applicable.

In a study of federal Indian Housing Programs, involving the federal Davis-Bacon Act, the U.S. Department of Housing and Urban

3/27/91
Att III

Development made an effort to identify factors contributing to high costs for HUD-financed housing built on Indian reservations. One possibility they considered was that Davis-Bacon prevailing wage requirements might lead to excess costs. However, their research indicated that this was not the case. A comparison of average wage rates with average dwelling construction costs showed no correlation between high wages and high construction costs.

In 1971, the federal Davis-Bacon Act was suspended for a 35-day period by executive order of President Nixon. According to the claims made by prevailing wage opponents, the impact of this suspension should have been a sharp reduction in the cost of federal construction. In reality, no such reduction occurred. Data available for 1,263 projects which were bid under prevailing wage requirements and then re-bid during the suspension revealed that <u>on average, the second bid was lower than the first one by six-tenths of one percent.</u>

The available evidence indicates that prevailing wage protection does not lead to excess costs on government construction projects. On the contrary, paying the prevailing wage helps ensure that skilled and experienced construction workers will be hired thus promoting efficient, top quality work on government jobs.

It is clear that there are certain costs attendant to the performance of government work which frequently are not associated with private construction. The social and policy purposes of the state, even within the context of its construction activities, cannot be compared with those of the private sector. The state

3/27/91
Att III
3-8

should be and is much more concerned with insuring that policies in such areas as preventing discrimination against minorities and women are carried out by contractors performing work for the state. Each of these social policy concerns involves direct and indirect costs which the state routinely accepts as a cost of doing business. And well it should.

Those policy concerns are not well served when the state requires that contracts be let to the lowest responsible bidder without protecting the workers who will actually perform the work from those who would increase the profitability of the job at the worker's expense.

Competitive bidding on government construction is at best an art and certainly not a science. The art to that bidding process is simply to be the lowest bidder, by the smallest possible amount, in order to secure the work and then maximize the profits on the job. Those who urge that requiring payment of prevailing wages inflates the labor costs of such construction by a large factor are disingenuous if they attempt to leave the impression that savings in labor costs will be passed through to the taxpayers. Contractors are not engaged in charitable activity. They intend to make a profit on the job and if they are permitted to pay their employees less to perform the work, the effect is more likely to be that they can pocket a larger percentage of the price of the project as profit. In fact, if it were true that all of those labor cost "savings" were directly passed along to the state, then only those contractors who pay the absolute lowest wages would ever

3/27/91
Att III
3-9

get the work. That has not been true historically and for good reason. A "savings" to the contractor is not necessarily a "savings" to the taxpayers. It simply gives the contractor an advantage over other responsible bidders who may not be free to pay the lowest wage the market will bear to have the work performed.

By requiring that all contractors performing work for the state pay wages not lower than the floor established by the prevailing wages in the area, the state is simply establishing its policy that contractors performing work for the state will be awarded contracts based upon their skill and efficiency rather than by virtue of being able to exploit their employees through low wages. Such a wage floor helps establish a "level playing field" for all of the bidders. They are then free to compete with one another in areas other than wages and succeed or fail on that basis. As we all know, the trick to competitive bidding is to barely underbid the competition, not to underbid them by a mile.

As for the problems of paying employees more to perform government work than they might have been receiving on private construction, it seems that motivating employees by paying higher wages will no doubt increase the number of skilled employees available to perform the work. It will also help to diminish such problems as rapid turnover and absenteeism, all of which adversely affect the performance of the work.

A study carried out several years ago by the Project Management Group at the Massachusetts Institute of Technology identified a beneficial effect of the federal Davis-Bacon Act which

3/27/91
Att III
3-10

had been the subject of much speculation but never examined on an empirical basis.

The study found that management actions alone contribute significantly to differentials in the productivity of construction labor. From interviews conducted by MIT researchers with non-union contractors, it was found that more attention was paid to employee selection, training and management, when these employers were required to pay prevailing wage rates higher than those which they normally paid. It was concluded that increased emphasis on management resulted in greater productivity.

Another concern is the quality of the construction work being done and the useful life of the structures built. It is not unreasonable to expect that skilled, reliable employees are more likely to perform their work efficiently and effectively. This is an important consideration, especially where the work being done is on public structures which will serve the citizens of the state for a long time to come. Efficient and effective performance of the work will mean fewer problems with the structures after they have been placed in service and should mean that the designed life of the structures will be achieved with fewer maintenance and upkeep expenses than one would expect from projects completed by less skilled and more inefficient workers.

