

MINUTES

MONTANA SENATE
54th LEGISLATURE - REGULAR SESSION

COMMITTEE ON LABOR & EMPLOYMENT RELATIONS

Call to Order: By CHAIRMAN TOM KEATING, on January 26, 1995, at

ROLL CALL

Members Present:

Sen. Thomas F. Keating, Chairman (R)
Sen. Gary C. Aklestad, Vice Chairman (R)
Sen. Steve Benedict (R)
Sen. Larry L. Baer (R)
Sen. James H. "Jim" Burnett (R)
Sen. C.A. Casey Emerson (R)
Sen. Sue Bartlett (D)
Sen. Fred R. Van Valkenburg (D)
Sen. Bill Wilson (D)

Members Excused: None.

Members Absent: None.

Staff Present: Eddye McClure, Legislative Council
Mary Florence Erving, Committee Secretary

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing: SB 85
Executive Action: None.

{Tape: One; Side: One}

HEARING ON SB 85

Opening Statement by Sponsor:

SENATOR BENEDICT, SD 30, Hamilton, stated SB 85 was requested by several of the Hamilton local school districts and by the County Commissioners. Senate Bill 85 would remove the requirement that the standard prevailing wage be paid on public works projects, sponsored by city, county, school districts or other political subdivisions. SENATOR BENEDICT assured the committee his intention to provide relief to the counties, cities, schools, and others is because he believes government does not belong in the business of protecting private sector wages, especially not

protecting the wages of only fifteen percent of the workforce. The prevailing wage laws and regulations substantially increase the cost of many taxpayer-funded projects. In the case of the Hamilton School District, the school board put up a school bond issue, to comply with the Little Davis Bacon Act. This decision was estimated to add almost \$1.5M to the particular project and almost \$1.4M in excess cost to the Stevensville school bond levy. Both of the projects were voted down by the taxpayers. **SENATOR BENEDICT** stated the projects could have had a better chance of passing if they had reduced the building costs by \$1.5M apiece. **SENATOR BENEDICT** distributed letters from school districts that expressed the administrative frustrations (**EXHIBIT 1**). The mandate is unfunded and is passed on to local schools, counties, cities, and others. If the legislature is serious about ending unfunded mandate, SB 85 is the place to start.

Proponents' Testimony:

Jean Hagan, Superintendent of Schools for the Hamilton Public School District, Hamilton, MT, urged support of SB 85. A typical construction project's total cost breaks down to approximately 45 to 50% labor and installation costs. There is an average wage rate savings of 36.81 for the private sector versus the prevailing wage competed from the base out of Missoula. When both are factored together, the amount translated into an overall construction project savings of 16.5% to 18.41%, which exceeded the conservative 10% figure generally used. However, if labor and installation is only 30% of a project, then the savings would factor out to be 11%. In the Bitterroot area last year, four school districts, Darby, Hamilton, Victor, and Stevensville, submitted bond issues to the voters. All four were resoundingly defeated. Building needs are recognized by the voters, but the costs on individual property tax payers are considered too high. Between 10% and 19% of the amounts in the bond issues are attributed to the compliance with the Little Davis Bacon Act. In Hamilton, on a recent, twenty year, 14.8 million dollar bond issue, computed at 6% interest, the yearly increase in taxes on a \$100,000 market value home. In the Bitterroot, a \$100,000 has become a very ordinary home. There would have been an additional 100 mills plus levy, or to that \$100,000 market value home owner, a \$422 per year increase would have been accessed. This amount, an additional \$422 in property taxes per year for a home owner, was considered too high by the majority of voters. More than \$1.5M was included in that bond issue to comply with the Little Davis Bacon Act. Wages and salaries in the Bitterroot are among the lowest in the state. A taxable evaluation for the Bitterroot is very low. Hamilton far exceeds the other communities in the county in taxable evaluation, and even at that, one mill raises only \$13,400. The local people cannot meet their responsibilities because of the cost. In Ravalli County, districts are managed without submitting operational levies to the voters, which are in addition to the permissive levy. Schools are generally considered to be doing a good job. The

point is, the defeat of the bond issue is generally not due to anti-school feelings, but due to the projected increase in taxes, which is perceived as being too high. The people in the Bitterroot and in the western part of Montana have exceptional school enrollment growth. There are no additional class rooms or other places to put students. Each district has the compounding issue of aging facilities. The buildings either need upgrading, or they need to be replaced.

Ms. Hagan stated repeal of the Little Davis Bacon Act would allow bond issues to be more attractive to the voting public. Competent local contractors are resistant to bidding projects requiring prevailing wages because it is difficult to move employees from a higher paying public project back to the lower pay of a private sector job. Support of SB 85 is also support for local contractors, so they can be competitive on local jobs. Support of SB 85 would help decrease costs related to building bond issues in local communities, as well as would encourage local contractors to bid on public projects and return local tax money to local economies. Written testimony was submitted, which outlined the change reflecting the comparison of the private sector wages versus the public sector wages (**EXHIBIT 2**).

Don Waldron, Montana Rural Education Association, stated the association is made up of about 130 Class B and C schools. In addition, there are about 30, stand alone, elementary schools. The association believe in a full bidding process and is supported by labor. There are many small businesses that could get in on the jobs and do a job for the association that is very acceptable and, probably, lower in price. Everyone should have an equal opportunity to get the bid; everyone should have a chance to bring down construction costs; and the association should be able to hire local businesses. Mr. Walter urged the committee to repeal the Little Davis Bacon Act so more local control can go into the planning of small projects and others projects in rural areas. The association would not want to hurt projects in progress, but want cost relief.

Fred Hapill, Montana's Citizen's Right to Work stated support of SB 85. In addition to prior testimonies concerning the inequity created by the Little Davis Bacon Act, the repeal will assure nonunion contractors have the same opportunity for jobs that are afforded union contractors.

Steve Koontz, Livingston, Montana, stated he has been a contractor and taxpayer since 1973. The federal Davis Bacon Act states that prevailing wage be paid on all federally funded projects. The act was born out of the Great Depression when there was a problem with migrant contractors who were going through the country mopping up all the work and putting the local contractors out of business. It was an attempt to level the playing field. Montana responded with a version known as the Little Davis Bacon Act. Since that time, the union scale was substituted for the prevailing wage. Now, the reverse is true.

In the private sector most local contractors are nonunion and the pay scale is less than union scale. Practically speaking, prevailing wage is now less than union scale. Legally speaking, prevailing wage equals union scale. **Mr. Koontz** stated he has had a lot of experience with Montana's Little Davis Bacon Act. His first name basis experience with **Linda Sprout** was not a good experience. The problems the law created for taxpayers and contractors are numerous. From a contractor's view, Davis Bacon disrupts harmony among the crews. A contractor cannot use the normal pay scale, which by definition is actually prevailing wage. He is required by law to pay union scale and benefits in cash, which for labor is approximately \$13.91 an hour and for a foreman is \$16.23 an hour. **Mr. Koontz** stated if he could get a job for \$16.23, he would not be a contractor today. Worse yet, what happen to crews if the contractor is unfortunate to have two jobs going at the same time, one union scale and one private sector. Which crew goes where and who gets paid what. **Mr. Koontz** said he resolved such dilemmas by shutting down the private sector side and taking the best people to do the Davis Bacon work. He would lay off the people he didn't need. If the schedule was really tight and he couldn't shut the private sector side down, he would pay union scale to everyone. He quit bidding on the Davis Bacon projects. The chaos was not worth it. For example, **Mr. Koontz** stated he was hired to construct a nursing home foundation in Ennis, MT, in 1974. He was warned to pay the prevailing wage. So, he hired three local workers, a carpenter and two laborers. He asked what (1974) prevailing wage was in Ennis, MT., which was \$8.00 for carpenters and \$7.00 for laborers. Helena contacted **Mr. Koontz** to inform him that he owed an additional \$1,500 to the workers. The job was \$7,500. Needless, to say, the profit was nil.

From a taxpayers point of view, **Mr. Koontz** recounted a Livingston, MT project. The school district needed a bus maintenance facility and a cold storage facility. The architect was fearful that the bid would come in over budget, so he cut the bid into two pieces. The taxpayer would, at least, get the maintenance building. The business manager had **Mr. Koontz** bid with and without the Davis Bacon requirements. During the same time, a hearing was held in Helena on the subject, and there was a possibility jobs could go without Davis Bacon requirements. After the bid numbers came in and the project was considered a "go ahead", the deciding factor was if the contractors could "do it" like the private sector, which meant no "Davis Bacon". Unfortunately, the project was pulled. Currently, the school has to park school buses outside without protection from the elements. **Mr. Koontz** stated he visited with the architect and business manager for the Livingston School District. Since 1989, \$7.5M in construction project costs have been completed to satisfy the Davis Bacon Act. The taxpayers have paid at least \$.5M to satisfy the Davis Bacon requirement. **Mr. Koontz** submitted written testimony supporting the pros and cons of passing SB 85 and repealing the Davis Bacon (**EXHIBIT 3**).

