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October 11, 2011

John R. Gordner, Chair  
Senate Committee on Labor & Industry  
Senate Box 203027  
Harrisburg, PA 17120-3027

**Re: Prevailing Wage Hearing: Chambersburg Hearing**

Dear Senator Gordner:

As a matter of background, my name is Michael Ross and I am President of the Franklin County Area Development Corporation (FCADC). The FCADC is a 501(c)(6) non-profit corporation whose mission is to formulate, implement, and promote a comprehensive economic development strategy for Franklin County. To carry out our strategy, we deliver a full range of economic development services that are intended to: 1) support the retention and expansion of existing Franklin County businesses; 2) attract new businesses to the County that have the potential to diversify our economy and create family sustaining employment opportunities; and 3) assist individuals interested in starting new businesses. The FCADC, which is governed by a 25 member board of directors, has a successful 25-year track record, which is chronicled on our website [www.fcadc.com](http://www.fcadc.com).

In my 34-years of practicing economic development in the Commonwealth, there is arguably no issue that has had more of an impact...both perceptual and real...than prevailing wage rates. The prevailing wage legislation unnecessarily increases the cost of every project in excess of \$25,000 that in any way receives state funding; that includes Infrastructure Development Grants, Opportunity Grants, and related grant funding administered by the Department of Community & Economic Development (DCED). Our office always advises recipients of Opportunity Grants (now known as the "Pennsylvania First" program) to use the funding for project costs not related to construction because to use the grant for construction related costs (even if the grant

represents a fraction of the total construction budget) triggers the use of prevailing wage rates for the entire project. Prevailing wage rates can inflate a project cost by as much as 30%. For a state that consistently fights against the perception that it is a high cost state in which to do business, the mandating of prevailing wage rates only validates that perception.

So, what can be done? In my opinion there are three (3) primary options:

- 1) ***Elimination of Prevailing Wage Rates...***The repeal of the current statute would solve the problem, however as a political realist, there does not appear to be enough legislative support in either the House or the Senate to do so; consequently this is the least viable option.
- 2) ***Increase the Current Threshold...***Under this scenario, the current \$25,000 threshold would be increased to something higher; while \$185,000 has been openly discussed, it would not exempt significantly more projects than are currently exempt. The threshold should be increased to not less than \$500,000.
- 3) ***Local Option...***In my opinion, the most logical and fair option is to formulate legislation that would require a local referendum regarding the use of prevailing wage rates. As an example, if a school district, municipality, or county is preparing to undertake a construction project, it would require a referendum to subject the project to prevailing wage rates. Therefore, the public who is directly responsible for supporting the project would determine whether prevailing wage rates should apply.

For those projects that would require prevailing wage rates, the applicable rate should be established on a county-by-county basis. There is great disparity between Montgomery County and Franklin County, as there is between Allegheny and Perry, and that needs to be recognized. The wage discrepancy between publicly and non-publicly funded projects and the issues it can cause among company employees is an oft cited deterrent by many local contractors for choosing not to bid on the public projects. Furthermore, there is no empirical evidence confirming a correlation that the use of prevailing wages increases production, improves quality, or accelerates project timelines.

The opportunity to address critical issues is often about timing, and the timing appears right for the legislature to substantively reform the prevailing wage rate act

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and to make Pennsylvania a more business friendly state. Your consideration of this matter is greatly appreciated.

Sincerely,

A handwritten signature in black ink, appearing to read "L. Michael Ross". The signature is written in a cursive style with a large, sweeping flourish that extends upwards and to the right, crossing over the word "Sincerely,".

L. Michael Ross, EDP  
President

C: Senator Rich Alloway, II, 33<sup>rd</sup> District  
Representative Rob Kauffman, 89<sup>th</sup> District  
Representative Todd Rock, 90<sup>th</sup> District  
Representative Mark Keller, 86<sup>th</sup> District  
Representative Dan Moul, 91<sup>st</sup> District  
Robert Ziobrowski, Chair, Franklin County COG  
FCADC Board of Directors