It is also argued that prevailing wage statutes have outlived their usefulness. It is asserted that such legislation may have been appropriate in the 1930's, but that times have changed and less scrupulous contractors seeking to make big profits on state

3/27/91
Att III
3-11

work are simply creatures of the past. We respectfully submit that the history of our own state's prevailing wage law eviscerates this argument. Apparently the need for such legislation was perceived at least as early as 1891. It was still a significant concern in 1931 when the state law was amended and the Davis-Bacon Act was adopted on the federal level.

Competitive pressures on the construction industry are probably greater now than ever before. Given such an intensely competitive climate, it is not unreasonable to conclude that the same abuses of workers which existed in the past would continue through the present were it not for legislation designed to mitigate the effects of the marketplace on workers. Workers' compensation, unemployment insurance and many other creations of statute have been developed to protect workers where competitive forces in the marketplace have failed.

The adoption of legislation requiring that workers on state projects be paid prevailing wages is simply one more element in a statutory scheme which helps prevent the exploitation of workers. Prevailing wage laws help to stabilize labor market conditions. Without enforcement of such laws, government contracting might be done slightly more cheaply in the short run, but only if government surrenders social responsibility to the already extreme competitive pressures of the marketplace. As mentioned earlier, lower wages do not mean lower costs to the government. Firms that pay low wages tend to be less productive per man-hour and are frequently marginal in the industry. Lower wages also mean less skilled and less

3/27/91
Att III
3-12

productive workers. It is an economic fact of life that better skilled, highly productive workers go to employers who pay better wages, have better equipment and provide more stable jobs. Where management is effective, those companies are successful in bidding on government contracts without competing by cutting wages and working conditions for their employees.

It must always be remembered that the state is required to accept the lowest responsible bid and one way to insure that the successful bidder is in fact responsible is to be sure that the employees of the low bidder are not subjected to unreasonable wage cutting in order to get the contract or to improve the contractor's profit. Private owners, not required to accept the lowest bid, have the ability to ensure their contractors will not bring unskilled, inefficient workers to the jobsite and those capabilities are not available to the state.

Finally, it will be interesting for the committee members to note that since the repeal of K.S.A. 44-201, no studies have been done to establish that costs for state work have in fact decreased. Given that the opponents of prevailing wages argue so vociferously about the inflationary effect of such laws, one would expect to be able to see immediate and dramatic cost savings to have attended repeal. We respectfully submit that no such savings to the state can be shown. This is because decreasing wages has not been shown to decrease the amount that the state pays for such work. Rather, these "savings" find their way into increased inefficiency, increased profits or both. Neither of those results enhances the

3/27/91
Att III
3-12

state's position at all.

The state should reassert its policy that contractors performing work on state projects shall be required to pay their employees the prevailing wages in the area where the work is to be performed. Establishing such a floor under wages requires that contractors seeking to bid for state work compete fairly and on a level playing field, thereby delivering more efficient work and more effective management. It requires that the contractors shoulder their fair share of the competitive burden and prevents them from simply passing that cost along to their employees who will actually build the public structures needed and required by the citizens of Kansas. We urge your support of House Bill No. 2278. Thank you.

3/27/91
Att III
3-14

4

TESTIMONY OF
THE RELIGION AND LABOR COUNCIL OF KANSAS CITY

THE HAROLD THOMAS CENTER
3210 MICHIGAN
KANSAS CITY, MO 64109
816-923-1255

ST. LUKES LUTHERAN CHURCH
712 REYNOLDS
KANSAS CITY, KS 66101
913-281-3102

prepared and delivered by

Gerald E. Meszaros
Council Coordinator

presented to
SENATE LABOR AND INDUSTRY COMMITTEE
OF THE STATE OF KANSAS

March 27, 1991

REGARDING HOUSE BILL 2278

L.I.&I.B.
3/27/91

Attachment IV
4-1

~~Mr.~~ Chair~~man~~ and members of the Kansas State Senate Labor and Industry Committee, thank you for this opportunity to appear on behalf of the Religion and Labor Council of Kansas City. This is the first time that a representative of the council has come before a Kansas Senate committee. Allow me to introduce ourselves to you. With your permission I will explain who we are, the nature of our ministry and then why we are called to support prevailing wage protection.

The Religion and Labor Council represents people of faith and people of the workplace -- from both sides of the Missouri-Kansas stateline and from both sides of the economic line -- workers and management. My name is Jerry Meszaros. I am the Council Coordinator. I am by faith a lay United Methodist and by trade a Teamster -- a Metho-Teamster.