Laurie Eckanger, representing Governor Racicot's office, stated support of SB 85. The effect of prevailing wage laws is a complex issue and has a sixty year history. There are compelling arguments on both sides. The administration believes the potential benefits to local taxpayers of removing the state requirement outweighs the other issues. Whether to pay prevailing wage or not, at the local level is a decision that should be left to the local level. For that reason, the Governor urges passage of SB 85 (**EXHIBIT 4**).

Bob E. McLees, Belgrade, MT, representing a fifty year old contracting business with fifty employees. **Mr. McLees** stated most of the employees have families, homes, jobs, benefits and promising futures. Currently, the company does not operate under union rules, but the company had worked 25 years under union agreements. The employees do "love" the Davis Bacon Act because many state, school districts, cities counties jobs pay the company's employees premium wages on the respective jobs, and the company bids the jobs accordingly. Without prevailing wages, the quality of projects is affected. Every state surrounding Montana is a right-to-work-state and each of these states limit the prevailing wage on all state, city, county projects. These states have already boomed or are currently booming. **Mr. McLees** stated he has not heard reports concerning the quality of the building project, when the buildings are built without the prevailing wage law. However, any law, which gives to the few at the expense of the many, should always be considered potentially dangerous. Recent Great Falls Tribune's headlines clearly illustrated what is happening in school districts across the state, tremendous shortfalls, under prevailing wages. Benefits will flow to a few at the expense of the thousands of school children. As a tax payer, **Mr. McLees** asked the committee to modify prevailing wages or vote against school bond issues. The children do not have a voice, they depend on the leadership of the legislature. The fund shortages must be dealt with, without tax increase. Senate Bill 85 can create significant savings on most Montana Public work projects (**EXHIBIT 4-A**).

Steve Browning, Montana Hospital Association, Helena, MT, stated the Board of the Montana Hospital Association voted last week to support passage of SB 85. The board voted after considerable debate. The members were not certain about any benefits that could be derived from SB 85. Perhaps, there may be potential money savings on hospital project constructions. Specifically, the Miles City Hospital was offered as evidence. Prevailing wage increased the cost of current construction, somewhere between \$500K and \$1M. No approximate saving estimates were worked out concerning what the savings would have been, without the prevailing wage consideration. Health care reform has been an expressed concern of the Montana Hospital Association for the past few years. The Hospital Association championed health care reform because universal coverage was important. Continued cost shifting is damaging for private pay patients. When the public can not keep up with reimbursement and bad debt increases, cost

shifting occurs. The association hoped health reform would pass, but it did not. As a consequence, the Hospital Association continues to oppose legislation that would add additional health care costs and continues to support legislation that will reduce increases. The Contractor's Health Care Benefits Organization pointed out that those who promote prevailing wage frequently have a higher level of worker's health insurance coverage. The benefits gained on reducing costs might be overshadowed by reduction in revenue, due to less health insurance benefits. The Hospital Association stands in favor of SB 85.

Opponents' Testimony:

Lloyd Lockrem Jr., Montana Contractor's Association Trust, Helena, Montana, stated the Association has been providing employee benefits since the late 1950s to workers, both union and nonunion. The benefits have been provided by five separate trusts, jointly administered, Taft Hartley, Operating Engineers, Carpenters, Laborers and Teamsters. In 1988, a fifth trust was brought on line for nonunion contractors. The association discovered the Little Davis Bacon bill precluded nonunion contractors from providing health care and retirement benefits. In 1987, a bill was passed, but vetoed by **Governor Schwinden**. The association tried again in 1989 and 1991. During the interim, the association successfully filed suit against the Commissioner of Labor, Mike Micone, and the State of Montana. The association prevailed in the ruling on the Montana Prevailing Wage Act, as it related to employee benefits. In 1993, the association worked out a compromise and finally revised the Montana Little Davis Bacon Law for consistency with federal courts ruling. **Mr. Lockrem** stated he represents ICA Trusts, 51 nonunion contractors, and twenty-nine contractors, who are providing retirement benefits. All of the people are nonunion and are providing benefits on a voluntary basis. The association thinks SB 85 will negate the eight year battle to provide benefits, and therefore opposes the legislation. There are two key components in the Little Davis Bacon bill. The legislation predetermines what the hourly wage would be, and it predetermines how much fringe benefits would be, such as health care and retirement, would be. A contractor, who does not provide benefits for the workers, in order to comply with the law, must pay the designated amount of fringe benefits in cash.

Mr. Lockrem stated the association is in the position, with passage of SB 85, to state that the very first thing to go would be employee benefits. Health care and retirement benefits would go. The association's people, who are providing the benefits and are nonunion on a voluntary basis, are competing against people who would not be providing benefits, even if the wages stayed the same. We do not have the luxury of turning the benefits on and off, from job to job, because of the federal discrimination tests. Workers work for benefit packages, as well as wages. If Little Davis Bacon work is a significant portion of the market, contractors need to be competitive. In essence, the

contractor would be providing benefits and competing against other employers who would not provide benefits. If that is a significant portion of the market, the association would have no choice, but to drop the benefits for workers. If it is a small portion of the market, they would simply withdraw from the market. Either way, the worker would lose. The benefit issue is a cost the association is not willing to concede. The legislation provides local government \$18.6M to replace property taxes, lost with the re-evaluation. For the cities and counties to rebuild their roads, the state provides \$16M per year in gasoline tax. Cities, counties, local government, in addition, receive \$20M per year from the gambling industry. Any bill, that jeopardizes the security of health care coverage provided by employers, is bad public policy.

John Forkan, President, Montana State Building and Construction Trades Council, stated opposition to SB 85. The bill would repeal current prevailing wage laws for local governments and school districts. Montana's prevailing wage law was passed in 1931, following in the foot steps of the Federal Davis Bacon Act, enacted in 1931. **Mr. Forkan** read from written testimony (EXHIBIT 5).

Blake Wordal, Lewis and Clark County Commissioner, representing Lewis and Clark County, Helena, MT read written testimony (EXHIBIT 6).

Nigel Mends, Montana Society of Engineers, a State Chapter of the National Society of Professional Engineers stated opposition to SB 85. The society believes the bill is shortsighted and only looks at immediate construction costs of the project. Immediate construction costs is a small portion of the total cost of any facility. Entire life cycle cost is important. Quality of original construction affects the overall cost of projects. If salary levels are not maintained, Montana will lose some of the best workers. Quality is important in project construction and is a large national issue among engineers, to the extent that manuals have been written concerning quality issues. The society expresses opposition to SB 85 (EXHIBIT 7).

Dick Anderson, Nonunion Contractor, Helena, MT, stated the Anderson Construction Firm works in Montana, Idaho, and Wyoming, employing approximately 75 to 125 employees. The work is seasonal, the number of employees depends on the season. **Mr. Anderson** stated false cost savings information has been presented. The alleged cost savings is not a reality. **Mr. Anderson** stated he discussed the issue with **SENATOR BENEDICT**, and afterwards, he reviewed the Helena Middle School Addition account. He called every subcontractor and compiled skilled and unskilled labor statistics. The labor figure was 24.2% of the total project. Of the 24.2%, 71% was work completed by skilled craftspersons, such as elevator mechanic, iron workers, electricians and plumbers. Twenty nine percent of the 24.2% could have been done by unskilled workers. Approximately 25% of

the 29% work was done by apprentice-ship program workers, at lower wages. **Mr. Anderson** distributed actual project figures (**EXHIBIT 8**). Unskilled labor accounted for \$133K, only \$66K, or 2.7% of the project. The amount is not the large 20-25% alleged figure.

Mr. Anderson stressed the Helena Middle School figures are real dollar and cent amounts, from an actual building project, not pulled from the air. Skilled people would not work for less money. If anything, the Montana trades are underpaid, even with Davis Bacon's rights. **Mr. Anderson** further defined the plight of construction employees by talking about his own employees. Every employee has at least one additional income because they cannot make it on \$6 to \$8 an hour. **Mr. Anderson** stated as an employer, he would have to eliminate health insurance and retirement benefits, if such legislation would be enacted. Employees with families would buy insurance, but the unmarried people would probably not buy the insurance. Employees would not be able to afford health insurance. So, when accidents happen or a family member is hospitalized, the medical bills may or may not get paid. Bankruptcy claims would become more "popular". **Mr. Anderson** stated there is a major shortage of skilled workers in the Montana region, and in some areas, no skilled workers are available to hire. Skilled workers would not work for lower wages. The current small boom is taking up all the skilled workers. Only those who "love" Montana are willing to return to the Montana.

Mr. Anderson stated he completed construction projects in Wyoming and Idaho for U.S. West and A.T. and T. and paid wages higher than prevailing wage rates. **Mr. Anderson** stated, after having worked in Wyoming and Idaho, he was inclined to believe those states do not have a great supply of skilled workers, either. People just will not work for \$7 or \$8 per hour. **Mr. Anderson** stated he is currently constructing a project in Yellowstone Park. He had to import skilled workers and pay \$12 to \$15 an hour, plus room and board. No one would work for \$7 or \$8. If SB 85 would pass, the so-called savings would come from the employer deciding not to pay health care and retirement costs. In the long term, no savings will be realized. Fifty-five percent of **Mr. Anderson's** \$14M work volume in 1994 came from public work, while 45% was private work. Anderson pays at least prevailing wage rates, plus a profit sharing and bonus plan. Many Anderson Construction carpenters make \$35K to \$38K per year. They deserve more. **Mr. Anderson** stated Montanans in favor of SB 85 are confusing facts in the "getting cheaper wages" debate. **Mr. Anderson** asked where would the anticipated \$1M to \$1.4M income come from. Nonunion wages are not always lower than union wages. To get good people, good wages have to be paid. **Mr. Anderson** urged the committee to stop SB 85.

