

Labor and Industry Hearing

October 11, 2011

Good morning Chairman Gordner, and members of the Labor and Industry Committee.

I welcome you to South Central Pennsylvania this morning, and I thank you for the opportunity to testify before your committee on this very important subject of "prevailing wage".

I am Barbara Underwood, President of the Adams County Council of Governments. Our membership consists of the County of Adams, 7 of the 14 Boroughs, 16 of the 20 Townships and all 6 school districts. I also serve as Vice-Chair of the Cumberland Township Board of Supervisors. With me today is Bob Gordon, Vice –President of the Council of Governments, and Chairman of the Board of Supervisors of Hamiltonban Township.

In addition, a number of elected officials and staff from the Adams County Council of Governments membership have joined us today, to impress upon you the importance of the prevailing wage subject to Adams County. (Stand, Please) Thank you.

We have submitted various pieces of evidence before today for your review, and we will briefly discuss some of these projects, since our time is limited.

The Prevailing Wage Act was passed in 1961. The trigger threshold for a project to fall under prevailing wage was established at \$25,000. That was 50 years ago, and time has long since passed for this amount to be adjusted. In today's world, that amount is very limiting for municipal and school projects.

In 2010 Cumberland Township had a leaky roof to be replaced on the municipal building. The total for the replacement as bid, including prevailing wage for the laborers, was \$46,500. Laborers were paid the prevailing wage of \$22.72 per the Pennsylvania Department of Labor and Industry, Center workforce Information

website, 05/01/2010. The same site indicates \$10.53 average hourly wage for a laborer in Adams County. No fringe benefits were included in either figure. There was minimal interest in bidding on this public works project by local contractors due to disparity of wages causing internal strife with some workers receiving higher wages, while other workers on other projects doing the very same job receive lesser wages. We are finding this a common occurrence in the bidding process in Adams County.

Road projects for the Boroughs and Townships is another area of concern. During these difficult economic times, and the low amount of liquid fuel disbursement from the Commonwealth, sufficient funds do not exist within the municipalities to complete projects. Some work, where costs exceed \$25,000 thus triggering the threshold; are just not bid: therefore contractors are losing the opportunity to work. SB 822 is helpful in distinguishing between maintenance work and new construction. This would help us complete more roadwork. We therefore support SB 822 which defines maintenance work. In addition, with all due respect, we would like to see the \$200,000 applied here also, as amended in SB 821.

Carroll Valley Borough had road/stormwater damage in April 2011. An estimate, \$45,000 from their engineer, included prevailing wage; indicated the cost of repair would be over the threshold limit. Rather than go through the hoops of bid documents, advertising, and design engineers, and of course prevailing wage, they elected to make repairs in house. Total cost of \$6,958.

When Prevailing Wage Law was established, we understand some of the reasons and concerns were related to quality of contractors work, since public money was being spent. We do not believe that concern is valid any longer. Since 2004, the Commonwealth has adopted the Uniform Construction Code, which assures that work is of a sufficient quality and meets all the standards set therein. We now have certified building/construction officials and inspections in this Commonwealth. In one municipality where a prevailing wage project is underway, the officer had already reviewed the plans, and documents before

construction began and will continue with inspections during construction to assure all Codes are being met.

Another project is the Franklin Township, Cashtown/McKnightstown Sewer Project. The cost of this project was \$8 million dollars. They received a loan from Pennvest for \$5.8 million dollars, a Pennvest grant for \$825,802, and a Federal grant for \$191,000. The Township contributed \$1.2 million to the project. This project serves 261 households, 26 businesses, and an elementary school. If this project did not need to comply with prevailing wage, it is estimated a savings of \$2million would have been realized. This would have been a huge benefit to the users of the sewer plant who have to carry the burden with their user fees to repay the debt.

The Penn State Fruit Research and Extension Center Project in Adams County in 2010, paid prevailing wage to truck drivers in the amount of \$31.20 an hour (no fringe benefits). The Pennsylvania Department of Labor & Industry, Center for Workforce Information Website indicates an average hourly wage of \$18.88 for a truck driver in Adams County (no fringe benefits). Obviously the difference exceeds the frequently referenced 20%-30% charge.