Each month Presbyterians and Pipefitters, Catholics and Carpenters, Boilermakers and Baptists, Jews and Joiners, Methodists, Muslims and Machinists come to the table. We enjoy each other's fellowship and share journeys. We pray, we sing and joyfully praise the Lord. We give thanks that God has empowered us to build an economy that is prosperous, stable and just. Together we celebrate a very simple credo: **the workplace is sacred**.

Since faith is empty without action, we developed policy and program to make the word of God's justice become flesh. For instance we encourage our congregations to abide by prevailing wage standards in building projects. We may be exempt from paying taxes, but we are not exempt from doing justice.

Our co-ministry is based on sound theology. This economic theology was born from the wisdom of several faiths:

> "In the Old Testament, there is a deep abiding concern for the notion of a people in community, of a God who is just, a God who is righteous, a God who wants to make normative in relations between people a sense of doing justice. In the Pentateuch (the Laws of Moses), what is being asked of the people is a sense of right relations with one another, that the strong should help the weak and there should be respect of persons. Time and time again the Pentateuch prescribes that workers are not to be exploited. "You shall not oppress or rob your neighbor. The wages of a hired servant shall not remain with you all night until the morning" (Lev. 19:13). This was a corrective and reflected a need for balance in the community to learn, do good, seek justice and correct oppression..." (Isaiah 1:17)
>
> When asked to read a passage from the prophet Isaiah in the synagogue, Jesus chose one that called the faithful to release prisoners, to restore sight to the blind, to set the oppressed at liberty and "to proclaim the acceptable year of the Lord" (Luke 4:16-19, Isaiah 61:1-2). This "acceptable year" or "year of the Lord's favor" is believed by scholars to refer to the Jubilee, a time when slaves are set free, debts repaid and land and wealth equitably redistributed (Lev. 25:10-17). It is significant that Jesus chose this passage to announce His ministry[1]."

Our monthly dialogue is valuable. We in the labor community are learning much from our brothers and sisters of the cloth. Each faith represented at the Religion and Labor Council of Kansas City celebrates a long tradition supporting the efforts of working people to bring dignity and justice into the workplace and earn a decent wage. For instance:

* One of the earliest actions in the Hebrew scriptures -- the Torah -- was the first recorded strike in history. There was a character named Moses who took

[1]From "Organizing for Social Justice in the Workplace" -- a publication of the AFL-CIO.

3/27/91
Att IV
4-2

a bunch of brickmakers for a walk in the desert. These Jews represented diverse trades. They were industrial workers, building and construction workers and I might add they were all public employees.

* In the Christian faith we worship a man who was a carpenter -- a working man -- who ministered to and with other working people -- fishermen, farmers, soldiers, inn-keepers, a tax collector, and whores. God did not chose a banker or a lawyer for a Messiah. God picked a working man to minister to bankers and lawyers and the poor.
* To the Islamic community, the Koran and its teachings permeates the lives of all its faithful. Unkindness is not tolerated -- even in the workplace. The compassionate relationship between employer and employee is a covenant defined in the Koran, taught by the Prophets and practiced by the faithful.

We on the faith side of the table have learned a great deal from our brothers and sisters in organized labor. We are grateful to them for much:

* That our family, friends and neighbors can go to work, earn a living wage and come home safely;
* That the environment is protected from many toxins;
* That we have buildings in which to worship;
* That we have well-built roads, railroads and bridges to do commerce, visit relatives and respond to emergencies; and
* That we have civil rights laws, osha, minimum wages, social security -- we owe to the trade union community.

The Religion and Labor Council doesn't just gather to hug and affirm each other. Our dialogue has lifted up many common challenges, and we are developing ministries to address them. A short description will further explain why we are called to support prevailing wage protection.

We are concerned about the erosion of our wage base from a variety of causes -- from union busting to plant closings to double breasting.

* We call our faithful to condemn and cease the practice of union busting.
* Our co-ministry is developing ways to retain high wage industrial jobs in Missouri and Kansas. We are trying to keep the 45 jobs at Strongheart in KCKS. An industrial revenue bond is being used to relocate workers from one Kansas county to another. In some states such mis-use of the public trust and public credit is illegal.
* We are empowering workers to identify, anticipate and resist the forces that devastate our communities. For instance, the Federally mandated 60 day prior notification of a shutdown is inadequate. So we are teaching workers how to identify the early warning signs of plant closures. Here's a sample: let's say all of us in this room have been working at a factory for many years. We notice the following:
    * No new equipment or tools in several years;
    * Some people in sales, research and development are laid off;
    * The front offices are being painted and some azaleas are being planted in the front yard;
    * The last union contract negotiations were uncharacteristically easy; and
    * A secretary reports to a production worker that the boss has just subscribed to "The Twin Plant News."