Alex Hanson, Montana League of Cities and Towns, Helena, MT, stated SB 85 is a difficult issue. The league's board of directors met prior to the hearing. People attended from every

city and town in Montana, including the fifteen board members who represented their respective regions. The majority decision was in opposition to SB 85. The League is interested in quality, as well as costs. But, members are interested in maintaining local businesses, which are contract firms who regularly do business with league members. **Mr. Hanson** stated he does not think the existing, prevailing wage laws are perfect, especially concerning how geographic areas are divided. A lot of rural areas are paying wages tied to the rates of Billings, Missoula and other urban centers. The league urged the committee to consider geographical districts and to establish a district or several districts to truly represent the economic conditions and the wage rates in rural Montana. The league would not support a repeal, but would support adjustments to provide more balance and equity.

Rich Allison, Manager, Pioneer Ready Mix, Bozeman, MT, stated his company is a nonunion, highway and utility contracting firm, which employs between 50 to 100 seasonal workers. The company bids commercial, Davis Bacon and airport construction jobs. At one time, the Pioneer Ready Mix company was union, but voted down union membership in a decertification election. At the time employees left the union, the company chose to provide health care benefits and pension plans. The company fulfilled a moral obligation to provide for their own workers. **Mr. Allison** stated over the past eight years, he has lobbied to preserve the right to provide employee benefits. Benefits were not allowed, by statutes, when his company first started. **Mr. Allison** stated SB 80 would put his company and other similar companies at a competitive disadvantage when bids are let against firms who have no intentions of providing benefit packages or pension plans. Fringe benefits keep families members working for the same company in the same area. **Mr. Allison** stated there is competition for good, qualified workers. High wages equate to good, well qualified workers. **Mr. Allison** urged the committee to stop SB 85.

Ron Van Diest, representing the International Brotherhood of Electrical Workers, stated the membership represents over 3,000 workers. **Mr. Van Diest** read a letter from **Kent Pellegrino, Chapter Manager, National Electrical Contractors Association, Washington D.C. (EXHIBIT 9)**. The letter stated opposition to SB 85 and to the repeal of the prevailing wage on public works project. " The repeal would hurt the constituents and lower the standard of living of all Montanans. The apprentice programs would be adversely affected; would lower the living standards on many Montanans; would make it more difficult for contractors to acquire quality help; and would remove the guarantee of nondiscrimination in employment opportunities. **Mr. Van Diest** asked the committee to stop SB 85.

Carl Schweitzer, Montana Contractors Association, read written testimony, and thanked **SENATOR BENEDICT** for meeting with him and discussing with the group the contents of SB 85 (**EXHIBIT 10**). Eight Montana building contractors attended and insisted SB 85

does not represent the anticipated savings. A disparate need for schools exists in the Bitterroot Valley; several school construction bond proposals have failed in the Hamilton area. Association members understood the proponents' thought that approximately 10% savings could be realized, if the Little Davis Bacon law was repealed. The 10% savings theme is not true. **Mr. Schweitzer** stated he contacted the Civil Engineering Department, MSU, Bozeman and asked for information concerning average cost figures for the skilled and unskilled labor force. Currently, there is a real shortage of skilled craftsmen. These workers would not be willing to take less pay when better jobs are available. A 1 or 2% savings would account for the only possible savings. **Mr. Schweitzer** stated he talked with Bill Martial, Senator's Emerson's constituent about the proposed legislation. **Mr. Martel** said if is what they want, then cheap is what they will get. If the costs are driven down, inferior products would result. The long term costs of a cheap construction job are great. **Mr. Schweitzer** urged the committee to defeat SB 85.

{Tape: One; Side: Two}

David R. Burnett, secretary of the Montana District Council of Laborers stated he has worked as a construction laborer for 20 years. **Mr. Burnett** distributed a packet of information materials (**EXHIBIT 11**). The information compared Montana highway wages to the state wages of South Dakota, North Dakota, Wyoming. Montana paid the highest construction wages for highway work. Montana has the lowest cost per mile, and the highest wage rate. Montana has been able to keep the overall construction costs down by attracting a skilled efficient workforce. In 1987, the little Davis Bacon Law was amended to exclude the use of labor agreements in setting Montana's Prevailing Wage rates. Recently, surveys were done by districts in order to set wages for each craft. The amount is derived from the average of all construction worker wages in each district. In most cases, the union rate is greater than the prevailing rate. The Little Davis Bacon law has meant the difference in bringing home the "bacon", versus bringing home the crumbs for many Montanans in the construction industry. 1995 Legislators campaigned to make government run leaner and more efficient. **Mr. Burnett** stated Montanan construction workers are already working leaner and are more efficient than ever before. The orange handout explains construction workers do not receive paid sick leave, paid holidays, or paid vacations.

Chuck Cashell, Assistant Business Manager for Local 400, Operating Engineers, stated he represents over 2,000 members of the Operating Engineers, Union Local #400. The issue is not union versus nonunion. Senate Bill 85 is a worker issue and is an attack on the economic well being of Montana workers. If SB 85 passes, the workers' wages and benefits would decrease, as would the tax base. People would lose health insurance and pensions. Skilled workers would not take jobs that do not pay prevailing wage. Opponents to SB 85 realized that the legislation meant

lower wages and lower benefits, if any benefits at all. Less wages would mean less taxes and less spendable money, and out of state companies would be able to underbid local contractors by paying inferior wages. **Mr. Cashell** urged the committee to stop SB 85 (EXHIBIT 12).

Johnny Monahan, Director of the Montana Ironworkers Joint Apprenticeship and Journeyman Training Programs, and a member of the Ironworkers Union Local 841 stated opposition. It would be unfair to revise the Little Bacon Davis Act. There is a gross misrepresentation concerning SB 85. **Mr. Monahan** submitted written testimony in opposition to the proposed legislation (EXHIBIT 13).

Jerry Driscoll, representing the Montana State Building and Construction Trades Council, recalled earlier testimony noted the prevailing rate was union scale. That statement was not true. Since 1985, the wage has not been the union scale, but the weighted average of all hours worked and reported in the district. The rate can never be the union scale, because if one nonunion contractor or any contractor reports less than the union scale, the amount has to be recorded. In the last two years, 2,600 new jobs have been created in Montana, and Montana had the highest per capita increase in income in the nation on a percentage basis. Construction workers do not get paid vacations, no paid holidays, no sick leave and have no guaranteed eight hour work days. Construction people work available hours. **Mr. Driscoll** stated SB 85 is unfair and urged the committee to stop the legislation.

Ed. Gomaz, a laborer, stated Montana enjoys an excellence of life because of the construction industry and fears the "security" provided by the Little Davis Bacon Act, would be taken away, as would benefits.

Cleon Minks, Cascade, MT, stated he has worked approximately fifty years in the farming, ranching, factory, logging and construction industries. **Mr. Minks** stated he has acquired knowledge and common sense and understand that the dynamics of Little Davis Bacon Act have been tried. **Mr. Minks** told the Senators that they have been intrusted with Montana's welfare. The media reports a stable economy. **Mr. Minks** contemplated if, in fact, Montanans "could" really survive with the majority of the population earning only minimum wage a percentage of workers. **Mr. Linx** concluded that Montana streets will never survive with the majority of workers earning minimum wage. **Mr. Minks** asked committee members to protect Montana's welfare and to protect future generations. Do not delete the Davis Bacon Act of 1931 (EXHIBIT 14).

Brad Martin, Director of the Montana Democratic Party, stated SB 85 is the classic case of penny wise and pound foolish. You get what you pay for. Clearly, SB 85 would set back Montana Law by sixty years. Senate Bill 85 targets materials, profits, and

cost, as it targets the skills needed to manage construction projects. Worker's salaries is a targeted issue. If this legislature is about protecting Montana families and advancing family values, **Mr. Martin** asked the committee to stop SB 85. The bill reduces the family's income and does not serve anyone's interest.

Pam Egan, Executive Director, Montana Family Union, AFL-CIO, read written testimony in opposition to SB 85 (EXHIBIT 15):

Don Judge, Montana State AFL-CIO, voiced opposition, and submitted written testimony in opposition to SB 85 (EXHIBIT 16).

Wally Bell, President, Bell Building Mechanical Services, Inc. Great Falls, MT submitted written testimony to SB 85 in opposition to SB 85 (EXHIBIT 17).

Dan C. Edwards, International Representative Oil, Chemical & Atomic Workers International Union, AFL-CIO, Billings, MT submitted written testimony in opposition to SB 85 (EXHIBIT 18).

Elmer Fauth, NARFE and MSCA, Great Falls, MT, submitted written testimony submitted written testimony in opposition to SB 85 (EXHIBIT 19).