Our school districts are envious of their neighbors to the west. The state of Ohio, in 1997, exempted school construction and renovation from their Prevailing Wage Law. The legislature did so with the understanding that a study would be completed to analyze the effects. The Ohio Legislative Service Commission in 2002 released the study's findings that school districts saved nearly \$500 million with an average savings on construction spending of 10.7 percent. The results were encouraging enough for the Ohio Legislature to uphold the exemption. This was reported by the Allegheny Institute for Public Policy, Brief Number 30, Volume 11, dated May 23, 2011. In these unprecedented economic times, may we suggest the Commonwealth Labor and Industry review the "Ohio experience".

We in South Pennsylvania know that you have various constituents to satisfy, however, we look forward to your amending this outdated legislation that has been unchanged since 1961.

We thank you for the various bills you have introduced, and those of you who have co-sponsored this legislation. We are pleased with your efforts on our behalf.

Thank you again for allowing us time to speak with you regarding our concerns. If you have any questions, we will try to answer them. Again, welcome to South Central Pennsylvania.

Coldsmith Roofing, Inc.
P.O. Box 4314
154 East Water Street Rear
Gettysburg, PA 17325
PAHIC#-PA022188

Phone #: (717)-334-0331
Fax #: (717) 337-1528

Invoice

Date	Invoice #
12/23/2010	11648

Bill To
Cumberland Township 1370 Fairfield Rd Gettysburg, Pa 17325

P.O. No.	Terms	Project
Roof	Due on receipt	

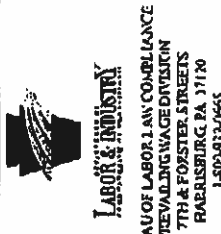
Description	Qty	Rate	Amount
As per Contract		41,700.00	41,700.00
As per Contract - North lower roof.		2,900.00	2,900.00
As per Contract - South end upper portion.		1,900.00	1,900.00

Thank you for your business and your patience.	Subtotal	\$46,500.00
	Sales Tax (6.0%)	\$0.00
	Total	\$46,500.00
	Payments/Credits	\$0.00
	Balance Due	\$46,500.00

WEEKLY PAYROLL CERTIFICATION FOR PUBLIC WORKS PROJECTS

Contractor or Subcontractor (Please check one) **ALL INFORMATION MUST BE COMPLETED**

CONTRACTOR Coldsmith Roofing Inc. **SUBCONTRACTOR** _____
ADDRESS PO BOX 4314 **ADDRESS** _____
 Rear 134 E. Water St. Gettysburg PA 17325
PAYROLL NUMBER _____ **WEEK ENDING DATE** 12/16/2010 **PROJECT AND LOCATION** Cumberland Township Roof Replacement
 1370 Fairfield Rd. Gettysburg PA 17325
PROJECT SERIAL # _____ **PROJECT #** _____



EMPLOYEE NAME	APPR. RATE (%)	WORK CLASSIFICATION	DAY AND DATE							S-TIME	O-TIME	BASE HOURLY RATE	TOTAL FRINGE BENEFITS (C-Cash) (FB-Contributions)*	TOTAL DEDUCTIONS	GROSS PAY FOR PREVAILING RATE JOB(S)	CHECK #
			HOURS WORKED EACH DAY													
			F	S	Su	M	T	W	Th							
[REDACTED]		Roofer	10	11	12	13	14	15	16			37.73	C: FB:	444.80	905.52	5551
[REDACTED]		Labor					8	8				28.65	C: FB:	178.99	687.60	5552
[REDACTED]		Labor					8	8				28.65	C: FB:	335.75	687.60	5553
[REDACTED]		Labor					8	7	7			28.65	C: FB:	189.43	630.30	5549
[REDACTED]		Roofer					8	8				37.73	C: FB:	348.77	905.52	5545

*SEE REVERSE SIDE PAGE NUMBER _____ OF _____

\$13317.00

Barbara Underwood

From: "David Hazlett" <manager@carrollvalley.org>
Date: Wednesday, September 28, 2011 10:45 AM
To: "Barbara Underwood" <barbunderwood@comcast.net>
Subject: Requested info
Day late...getting to be the norm for me...

We had a road/stormwater repair from storm damage in April 2011. At the time of the incident, we received an estimate from our engineer of \$45,000 for a contractor to make the repairs. When inquiring as to why the cost was so high, the response was because it would be a scale-wage job.