Thus forewarned workers, communities and political leaders can implement creative retention and buyout strategies.

We are called to share the tragic message of the Twin Plant development of the Maquiladora industrial complexes throughout northern Mexico. How long can industry in your community withstand the temptation of employing teenage girls at 41¢ per hour with little environmental protection? These conditions exist not several thousand miles across the Pacific in Malaysia, but several hundred miles

3/27/91
Att IV
4-3

across the Rio Grande in Matamoras. Last year North Kansas City lost 190 workers at Jerrold Electronics to Matamoras.[2] Jerrold was our first identifiable Maquila loss in the Kansas City area. In 1992 Ford will complete a 770 acre assembly plant two miles from the new Jerrold Plant. Zenith, GM, AT&T and US Sprint all have significant Maquila production capacity. There are over 1800 Maquilas today.

Rev. Fritz Mutti, Superintendent of the United Methodist North District of Kansas City, Rev. Bill Filbern, Executive Director of Presbyterian Urban Ministry Network of Kansas City -- Missouri and Kansas, Pat Kenoyer of Sisters of Lorretto, Rabbi Dan Horwitz of Temple Ohev Sholom of Prairie Village and Bishop Charles Maahs of the Kansas Synod of the Evangelical Lutheran Church of America did not know the meaning of Maquiladora until we came to the table with other ministers -- our brothers and sisters of organized labor.

We are participating in local and national campaigns to bring justice and prosperity on workers on both sides of the US/Mexican border. We support the intervention of certain industrial standards of conduct for U.S. or Kansas-based businesses that expand or relocate production facilities in northern Mexico. We want fair trade as well as free trade.

I hope we have an opportunity at a later date to share with you further our industrial retention programs. We will need your help to build an economy that is prosperous, stable and just.

Back to House Bill 2278. It is an unfortunate symptom of an uncaring economic system that we continue to support those forces that drive down the wages and living standards of construction workers. Competition is a very bad thing when workers must compete with workers. Good business practices and justice are one and the same.

The health of our communities is vitally dependent on the well being of the building trades. Prevailing wage protection laws help sustain decent wage levels. This is healthy for local economies. It is a fact of economic life that there is no better local economic engine than good wages. A working person's paycheck is spent mostly on locally made products and services. Prevailing wage laws like Davis Bacon and Little Davis Bacon represent an understanding on the part of government that it has a responsibility in protecting its citizens and the economy.

Many of the faiths represented at the Religion and Labor Council have -- as yet -- no written position on prevailing wage protection. But:

* All condemn the practice of pitting worker against worker -- in the name of competition -- whether they be in different countries, counties or in different zip codes; and
* All recognize the need for working people to make good wages.

It is time for our elected leaders and we in the faith community and we in labor and we in business -- to put foolishness behind us and get on with building community. There are many challenges to face and we must face them together:

* How are we as a community going to face the threat of massive job loss to the Maquiladora?
* How are we going to address environmental clean up?

[2] These workers earned an average of $9.70/hr. Their unemployment will cost the people of Missouri in two years $2,535,000 in lost and paid out Federal, State and Local taxes. The business community will suffer too. Missouri will lose $15,900,000 in upstream and downstream sales. That means an additional loss of 35 jobs.

3/27/91
Att IV
4-4

* How are we going to deal with a suffocating national debt?
* How are we going to deal with the financial crisis?
* How are we going to provide health care for all?
* How are we going to develop products to put people back to work?

Other economic systems are eating our lunch and we still argue the value of decent wages on public projects.

All too often the faith community is left out of -- or avoids -- very basic economic dialogue. For far too long the trade union community ministered alone in the workplace. No more. Never again will people of faith keep their message of justice locked up in churches, mosques and synagogues. No longer will we ignore the workplace -- for the workplace is sacred. The Religion and Labor Council grieves because the workplace is broken. We hear its cries for the healing power of faith. Industrial relocation to the Maquiladoras of northern Mexico -- Food Barn advertising for our children to become striker replacements -- double breasting on the construction site. These are the legacies of an uncompassionate economic system.

We call upon you our political leaders to be our colleagues in ministry to join our struggle for a fair wage, for economic justice and for economic survival. The time for fighting each other is over. The time for reconciliation is at hand. We must go on to those matters that build community and celebrate God's presence in our lives.

In the spirit of shalom, in peace and in prosperity: We of the faith community and we of the work place ask you to support HB 2278. Thank you.

3/27/91
Att IV