John Hansen, Jr., COP Construction CO, Billings MT, submitted written testimony in opposition to SB 85 (EXHIBIT 20).

Vance R. Fisher, Worden, MT 59088, submitted written testimony in opposition to SB 85 (EXHIBIT 21).

Questions From Committee Members and Responses:

SENATOR SUE BARTLETT asked **Laurie Ekanger** if it is indeed the Governor's opinion that decisions, such as these, were best left to local levels. **Laurie Ekanger** stated that is a conclusion to Governor Racicot's position. In the two sections of codes pertaining to public contracts, there are two requirements. All levels of government must use licensed, board certified architects, and must accept security bonds on all construction projects. Other codes express preference to Montana residents in construction projects. **SENATOR BARTLETT** stated she was curious why the governor did not recommend that these kinds of provisions, mandates from the state to local levels on construction projects, are not also being repealed. **Laurie Ekanger** stated the governor has considered both sides of the prevailing wage rates.

SENATOR BARTLETT directed attention to page 5, section 6, and beginning on line 18, "preference of Montana labor and public works". Why would the governor not want to get these federal mandate off the back of local governments, as well. **Ms. Ekanger** stated the issue of removing the preference from local

governments was not brought to the Governor and was not discussed.

SENATOR BARTLETT asked about the bill, line four, line twenty-five. Public works project means a project initiated by the state and financed with state money. **SENATOR BARTLETT** asked what is meant by, "initiated by the state". What kinds of projects would those projects be and what kinds of projects would those project not be. **SENATOR BENEDICT** stated a Fish and Game building or perhaps a highway building would be a project initiated by the state and financed by the state. A couple of sections dealt with economic development bonds and health facility bonding. Are there economic development projects that the State would use such a bonding mechanism.

SENATOR BENEDICT stated he discussed his intent with Daryl Holzer and with Conny Erickson, drafter, to try to remove local cities, counties, schools, and local political subdivision from having to pay the prevailing wage when they build a local project. **SENATOR BARTLETT** asked if **SENATOR BENEDICT** would be willing to support an addition in the bill to clarify "if any of the bonding projects that were initiated by the state would still be governed by a prevailing wage provision". **SENATOR BARTLETT** asked **SENATOR BENEDICT** about the specific provision in state law that authorizes the subdivision of local government entities to establish either an ordinance or a policy for themselves on projects that they fund with tax payer money, so they will use the prevailing rates. Would you be willing to work with me to give them clear authority on a local government basis, to establish prevailing rates in their area for their taxpayer funded projects, so the legislation is truly providing local control. **SENATOR BENEDICT** said no. **SENATOR BARTLETT** asked **SENATOR BENEDICT** if the bill appeared to be passing, would you be willing to add a section to authorize the collection of information to local governments from local governments on their construction projects by the state department of labor and Industry, at least to the point of identifying who the general and subcontractor were on all of their tax funded projects. **SENATOR BENEDICT** stated SB 85 has been around for about three months. The bill was brought to the AFL-CIO and to various members of the legislature. If concerns were discussed then, instead of at the eleventh hour, I would have considered that option or at least discussed that option with you. At this point, the bill is the way I want it and if it fails, it fails. If SB 85 passes, it will pass on its merits, the way it is.

SENATOR VAN VALKENBURG asked **Ms Ekanger** about the governor's discussion of SB 85, whether the pros out weighed the cons, and whether, in the end, the Governor opted to defer the decisions to local considerations. Was there any discussion about the entire issue of school equalization and the court mandates with respect to school equalization. Did the Governor realize what effect the bill might have on school equalization, especially with respect to capital construction in school districts, involving the state.

Ms Ekanger stated **Governor Racicot** met with many people concerning SB 85. Although, **Ms Ekanger** stated she was not privy to all discussions, she collected information for the Governor and contacted interested people on both side of the issue. The governor concluded there was a potential, at least a perception, among local tax payers there could be some cost savings. **SENATOR VAN VALKENBURG** asked **Ms Ekanger** if the governor's office assisted the Budget Office in preparing the fiscal note. **Ms Ekanger** stated she has not been as engaged in the departmental discussions, but will inquire further. **SENATOR VAN VALKENBURG** asked in the fiscal note preparation process, was consideration given to reducing state income tax revenues by virtue of reducing wages, that would inevitable occur by passage of SB 85. **Ms Ekanger** replied that she did not know if this information was included in fiscal preparation.

SENATOR VAN VALKENBURG asked **Ms Hagan** if during the public debate, prior to the bond issue vote, was there public opposition to the bond issue because the project would have to built under the Little Davis Bacon Act requirements. **Ms Hagan** replied there was no discussion. **SENATOR VAN VALKENBURG** recapitulated **Ms Hagan** testimony concerning the increased amount on individual property Taxpayers. The tax increase for a \$100,000 valued, home owner would be in excess of \$400 by virtue of Davis Bacon. The additional cost is about 10 to 15 percent. If you did have those requirements, you would cut the \$422 down by 10 to 15 percent, a forty-two to sixty dollars reduction. **Ms. Egan** stated she would have to calculate the figures, before she could answer the question. The \$422 amount was not totally attributed to the Little Davis Bacon Act, only part. **SENATOR VAN VALKENBURG** asked if the amount was cut by 10%, would you still have a \$380 increase for a \$100,000 home. Do you think that would really make a material difference in terms of the outcome of the vote. **Ms Hagan** stated the outcome would be a part. The state has discussed subsidizing districts with very low taxable evaluations. The subsidizing figures are in place presently, however, it is not a reliable figure. Two million dollars was over a biennium, divided amongst all school districts, which amounted to a small savings. **SENATOR VAN VALKENBURG** asked **Mrs. Hagan** what her annual salary was, plus any other compensation she received as superintendent. **Ms Hagan** stated her salary, with all add-in compensations, is approximately \$61,000, which among Class A school districts is one of the lowest salaries. Teachers are paid the lowest scale in Class A school districts.

SENATOR WILSON asked **Bob McLees** about the quality of public projects in the surrounding, so-called right-to-work, states. Is a correct assessment on your testimony to say those states, which have enacted limits on state prevailing wage law, have found the law virtually ineffective. Is that a correct assessment of your testimony. **Mr. McLees** said it was correct. **McLees** stated the company worked in Wyoming and Idaho. Although everything appear the same, the architects seemed happy. **SENATOR WILSON** asked **Mr. McLees** if either state enacted similar laws. **Mr. McLees** stated

he did not know about the respective laws, but the states did not have prevailing wages. When bids were let, they were not listed in the specifications. **SENATOR WILSON** asked **SENATOR BENEDICT** which of the surrounding states have enacted similar legislation. **SENATOR BENEDICT** replied the states have not enacted similar legislation. Eighteen states do not have prevailing wage laws. North Dakota, South Dakota, and Idaho do not have prevailing wage laws. **SENATOR WILSON** asked **John Forkan** about experiences in other states, regarding public projects. **Mr. Forkan** replied the states do not have prevailing wage laws. It is not a problem that automatically happens over night. As taxpayer-finance construction projects are built, value judgement can not be made right away. Sometimes it takes years to find out about inferior quality and/or craftsmanship. Some of the proponents have tried to make SB 85 a union versus nonunion issue. The momentum has been laid to rest. The concern with the construction industry is quality. Contractors have testified today, both union and nonunion, and they have stressed the workers quality concern. The Little Bacon Davis Act puts everyone on the same playing field. There was testimony that there is no need, because there are no nomadic construction workers. If the Act is repealed, Montana will experience a influx of out-of-state contractors. Union and nonunion contractors will stop bidding on lower paying jobs, and bid only jobs where workers can be paid a fair price. Nonunion contractors will come from out of state. Cities are beginning to experience inferior quality in state construction projects.

CHAIRMAN KEATING asked **Rich Allison** if he was a nonunion contractor. **Mr. Allison** replied he was nonunion. **CHAIRMAN KEATING** asked **Mr. Allison** if he did both private and public construction work and paid both wages and benefits. Yes. **CHAIRMAN KEATING** stated the prevailing wage is applicable to public jobs, and asked if prevailing wage also applied to private jobs. No, private contractors pay according to individualized company wage scales. **CHAIRMAN KEATING** stated there is open competition, concerning bidding for private jobs. Do these bid include both wages and benefits. **Mr. Allison** said benefits are paid on all successfully bid jobs. **CHAIRMAN KEATING** stated he asks these questions because of a dichotomy of what is believed about the public and private sector bidding process. If we repeal Little Davis Bacon prevailing wage on public jobs, the construction quality will suffer, and workers will loss benefits, due to the bidding process. Yet, the same loss does not happen in private sector work, where the prevailing wage is nonapplicable. **Mr. Allison** stated his company is successful on some private jobs, but are at a competitive disadvantage because the competition does not pay the same benefits package his company pays.