I decided to complete the repairs in-house at a total cost of \$6,958, for equipment rental and materials. I'm not sure that the complete increase was attributable solely to pay scale, but it is an example of a small repair job that had several hoops to jump through to have an outside agency do it.

We didn't need to produce bid documents, or place advertisements, or pay design engineers. My crew was paid their normal everyday wages.

I estimate roughly \$ 12,000 to prepare design and bid due to scale wage job. That does not include higher contract price for contractor due to threshold being exceeded.

Dave



DAVID A. HAZLETT

Borough Manager

Carroll Valley Borough
5685 Fairfield Road
Fairfield, PA 17320

(717) 642-8269 ext. 24
(717) 642-6717 (fax)

9/28/2011

BUILDING INSPECTOR
PENNSYLVANIA CERTIFIED**LAND AND SEA SERVICES LLC.**

January 25, 2011

Representative Will Tallman
1157 Eichelberger Street
Hanover, Pa. 17331

Dear Representative Tallman,

As you begin the New Year, I know you will be pressured by the Pennsylvania Builders Association to roll back or try to dismantial the efforts of the Building Codes in Pennsylvania. Let me encourage you not to let this happen because I know it's not about the Pennsylvania Builders Association but about the home owners who rely on the services of the builders. The improvements and advancements that have been made, to help the homeowners since the building code came into Pennsylvania is beyond my ability to comprehend or put a dollar amount to. Let me share with you just two of multiple stories that I have been involved with in my area here in Adams County.

A single mother wanted to build a screened in porch to the back of her new home. The builder she chose and paid did poor workmanship and while under construction, the project did not meet the building code. The roof was not sloped enough for water run-off, the face board was put over the siding on the house wall for the mounting roof rafters, he was covering treated lumber with aluminum flashing, the floor sloped into the house wall, just to name a few code violations. The builder refused to make the required building code changes. Because of these findings, I was able to testify along with the homeowner before the district judge. The judge ruled that the contractor needed to return the money paid for the job and remove the construction materials that were in place. This gave the homeowner the ability to go out and get a new contractor to do the job right with the money that was returned to her. That was possible only because of the building codes and my position as a Certified Building /Construction Code Official in Pennsylvania.

The second project was a couple that approved the release of the last bank construction loan payment to the contractor before all the work was completed. The contractor did not return to complete the work nor did he take their phone calls. This left the homeowners nowhere to turn and frustrated. I was able to meet with them and a new contractor to go over in detail what work needed to be done to complete the job. This provided all the information they needed to complete the project so the homeowners could move into their new addition without future problems or safety concerns. This would not have been possible if it had not been for the building codes and my help as a Certified Pennsylvania Building/Construction Code Official. There are many more stories I can tell you that supports why Pennsylvania needs a current active building code, but the main reason is because it's most important to the homeowners of Pennsylvania, not the builders. In many cases the homeowner has very limited knowledge and experience in building. The code and inspection process provides protection for what will be their second largest expense and asset in their lifetime.

1837 Heidlersburg Road
Aspers, Pa. 17304

Phone: 717 - 677 - 7356
Cell Phone: 717 - 253 - 5426
Email: wmslohour@ps.net

I know there are challenges to what Pennsylvania has done in adopting and implementing the code and there are always growing pains with progress. I also realize that not all inspectors are as accountable as I have challenged myself to be, but as the saying goes; don't throw the baby out with the bath water.

You are welcome to meet with me or I would be very happy to visit with you, so I can answer your questions and explain in more detail why I know there is a need to continue to grow and improve the Building Codes in Pennsylvania.

I will be meeting with some of our local fire companies shortly to speak to them about residential building code fire safety by design "construction and fire safety by design". I will inform you of the place, date, and time when final arrangements have been made. I would be very happy for you presence at this meeting.

