

**WRITTEN TESTIMONY TO THE SENATE COMMERCE COMMITTEE
IN OPPOSITION TO SENATE BILL 318**

Dan Morgan

The Builders' Association and the Kansas City Chapter, AGC

February 9, 2012

Thank you, Chairperson Wagle and members of the Senate Commerce Committee. My name is Dan Morgan. I am the former president of the Builders' Association and former executive director of the Kansas City Chapter, Associated General Contractors. I now provide governmental affairs representation for these organizations in Kansas and I submit this written testimony in strong opposition to Senate Bill 318 on their behalf for the reasons set out below. The Builders' Association and KC Chapter, AGC represent more than 900 general contractors, subcontractors and suppliers engaged in the commercial and industrial building construction industry. Half of our members are located in the Kansas City area and are either domiciled in Kansas or perform work in the state.

Adoption of this legislation would be inadvisable for any project located anywhere in the state, but it is especially untenable for contractors and subcontractors located in or near communities which are located near a state line such as Kansas City, KS, Overland Park, Olathe, and Lenexa, for example. Specifically, SB 318 would require any contractors entering into a state contract of \$100,000 or more, or performing work on a STAR bond project, to have their workforce, and their subcontractors' workforces, made up of at least 70% Kansans.

While this requirement would often be easily met by contractors and subcontractors located in the interior regions of the state, it would effectively eliminate many qualified contractors from competing for such work. In fact, it would exclude many Kansas contractors and subcontractors in the Kansas City area from competing for such work in this area as many of their employees may be residents of Missouri. Our Kansas City area contractor and subcontractor members who may not have 70% of their workforce comprised of Kansas residents simply cannot rearrange the makeup of their workforces in order to comply with such a requirement.

SB 318 obviously is designed to guarantee that the lion's share of the work performed on such projects is performed by Kansans. It creates a strong preference for Kansas contractors, subcontractors and workers. While this may initially appear to be a laudable goal, such a preference would not only hurt Kansas contractors located near state lines who may not have a workforce made up of 70% Kansas residents, it would also hurt Kansas contractors and subcontractors who would like to compete for similar work in neighboring states. Why? That is because preference laws in one state are generally countered with so-called "reciprocal" preference laws in neighboring states. Such laws impose the same or similar restrictions in favor of their residents and thereby make it virtually impossible for Kansas contractors to compete for state funded work in those neighboring states. We have a long history of opposing preference laws wherever and whenever they are proposed because open competition across state lines and across the boundary lines of political subdivisions within a state is essential to the building construction industry and other industries as well.

Finally, we oppose SB 318 because it restricts competition on such state contracts. Reduced competition on public funded or assisted projects generally results in higher cost to Kansas taxpayers. We respectfully ask that you preserve free and open competition on such public funded projects in Kansas by opposing SB 318. Thank you very much for your thoughtful consideration of our position on this very important issue.

Senate Commerce Committee

Date: February 9, 2012

Attachment 7