CHAIRMAN KEATING asked **Steve Koontz** the same question. Does his company bid on both public and private jobs. **Mr. Koontz** said yes. **CHAIRMAN KEATING** asked if **Mr. Koontz** pays benefits to workers, when successful on the bids, on both private and public

jobs. **Mr. Koontz** stated background information is appropriate to answer the question. **Mr. Koontz** stated he was a concrete contractor during the period he referred to in his earlier testimony. Typically, summer crews were composed of seasonal college students, but the permanent employees are paid year round. **CHAIRMAN KEATING** asked if he quits paying benefits on private bids in order to be more competitive. **Mr. Koontz** stated he did not refuse benefits to his full time employee, to be more competitive.

SENATOR BARTLETT asked **Mr. Koontz** if he paid benefits at any point to the cement crews. **Mr. Koontz** stated the total number of employees was only one full time employee, plus himself. The crew was small, when summer business was wild, **Mr. Koontz** sent his permanent employee to run the second crew of college students. The students did not receive benefits, except when he was required to pay benefits by law. Then, he paid cash, but was not sure if that designated money was ever used to buy benefits. **Mr. Koontz** stated he could "introduce" people to the construction industry. Some workers continue, and others go to different work. While some employees pursued construction as a career, his son decided to further his education, and "never again" mentioned the word, construction. **SENATOR BARTLETT** asked if **Mr. Koontz** standard practice was to offer benefits for all employees other than the one, full time, permanent employee. **Mr. Koontz** added that practice of not offering benefits to all employees was the norm for his industry. None of the competitors ever offer benefits on a regular basis. Simply because the construction business is seasonal environment, and no one works year round in the residential, cord wall, or flat work industry.

Closing by Sponsor:

SENATOR BENEDICT recounted earlier testimony concerning possible negative involvement of the apprenticeship program. **SENATOR BENEDICT** stated he was concerned. He talked with AFL-CIO representatives to address the concerns. The apprenticeship is already being hurt by the prevailing wage laws because it keeps the forced hiring of high wage earners. The situation cuts the less skilled workers out of opportunities for on the job training. **SENATOR BENEDICT** addressed the stated concern about quality regarding public work projects. **Lewis and Clark County Commissioner Blake Wordal** expressed concerns about being liable for shoddy workmanship. **SENATOR BENEDICT** stated that many commercial and private construction jobs do not have public money, yet they are open to the competitive bidding process in order to arrive at the lowest cost. The private projects appear to be well built. The concern is a smoke screen. The state has excellent building codes in place and solid inspection programs to insure proper safeguards. The difference in the prevailing wage, may have been the end result of torched statistics. Apples cannot be compared to oranges. Senate Bill 85 is not just about prevailing wage, but is about benefits. The prevailing wage rate for an iron worker in Ravalli County is \$15.78. Add health and

welfare, \$2.75 an hour; add pension \$3.00 an hour; add vacation, \$1.50 an hour; add training, 25¢ an hour; add travel \$1.75 an hour; and per diem \$4.38 is a \$29.41 rate for benefits, the heart of the topic. The point is not that the school districts, counties, and cities want to hire \$5.00/\$6.00 per hour people to build school, but that there are too many protections built into the Little Davis Bacon Act to protect a small general wage sector from competition. **SENATOR BENEDICT** read a letter from the National Associated Building Contractors, Rosslyn, Virginia (**EXHIBIT 12**). "ABC is in strong support of the repeal of Montana Prevailing wage law. Prevailing wage laws are a major cause of inflated costs for public works projects and are a significant business obstacle for small businesses in the construction industry. A prevailing wage law creates an inflated minimum wage, which must be paid to construction workers on Government funded projects. It increases prices on all construction and thus takes funding away from education and other programs of importance to the citizens of Montana. We must point out that money saved from the repeal of the prevailing wage law could also be used to fund additional construction projects, thus providing more jobs. Inflated wages for constructions projects usually hinders employment in the construction industry. High costs for construction projects have the effect of limiting the number of construction projects and eliminating jobs for many people. The paper work that results from the prevailing wage law discourages small firms from completing for publicly funded projects. Employers, forced to pay higher wage rates on state funded projects hire skilled employees, rather than less skilled employees, who could benefit from on the job training. Small and medium sized companies suffer the most from prevailing wage laws. Small and medium size firms are best able to compete against large firms by keeping the labor costs low. Mandates for inflated wages create difficulties for these firms to compete for government contracts. These inflated wages also act as an effective barrier to the entry of new firms into the industry. Prevailing wage laws needlessly increase government spending for Montana tax payers."

SENATOR BENEDICT stated the audience heard many opinions on the Little Davis Bacon Law. **SENATOR BENEDICT** shared his opinion as to why the law was originally put into place. The Davis Bacon Act was authorized in 1931, in the height of the Great Depression to help get a shattered national economy moving again, and to provide employment to some of the millions of people who were out of work. The "wisdom of the times" was that the only way to recover from the national crisis was to allow the government to intervene on the free market place and stimulate the economy through the use of statutes, like the Davis Bacon Act. The bill was adopted in Montana that same year (1931). As many of us who have been around government very long, know, a well meaning, short term solution has a habit of becoming a long term law (which was not the way it was intended by those who adopted it). The Little Davis Bacon laws have been with us for many years, and that kind of law was what was deemed necessary in the Great


Depression. They have become a form of entitlement to a very select few Montana workers. The taxpayers are demanding efficiencies and less government intrusion. The passage of this bill will be a large step in that direction.

CHAIRMAN KEATING requested **Laurie Eckanger, Governors Office**, to provide to the Labor and Employment Relations Committee a reason why the prevailing wages are set for the regions around the state (**EXHIBIT 22**).

ADJOURNMENT

Adjournment: The meeting was adjourned at 2:47 P.M.


SENATOR TOM KEATING, Chairman


MARY FLORENCE ERVING, Secretary

TK/mfe

MONTANA SENATE
1995 LEGISLATURE
LABOR AND EMPLOYMENT RELATIONS COMMITTEE

ROLL CALL

DATE _____

1-26-95

[illegible]

SEN:1995
wp.rollcall.man
CS-09

Loretta F. Puyear, Clerk


Tomorrow Starts Here Today

Stevensville Public Schools

SCHOOL DISTRICT NO. 2

STEVENSVILLE, MONTANA 59870

TO: Steve Benedict, State Senator-elect

FROM: Don Davies, Business Manager 

RE: Little Davis-Bacon Act

DATE: December 29, 1994

The Stevensville School District is overcrowded and is trying to pass bonds to build a new school. Our initial attempt at getting the bonds passed failed. This total bond issue would have been \$13,811,000. This is similar to the size of the bond issue Hamilton Schools' attempted to pass last year.

If the "little Davis Bacon Act" is repealed, it would definitely help keep the amount of taxes needed to be levied for new construction down in our District. New construction is expensive enough without tacking on additional charges that would not improve the outcome of the project.

Our architect estimated that cost of compliance with this Act would be approximately 10% of the cost, or \$1,381,100.

Please call if you have questions. My number is (406) 777-5481 ext. 52.

Copy: Stevensville School Trustees
Supt. Tognetti
Jean Hagen, Hamilton's Supt. of Schools

A:benedict.ltr

RECEIVED
JAN 26 1995
SENATE LABOR & EMPLOYMENT

HAMILTON PUBLIC SCHOOLS



P.O. Box 980 • Hamilton, Montana 59840-0980

SENATE LABOR & EMPLOYMENT

EXHIBIT NO. _____

DATE _____

BILL NO. _____

TO: THE HONORABLE STEVE BENEDICT
FROM: JEAN HAGAN, SUPERINTENDENT OF HAMILTON SCHOOLS
RE: REQUEST FOR LEGISLATIVE SUPPORT
DATE: DECEMBER 1, 1994

It has been the consensus of the Hamilton School Board that legislation needs to be passed repealing the "Little Davis-Bacon Act" for Montana. It is believed that compliance with that act, unnecessarily inflated the amount requested in the recently defeated school bond election by 10%, or nearly \$1.5 million.

Because rates are based out of Missoula, the prevailing wages are not consistent with prevailing rates in Ravalli County, and mileage is required to be computed out of Missoula. This means unnecessary costs to a building project, which cannot be afforded by the local residents. Also, local contractors are reluctant to bid on a school project because they believe that to comply puts them at a long term disadvantage because their workers come to expect the high wages on subsequent non-governmental related contracts.

Your sponsorship of legislation to repeal the "Little Davis-Bacon Act" will be appreciated.

copy: Hamilton School Trustees



SENATE LABOR & EMPLOYMENT

EXHIBIT NO. 2

DATE 1-26-95

BILL NO. 5885

January 26, 1995

Senators, good afternoon:

I am Jean Hagan, Superintendent of Schools for Hamilton Public Schools. I represent the Hamilton School District Board of Trustees in support of the repeal of the "Little Davis-Bacon Act", SB 85. Your support of this bill will be appreciated.

It is thought that on a typical construction project, 45% to 50% of the total cost is attributed to labor and installation. On the chart that I present to you, you will see that there is an average wage rate savings of 36.81% for the private sector vs the prevailing wage computed from the base out of Missoula. When both are factored together, it translates into an overall construction savings on a project of 16.56% to 18.41% which exceeds the conservative 10% figure that we generally have used.