Building Better,

Wilbur Slothour, Building, Construction Code Official
#000692 Pennsylvania Certified

Cc, Pennsylvania Association of Building Code Officials

Board of Supervisors
Daniel W. Fetter
Sandra K. Spence
Ed D. Sharrah



Secretary
Dorothy J. Shaffer
Zoning, Permitting &
Code Enforcement
Land and Sea Services

Office: 717-334-4901
Fax: 717-334-0865

www.franklintwp.us
info@franklintwp.us

**Franklin Township
Board of Supervisors
P.O. Box 309
Cashtown, PA 17310**

September 26, 2011

To: Members of the State Senate

From: Franklin Township, Adams County

Re: Support of Prevailing Wage Legislation, SB792, S795, SB796, SB820, and SB822

In order to improve Pennsylvania's infrastructure and provide jobs, we support legislative action to change Pennsylvania's prevailing wage law, which inflates the cost of construction projects. Changing the prevailing wage law would reduce construction costs and allow budgeted funds to pay for more roads and other infrastructure projects.

In Franklin Township the Cashtown-McKnightstown sewer project was a prevailing wage project due to the contract value being significantly more than \$25,000. The total cost of the sewer project was 8 million dollars. Franklin Township received a PENNVEST loan of 5.8 million dollars (30 years at 1%). The Township also received a PENNVEST grant for \$825,802 and a Federal grant for \$191,000. The Township contributed \$1.2 million to the project.

The purpose of the sewer project was to provide public sewer to serve 261 households, 26 businesses and an elementary school. The sewer project started August 2008 and was completed September 2009.

If the sewer project had been privately funded or used non-prevailing wage rates, a general rule of thumb for cost savings is 25%. Therefore, the overall savings for the Cashtown-McKnightstown sewer project could have been as great as 2 million dollars. This would have been a considerable savings for the residents and business owners presently paying for the system.

Respectfully submitted,

Franklin Township Board of Supervisors

Barbara Underwood

From: "Robert Gordon" <robertlg@centurylink.net>
Date: Thursday, September 22, 2011 7:25 PM
To: "Barbara Underwood" <barbunderwood@comcast.net>
Attach: Penn State Fruit Research & Extension Center Project Prevailing Wages.pdf
Subject: Fw: Confidential

Hi Barb;

Here is our first submittal fyi. Bob

----- Original Message -----

From: R. Raub
To: Robert Gordon
Sent: Thursday, September 22, 2011 6:29 PM
Subject: Confidential

Confidential Via Internet E-Mail

Mr. Bob Gordon
Vice President
Adams County Council of Governments

Bob,

I submit the following and attached for your consideration.

Truck drivers working on the Penn State Fruit Research & Extension Center Project in Adams County were paid a "prevailing wage" of \$31.20 per hour, or \$65,083.20 per year (no fringe benefits). [See attached]

The Pennsylvania Department of Labor & Industry, Center for Workforce Information Website indicates an average hourly wage of \$18.88 for a truck driver in Adams County, or \$39,260.00 average annual wage (no fringe benefits).

A simple comparison of the foregoing \$65,083.20 with \$39,260.00 reveals that some projects for which "prevailing wages" are required far exceed the 20% - 30% difference for "non-rated jobs" often referenced.

Respectfully,

Russell Raub
Tyrone Township

9/27/2011

Project Name: UNIVERSITY DRIVE
Awarding Agency: BUTLER TOWNSHIP
Contract Award Date: 5/10/2010
Serial Number: 10-02244
Determination Date: 4/8/2010
County: Adams
Assigned Field Office: Harrisburg
Field Office Phone Number: (717) 787-4763
Toll Free Phone Number: (800) 932-0665

Craft	Hourly Rate	Fringe Benefits	Total	Effective Date
Laborers	\$21.82	\$8.28	\$30.10	05/01/2009
Laborers	\$22.72	\$8.68	\$31.40	05/01/2010
Operators, Heavy	\$26.42	\$16.57	\$42.99	05/01/2010
Operators, Heavy	\$27.72	\$17.57	\$45.29	05/01/2011
Plumbers and Steamfitters	\$30.27	\$18.16	\$48.43	05/01/2009
Plumbers and Steamfitters	\$31.07	\$19.36	\$50.43	05/01/2010
Truck Driver	\$30.14	\$0.00	\$30.14	05/01/2010
Truck Driver	\$31.29	\$0.00	\$31.29	05/01/2011

Policy Brief

*An electronic publication of
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May 23, 2011

Number 30

Volume 11,

Time to Repeal Prevailing Wage Law

Many, perhaps most, Pennsylvania school districts are facing a financial crunch. With taxpayers already stretched to the limit and Harrisburg contemplating large cuts to K-12 education spending, districts must watch every penny. One way the Legislature can help offset the budget cuts and assist school districts would be to repeal the prevailing wage requirement for school construction and renovation.

