

TESTIMONY
HOUSE COMMERCE, LABOR &
ECONOMIC DEVELOPMENT COMMITTEE

By Andy Sanchez, KS AFL-CIO on February 7, 2017

Thank you Chairman Mason and members of the committee. I appear before you all today in support of HB 2185. The bill would restore the responsibility of local government's say in construction projects, particularly wages.

With the passage of HB 2069 a few years ago, local governments in Kansas could no longer utilize prevailing wage(s). Prevailing wages provide the best possible outcome on a project, primarily because the work is completed on time and on budget! Prevailing wage laws have been in common practice since 1931, but Kansas was the first state to pass a prevailing law for its public works projects in 1891. While our state repealed the law in 1987, local governments, on a given economic development project they approve had the purview to choose on a procurement process. We agree that it is reasonable that local elected officials be held accountable to local voters.

Prevailing wage laws are designed to pay a fair wage comparable to the local standard in the community area. Such a law prevents contractors from simply low-balling bids to get a contract and then using unskilled labor who don't always provide high quality construction work. The problem with taking the lowest bidder (and there are many), is that contractors look for ways to cut corners which often takes the form of misclassifying workers as contractors and our state suffers. In this instance, no social security is paid, no medicare, no state and federal income taxes, no work comp and unemployment taxes are paid into their respective systems. It's gaming the system! Add in a reluctance by unscrupulous contractors to pay employee health care or retirement benefits. These benefits are invaluable solutions to much of what ails our local communities.

Numerous studies have examined the merits of prevailing wages including one from the Economic Policy Institute and another I cite here more recent and specific to our State's Sedgwick and Wyandotte Counties. It is from the University of Missouri-KC. The study notes that labor accounts for just 23% of

construction costs. Next, that other previous studies often overlooked that with increased wages, no account is made for increased labor productivity. Formal apprenticeship training generates more value per worker. Also, that in every instance measured costs were cheaper prior to the law change by looking at 1,049 projects between 2005-2013 and 276 projects between 2014-2016. The projects were all non-residential construction including work at schools and universities. Finally, the study concluded that beliefs that prevailing wage laws increase total construction costs are faulty and based on non-scientific assumptions.

Prevailing wage is a great tool to keep competition honest where focus is on skill training, safety and management organization. It's a good way to guarantee returns on investment of local government projects because dollars earned are redistributed right back into the local economy. Please join us in support of HB 2185. Thank you.