In the Bitterroot, in the past year, four school districts (Darby, Hamilton, Victor, and Stevensville) submitted bond issues to the voters. All four were resoundingly defeated. The building needs are recognized by the voter, but the costs on individual property taxpayers are considered too high. Between 10% and 19% of the amounts of the bond issues is attributed to the compliance with the Little Davis-Bacon Act. In Hamilton, on a recent 20 year, \$14.8 million bond issue, computed at 6% interest, the yearly increase in taxes on a \$100,000 market value home (which in the Bitterroot has become a very ordinary home), would have been \$422.00. This amount, an additional \$422 in property taxes/year for a home owner, was considered too high by the majority of voters. More than \$1.5 million was included in that bond issue to comply with the Little Davis-Bacon Act.

Wages and salaries in the Bitterroot are among the lowest in respect to the rest of the state. The taxable valuation for the Bitterroot is very low...Hamilton far exceeds the other communities in the county in taxable evaluation, and even at that, one mill raises only \$13,400 - thus there is cause for the local people in the local economy to feel that they cannot meet their responsibilities because of costs. In Ravalli County, districts are managed without submitting to the voters, operational levies that are in addition to the permissive levy. Also, schools are generally considered to be doing a good job. The point being that the defeat of the bond issues is generally not due to anti-school feelings, but because the projected increases in taxes is perceived as being too high.

We, in the Bitterroot and in the western part of the State, have exceptional growth in our school enrollments. We have no additional places to put students, and in each district the issue is compounded

by the aging facilities that either need to be upgraded significantly, or replaced. Repeal of the Little Davis-Bacon Act, will allow bond issues to be more attractive to the voters.

Another facet that needs to be considered in respect to the current application of the Little Davis-Bacon Act, is that competent local contractors are resistant to bidding a project requiring prevailing wages, because it is difficult to move employees from a higher paying public project, back to the lower pay of a private sector job. Support of SB 85 is, also, support for local contractors being able to be competitive on local jobs.

By supporting the repeal of the Little Davis-Bacon Act, you will be helping, significantly, to decrease the costs related to building bond issues in local communities, as well as encouraging local contractors to bid on public projects and return local tax money to the local economies.

Please support SB 85.

Construction Wage Rate Analysis

Prevailing Wage Rates vs. Private Rates

Hamilton, MT.

Basis: Based on Montana Prevailing Wage Rates (Building Construction) effective July 1, 1994
 Rates are shown on a per hour basis
 Per Day charges such as Per Diem have been calculated on an 8 hour day and shown as an hourly rate
 Occupations used were those assumed to be most often associated with building construction
 Mileage from Missoula to Hamilton is based on 53 miles

Occupation	Prevailing Wage Rate	Health Welfare	Pension	Vacation	Training	Travel	Per Diem Rate	Adj. Wage Rate	Private Wage Rate	% Change
Bricklayer	17.15	2.05	1.25	0.00	0.00	1.25	3.13	24.83	14.00	-43.61%
Carpenter	13.03	2.00	1.60	0.75	0.10	1.25	0.00	18.73	14.00	-25.25%
Cement Mason	13.08	2.60	1.25	0.00	0.10	1.35	0.00	18.38	13.50	-26.55%
Dry Wall Applicator	13.98	2.00	1.60	0.75	0.10	1.25	0.00	19.68	12.50	-36.48%
Electrician	19.13	1.75	1.83	0.00	0.15	4.50	4.50	31.86	20.00	-37.23%
Ironworker	15.78	2.75	3.00	1.50	0.25	1.75	4.38	29.41	14.00	-52.39%
General Laborer	10.69	1.95	1.45	0.50	0.10	1.25	0.00	16.11	9.00	-44.24%
Crane Operator	16.52	2.32	1.60	0.60	0.15	1.25	0.00	22.44	15.00	-33.16%
Backhoe Operator	15.62	2.32	1.60	0.60	0.15	1.25	0.00	20.94	14.00	-33.14%
Fork Truck Operator	15.77	2.32	1.60	0.60	0.15	1.25	0.00	21.69	14.00	-35.45%
Painter	12.00	1.55	0.50	0.00	0.12	1.33	3.50	19.00	12.50	-34.19%
Taper	12.40	1.55	0.50	0.00	0.12	1.33	3.50	19.40	12.50	-35.55%
Plumber & Pipefitter	19.27	2.25	2.40	2.00	0.30	3.13	5.00	34.45	20.00	-41.94%
Roofer	14.90	2.25	1.10	1.00	0.00	1.66	4.00	24.91	14.00	-43.79%
Sheet Metal Worker	15.34	2.20	1.53	0.00	0.20	1.66	3.75	24.73	14.00	-43.79%
Averages:								346.56	219.00	-36.81%

HONORABLE CHAIRMAN & MEMBERS

SENATE LABOR & EMP

EXHIBIT NO. 3

DATE 1-26-95

BILL NO. SB 85

INTRO

MY NAME IS STEVE KOONTZ, LIVINGSTON, MT.

I HAVE BEEN A MONTANA CONTRACTOR &
TAXPAYER SINCE 1973.

^{FEDERAL}
THE DAVIS BACON ACT STATES THAT "PREVAILING
WAGE" BE PAID ON ALL FEDERALLY FUNDED

PROJECTS - IT WAS BORN OUT OF THE GREAT
DEPRESSION WHEN THERE WAS A PROBLEM
WITH MIGRANT CONTRACTORS WHO WERE
GOING THROUGH THE ~~STATE~~ COUNTRY HOPPING
UP ALL THE WORK, & PUTTING THE LOCAL
CONTRACTORS OUT OF BUSINESS. THIS WAS
AN ATTEMPT TO LEVEL THE PLAYING FIELD.
MONTANA RESPONDED WITH THEIR VERSION
"THE LITTLE DAVIS BACON ACT"

THAT WAS THEN - ALONG ~~THE~~ WAY

SOMEHOW UNION SCALE WAS SUBSTITUTED

FOR PREVAILING WAGE. NOW THE

REVERSE IS TRUE. IN THE PRIVATE

SECTOR MOST ^{LOCAL} CONTRACTORS ARE NON-

UNION & THEIR PAY SCALE IS LESS

~~LIBERALLY~~ ^{PRACTICALLY} SPEAKING
THAN UNION SCALE. SO [^] PREVAILING

~~WAGE~~ ^{NOW} WAGE IS [^] LESS THAN UNION SCALE.
LARGELY [^] SPEAKING PREVAILING WAGE = UNION SCALE

I'VE HAD A LOT OF EXPERIENCE WITH

MONTANA'S LITTLE DAVIS BACON ACT.
AT ONE TIME IT WAS ON A FIRST NAME BASIS WITH LINTA
~~NOT~~ NONE OF WHICH IS GOOD. ^{SPRAW}

THE PROBLEMS THAT THIS LAW CREATES

FOR THE TAXPAYER AND CONTRACTOR

ARE NUMEROUS.

FROM THE CONTRACTORS VIEW

A) D.B. DISRUPTS THE HARMONY IN
THE CREWS. THE CONTRACTOR CANNOT
~~BE~~ USE HIS NORMAL PAY SCALE
WHICH BY DEFINITION IS "PREVAILING WAGE"
HE IS REQUIRED BY LAW TO PAY
UNION SCALE + BENEFITS IN CASH

WHICH FOR A LABORER IS \$13.91 / HR
FOREMAN ~~APPRENTICE~~ IS \$16.23 / HR
~~TO ALL WORKERS~~, IF I COULD HAVE
FOUND A JOB LIKE THIS, I WOULD NOT HAVE
BECOME A CONTRACTOR.

OR WORSE YET, WHAT HAPPENS TO
THE CREWS IF THE CONTRACTOR IS
UNFORTUNATE ENOUGH TO HAVE TWO
JOBS GOING AT THE SAME TIME -
ONE UNION SCALE PROJECT + ONE
PRIVATE SECTOR JOB.

WHICH CREW GOES WHERE

WHO GETS PAID WHAT? PERSONALLY,

I RESOLVED THIS DILEMMA BY FIRST

SHUTTING DOWN THE PRIVATE SECTOR

SIDE & TAKING MY BEST PEOPLE

+ DOING THE DAVIS BACON JOBS

& I LAID OFF THE PEOPLE THAT

I DIDN'T NEED.

IF THE SCHEDULE WAS REALLY TIGHT

& I COULDN'T SHUT THE PRIVATE SECTOR

SIDE DOWN, I JUST PAID UNION

SCALE TO EVERYONE.

I ULTIMATELY SETTLED THIS ISSUE

ONCE & FOR ALL. I JUST QUIT BIDDING

DAVIS-BACON PROJECTS, THE KAOS

THAT THIS CREATED JUST WASN'T WORTH IT.