Prevailing wages are determined by the state and are usually set at the local union wage for construction occupations, which are usually well above free-market wages. Research has shown these wages can inflate construction costs by anywhere from ten to thirty percent. Eliminating this requirement for school districts can help alleviate the cost and provide much needed breathing room. For example, the Mt. Lebanon School District is planning to build a new high school. The bids for the project came in 16.5 percent over the budget forecast. If the prevailing wage requirement was not in place and the bidding opened up to non-union contractors, there likely would have been a bid near or under the projected budget.

There are thirty one states with prevailing wage laws including Pennsylvania and Ohio. But where Pennsylvania diverges from its neighbor is with school districts. In 1997, Ohio exempted school construction and renovation work from the law. The legislature did so with the understanding that a study would be completed to analyze the effects. The Ohio Legislative Service Commission in 2002 released the study's findings that school districts saved nearly \$500 million with an average savings on construction spending of 10.7 percent^[1]. The results were encouraging enough for the Ohio legislature to uphold the exemption.

How much could Pennsylvania's school districts save if the prevailing wage law was eliminated?

The Pennsylvania Department of Education releases an annual *Report on School Buildings* in which they survey all school districts across the state on the status of the school facilities and projected future construction needs. The most recent report is from the 2007-08 school year^[2] (274 school districts (55%) responded to the survey). One of the main findings of the report is that nearly 85 percent of the buildings were originally constructed before 1980. Only fifteen percent were constructed since 1980. Given the age of these buildings it is likely most districts will embark on major renovations or be looking to construct new facilities in the near future.

Using estimated construction costs can give an idea as to the savings that could be realized by opening up the bidding to competition and market wages. Districts responding to the survey indicated that in the 2007-08 school year they would spend \$1.67 billion in a combination of new construction, building additions, and renovations. Using Ohio's 10.7 percent construction savings from eliminating prevailing wage would have translated into Pennsylvania savings of over \$178.98 million in 2007-2008. The

Report also estimated that, for the 2010-11 school year, districts were to spend \$521.6 million. Again using the 10.7 percent savings rate would amount to \$55.8 million in total savings. Keep in mind that this represents a conservative estimate. Some studies have shown savings to be as high as 39 percent. Ultimately, the rate of saving will depend heavily on the location of the school district and the difference between the prevailing wage rates and market wages in the area. Savings will also depend on the strength of the negative impact resulting from union work rules and their ability to create workplace inefficiencies.

Proponents of the prevailing wage law will argue that the upfront savings achieved by opening up the bidding to competition will be offset with lower quality work that will have to be redone thus costing the school district more in the long-run. Again the Ohio Legislative Report looked at this argument and found no conclusive evidence of lower quality work. In fact, 98 percent of the respondents to the survey reported “no change in quality or an improvement in quality.” Even if prevailing wage proponents dismiss the survey as being biased, there is one simple fix to ensuring quality—proper monitoring by building inspectors. Not only does the Commonwealth set standards for building quality, many municipalities have building inspectors that monitor these standards.

As we noted in a previous *Policy Brief (Volume 11, Number 29)*, the percentage of Pennsylvania’s private sector workers belonging to a union has fallen below ten percent. Even though the percentage of private construction union membership has remained steady over the last two decades, at twenty-five percent, this represents a small minority of workers in the construction trades. Thus, the prevailing wage law is benefitting a relative handful of the state’s construction workers. In short, there is a massive transfer of income from taxpayers to union construction workers with no accompanying taxpayer benefit or output increase relative to the situation that would exist in the absence of prevailing wages requirement.

The prevailing wage law is an insult to taxpayers and the 75 percent of construction workers who are not in unions. Why is it so sacrosanct in Harrisburg?

[1] <http://www.isc.state.oh.us/research/srr149.pdf>

[2]

http://www.portal.state.pa.us/portal/server.pt/community/school_facility_information/14341/sy_2007-2008_school_facility_report/592268.

Frank Gamrat, Ph.D., Sr. Research Assoc.
Haulk, Ph.D., President

Jake