SENATE LABOR & EMPLOYMENT
EXHIBIT NO. 3
DATE 1-26-95
BILL NO. SB 85

ALLOW ME TO ILLUSTRATE: A CONTRACTOR
ENNIS MIT 1974

I WAS HIRED TO DO A FOUNDATION
FOR A NURSING HOME. THE GENERAL
WARNED ME. PAY PREVAILING WAGE
SO. I WENT BY MYSELF + HIRED
3 LOCAL WORKERS - ONE CARPENTER +
2 LABORERS. ~~HE~~ SO I ASKED "WHAT
IS THE PREVAILING WAGE HERE FOR
YOU GUYS?" THE CARPENTER SAYS \$8.00
THE LABORER SAYS \$7.00, SO ON THAT
BASIS WE PROCEEDED. HELENA CONTACTED
ME + DETERMINED THAT I OWED AN
ADDITIONAL \$1500 TO THESE GUYS.
THE JOB WAS ONLY \$7500. NEEDLESS TO
SAY THAT JOB HURT - THERES NOT THAT
MUCH PROFIT THERE

EXAMPLE #2

LIVINGSTON 1980 - A TAXPAYER'S EXPERIENCE

LUM SCHOOL DIST 144 NEEDED A

BUS MAINTANCE ~~BUILT~~ FACILITY + ^{COLD} STORAGE, FOR
PARKED Busses.

THE ARCHITECT WAS FEARFUL THAT

THIS WOULD COME IN OVER - BUDGET -

SO HE CUT IT INTO 2 PIECES - SO THAT

THE TAXPAYER WOULD AT LEAST GET THE

MAINTANCE BLDG. AT THAT TIME THE

BUSINESS MGR HAD ME BID WITH +

WITHOUT THE D.B. REQUIREMENT. SEEMS

AS THOUGH THERE WAS A HEARING HERE THEN

+ THERE WAS A REMOTE POSSIBILITY THAT

THIS JOB COULD GO W/O D.B.,

THE NUMBERS CAME IN. ~~IS~~ THE WHOLE

PROJECT WAS DOABLE IF THE CONTRACTORS

COULD DO IT LIKE THE PRIVATE

SECTOR - NO DAVIS-BACON

BUT, IT WAS NOT TO BE. NOW

WHENEVER I DRIVE BY THE FACILITY
& SEE BUSES PARKED OUTSIDE, ^{IN THE WEATHER} I SAY

"THANK YOU D.B."

RECENTLY, I VISITED WITH THE

ARCHITECT & BUS. MGR FOR SCHOOL DIST.

SINCE 1989, LIVINGSTON HAS DONE 7M

IN WORK, TO SATISFY D.B. THE TAX-

PAYERS OF LVM HAVE PROBABLY PAID

OUT 300-500,000 IN \$.

LIVINGSTON IS A SMALL DIST.

CONCLUSION -

PIECE OF LEGISLATION

~~HERE~~ THIS IS UNIQUE - USUALLY

THERE ARE LOGICAL ARGUMENTS ON

BOTH SIDES OF AN ISSUE. BUT

NOT THIS ONE. SINCE NOMADIC

CONTRACTORS NO LONGER EXIST, THERE

Koontz

IS NO BASIS TO KEEP DAVIS-BACON

ON THE BOOKS. ALL LOGIC IS ON

THE SIDE OF PASSING SB 85.

GEORGE MEANY - THE FATHER OF ORGANIZED

LABOR GOT IT RIGHT. WHEN HE USED

HIS OWN MONEY TO BUILD A CHAIN

LINK FENCE¹ AROUND HIS PLACE, HE HIRED THE BEST QUALIFIED

CONTRACTOR, ~~THE~~ THE ONE WHO COULD DO THE

JOB ACCORDING TO THE PLANS AND SPECS.

AT THE BEST PRICE

THE CONTRACTOR THAT HE HIRED

NON-UNION, GEORGE MEANY DID NOT

OFFER TO KICK IN EXTRA MONEY ~~SO~~

~~THAT~~ & INSIST THAT THE CONTRACTOR

PAY HIS POST HOLE DIEGERS UNION

SCALE.

MEMBERS OF THIS COMMITTEE.

I SALUTE YOUR COURAGE &

IF I CAN DO ANY MORE TO HELP

PLEASE ADVISE.

#2
Steve Koontz
Proponent of SB 85

SENATE LABOR & EMPLOYMENT

EXHIBIT NO. _____

DATE _____

BILL NO. _____

ANALYSIS OF S.B. 85

REASONS TO PASS

REASONS NOT TO PASS

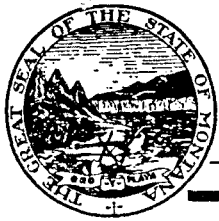
- A) S.B. 85 will assure that the taxpayer gets the best deal possible through the unhampered use of the free enterprise system, just like the private sector does.
- B) S.B. 85 allows the contractor to run his business without added government interference.
- C) S.B. 85 creates additional construction projects through better utilization of the construction dollar, which creates more jobs.
- D) S.B. 85 creates opportunities for additional entry level, introduction and seasonal jobs.
- E) S.B. 85 is politically prudent. The voters who put you here want this bill passed.
- F) S.B. 85 demonstrates that you as lawmakers have respect for the taxpayer's dollars.

- A) S.B. 85 will irritate a relatively small number of union people who didn't vote for you anyway.

Respectfully submitted,



Steve Koontz
1007 Eagle Ct.
Livingston, MT 59047



DEPARTMENT OF LABOR AND INDUSTRY

COMMISSIONER'S OFFICE

MARC RACICOT, GOVERNOR

STATE OF MONTANA

SENATE LABOR & EMPLOYMENT
EXHIBIT NO. 4
DATE 1-26-95
FILE NO. SB 85

P.O. BOX 1728

TELEPHONE: (406) 444-3555
FAX: (406) 444-1394
TDD: (406) 444-0532

HELENA, MONTANA 59624-1728

TO: Senator Thomas F. Keating

FROM: Laurie Ekanger *Laurie Ekanger*
Commissioner

DATE: January 27, 1995

SUBJECT: As Requested on State Prevailing Wage Methodology

STATE PREVAILING WAGE METHODOLOGY

Purpose

The purpose of the prevailing wage program is to set prevailing hourly wage rates and fringe benefits for public works construction projects and service contracts.

Setting Prevailing Wage Rates

Setting prevailing wage rates is mandated by Montana law. The intent of the law is to provide fair minimum wage rates and fringe benefits that accurately reflect those paid to employees for work of a similar nature on Montana building public works projects, heavy/highway and service contracts.

Rates are obtained through a combination of:

1. wage surveys conducted by the Department of Labor and Industry;
2. established and special project rates of the previous year;
3. valid collective bargaining agreements;
4. wage rates determined by the federal government under the Davis-Bacon Act and the Federal Service Contract Act; and
5. other pertinent information.

Survey

Prevailing wage rates are set using a combination of an employer survey and collective bargaining agreements. Necessary items to be completed on the survey are the number of hours worked, the district where work was performed, and the wage rate.

The same data is required if union representatives are submitting information. Employer names are also necessary to avoid possible duplication of data. Pension reports may be submitted instead of the original survey form.

The Unemployment Insurance Tax File is used to select employers who work in industries that may employ people in occupations that relate to either building construction or services work. Employers are given two opportunities to respond to the survey. Unions are notified of the survey in advance of distribution. The survey is voluntary.

Rate Calculation Process

After survey data is received, it is checked to find missing information (district, hours worked, wage rate). It is also checked for duplicate submissions of data (employer submits data and union business agent submits data for same employer).

Survey data is entered into the prevailing wage computer system and edited for accuracy. A quality review is conducted for surveys if the wage for each occupation is one standard deviation above or below the statewide average wage for that occupation. Standard deviation is a measure of the variability of data from the average, and is used widely in statistical analysis.

The quality review is done by phone. For the building construction survey, employers are asked if they reported commercial or residential work on the survey. If they reported residential work, the survey data is eliminated from the process. Data that is verified as commercial at the wages reported is used in the wage determination process.

The prevailing wage law requires that rates be an average of workers' hourly wage weighted by hours worked.

EXAMPLE:

	<u>Wage</u>	<u># Hours</u>	<u>Wage x Hours</u>
Carpenter	\$14.00	10,000	140,000
	12.00	40,000	480,000
	11.00	<u>20,000</u>	<u>220,000</u>
		70,000	840,000

Weighted average = wage x hours divided by # hours

840,000/70,000 = \$12.00 prevailing wage

After the quality review, rates are calculated. For a district rate to be used, at least 4,000 hours per occupation have to be reported. If this requirement is not met, the statewide average rate is selected as the prevailing rate if there are at least 10,000 hours reported. If the statewide average is higher than the collectively bargained rate for that district, the collectively bargained rate for that district is selected as the prevailing rate. By law, the prevailing wage rate cannot be higher than collectively bargained rates.

Preliminary/Final Rates

When preliminary rates are calculated, a public hearing must be held to present the proposed rates to the public and allow comments on the rates and calculation process. Interested parties are notified in time to allow for comments.

All comments from the public hearing and comment period are reviewed and responded to in writing. The rates are reviewed, amended, and finalized at this time. Final rates are then published, usually to become effective July 1 of the year they are set.

If you have additional questions on the prevailing wage issue, please feel free to contact Bob Rafferty of the Research and Analysis Bureau at 444-2430.

KK:cs

Attachment

c: Bob Rafferty

1st May
ROBERT E. MCLEES

SENATE JOURNAL
EXHIBIT 4-A
DATE 1-26-95
BILL NO. SB 85

50 EMPLOYEES / MOST WITH FAMILIES & HOMES

LOVE THEIR JOBS WITH NICE BENEFITS

& PROMISING FUTURES

UNION DAVIS-BACON PROVISIONS

WE ARE FORCED TO PAY PREMIUM /

"WINDFALL" WAGES ON MOST STATE/COUNTY/CITY/SCHOOL PROJECTS

I AGREE, THIS BENEFITS ARE EMPLOYEES

- AND DOESN'T HURT THE COMPANY

BECAUSE WE KNOW WHEN WE BID THE JOB
THAT THESE WAGES MUST BE PAID.

ONE ARGUMENT
WILL BE THAT
QUALITY IS
COMPROMISED w/o

~~PREVAILING WAGE REQUIREMENTS AT NO LOSS OF QUALITY NO PROJECTS COMPLETED~~

~~HOWEVER, IT MUST BE
WHETHER BEFORE ANY LAW WHICH
GIVES TO THE FEW AT THE EXPENSE~~

OF THE MANY SHOULD ALWAYS BE
CONSIDERED ~~THE~~ POTENTIALLY DANGEROUS.....

TODAY'S G.F. TRIBUNE FRONT PAGE HEADLINE
~~\$1,000,000~~

CLEARLY ILLUSTRATED THIS CONCEPT..
SCHOOL DISTRICTS WILL ALWAYS STRUGGLE TO MAKE ENDS MEET

UNDER PREVAILING WAGE REQUIREMENTS
WILL FLOW TO

~~THE FEW~~ ALWAYS BENEFITS ~~THE~~ A FEW
AT THE EXPENSE OF OUR
THOUSANDS OF SCHOOL CHILDREN.....

AS A TAXPAYER I CAN EITHER ASK
YOU TO MODIFY PREVAILING WAGE LAWS

OR I CAN VOTE AGAINST ANY SCHOOL

BOND ISSUE IN MY ~~DISTRICT~~ AREA.....

OUR CHILDREN HAVE NO SUCH VOICE.....

REMOVES

SOONER OR LATER YOU WILL HAVE TO DEAL
WITH SHORTAGES OF FUNDS WITHOUT RAISING TAXES
~~WHICH ASK YOU TO~~

PLEASE CONSIDER CAREFULLY
THAT WILL
THIS NEW BILL ~~THAT CAN~~ CREATE
SIGNIFICANT ~~POSITIVE NEW~~ SAVINGS
~~ACTIVITIES~~ ON MOST MONTANA
PUBLIC WORKS PROJECTS.

SEN. T. LARSEN & EMPLOYMENT

DATE _____

DATE _____

BILL NO. _____

- SOMEONE DID SUPPORT BILL REPRESENTING
GOVERNOR'S OFFICE ? VERY SHORT

OPPOSED

- LOCKER (AGC) THEY DO HAVE A TRUST
FOR BENEFITS (HEALTH & ?) FOR NON-UNION
CONTRACTORS (51 NOW)

John Forkan
Opposition: SB 85

SENATE BILL #85

January 26, 1995

Senate Labor Committee

SENATE LABOR & EMPLOYMENT

EXHIBIT NO. 5

DATE 1-26-95

BILL NO. SB 85

Mr. Chairman, Committee Members, for the record my name is John Forkan. I am President of the Montana State Building and Construction Trades Council. We are here today in opposition to SB 85, which would repeal current prevailing wage laws for local governments and school districts.

Montana's prevailing wage law was passed in 1931, following in the footsteps of the federal Davis-Bacon Act, which was also enacted in 1931. A whole lot of us in this room were not even thought of when Montana's existing "Little Davis-Bacon Act" was passed. We do not know, first-hand, what life was like during the Depression. But we do know, because of recorded history, what some of the problems were during this period of time that were having a very negative impact on government financed construction projects in this country. Existing "prevailing wage" laws were passed to prevent many of the abuses and misuses that were taking place on taxpayer-financed construction projects. Prevailing wage laws were enacted because contractors were slashing wages of workers to get government contracts, which in turn was leading to shoddy work on taxpayer-financed projects.

Committees Members, I would say to you, that our most valued possessions, our children and our families, are the ones that utilize the facilities that are constructed under existing prevailing wage laws. Why would we want anything but the most qualified and skilled, and yes, well-paid workers, to be used to construct our taxpayer-financed projects?

You and I, and our families all across Montana will be the losers if this bill is successful. The quality construction work that the State of Montana has enjoyed on its buildings and facilities for over sixty (60) years, will be over. It is foolish to think that the reasons which prompted prevailing wage laws to be enacted in the first place, have disappeared from our society. If prevailing wage laws are repealed, as is the intent of SB 85, the same conditions that existed when these laws were passed, will come to surface again. As Montana heads into the 21st Century, let's do it by going forward, not backward. Why would Montana want to get rid of a remedy for an ill when it has served its intended purpose? The illness will just return.

As always seems to be the case, the reasoning behind the repeal of prevailing wage laws is the dollar sign. Some school districts and governmental bodies feel that too much money is spent on these

projects and they could save money if the wages of the construction worker were less. Paying the worker less does not guarantee there will be any lessening of the contractor's bid. This scenario has already been played before, that is why these laws exist today.

The Davis-Bacon Act was a Republican measure, which was supported by a conservative, business-minded administration. It was passed to protect the public and taxpayers from unscrupulous contractors in the construction industry. To repeal prevailing wage laws would be a great detriment to the unsuspecting public who utilizes these buildings and facilities. The very same problems that prompted the enactment of prevailing wage laws will occur again if existing laws are repealed.

Mr. Chairman, Committee Members, please cast your vote on this bill to protect the citizens of Montana who utilize our public facilities. Please cast your vote on this bill to protect the Montana taxpayers who expect quality work on state construction projects that are paid for by their tax dollars. To accomplish these two important, basic protections for Montanans, please vote "Do Not Pass" on SB 85.

Thank you.

Blake Wordal
Opposition to SB 85



LEWIS AND CLARK COUNTY

SENATE LABOR & EMP.

DATE 1-36-95

DATE 1-36-95

BILL NO. SB 85

EXHIBIT NO.

DA

BILL NO.

City County Building
P.O. Box 1724
316 North Park
Helena, Montana 59624
Telephone 406/447-8304

Board of County Commissioners

SENATE BILL 85

Senator Keating and members of the Senate Labor and Employment Relations Committee, for the record, I am Blake Wordal, Lewis and Clark County Commissioner and representing Lewis and Clark County.

We oppose Senate Bill 85 which would eliminate the requirement to pay prevailing wage on county public works projects. This requirement was established both nationally and here in Montana in 1931 to prevent cutthroat bidding on public works projects by contractors who were willing to slash wages in order to obtain public contracts. This law has met that goal for the past 64 years, and there is no reason to change it now.

Those of us who deal with public expenditures know well enough that you get what you pay for. We also have an obligation to insure that public works projects are constructed safely and securely. The liability costs to local governments should a road or bridge fail could bankrupt a negligent local government.

Safety concerns require a pool of skilled labor for construction. When contractors shave their labor costs by cutting wages, they can not attract or keep skilled workers on their payrolls. Construction by unskilled labor crews often results in missed deadlines and less than quality work, which, in turn means more expenses for maintenance and repair. In the long run, exempting local governments from the provisions of the Little Davis-Bacon Act will cost more, not less, in both dollars and cents and public safety.

I urge you to join me in opposing Senate Bill 85. Thank you.

Nigel Monds

Nigel Monds, PE
Montana Society of Engineers

~~Speakers Labtec MCS-800~~

SENATE LABOR & EMPLOYMENT

EXHIBIT NO. 7

DATE 1-26-95

BILL NO. SB 85

Unfunded mandate

45-50% of project cost is labor

- claim 11-16% savings by passing this bill

long term cost of facilities maintenance &
total life control

cutting pay, besides hurting the workers,
leads to skilled workers leaving the
area

Davis-Bacon helps to keep up wages
quality is a major topic in eng. profession



SENATE LABOR & EMPLOYMENT

EXHIBIT NO. 8DATE 1-26-95BILL NO. SB 85**DICK ANDERSON CONSTRUCTION, INC.**

January 30, 1995

Senator Fred Van Valkenburg
Capitol Station
Helena, MT 59620-1706

Dear Senator Van Valkenburg

The reason for this letter is to express my concern over Senate Bill 85. I testified as an opponent at the hearing on the bill and provided you with documentation from a recent school project that we had just completed. Because of time constraints and an item that came up in Senator Benedict's closing, I wanted to point out a few items.

1) Senator Benedict in his closing referred to my material that I submitted and said "anyone can manipulate numbers in this day and age to have them come out where they want them to." My numbers are not "manipulated", they are actual costs. Also if you look at the numbers Mr. Benedict was using from the Construction Wage Rate Analysis that was submitted from Ms. Jean Hagan, you will find several errors and wrong information. Vacation pay is already included in the prevailing wage rate on every single trade that they showed it as an add on. The column in the prevailing wage rate explains this in the book. The "Per Diem" that he has added on is not required by any of these trades that he lists it after. The Per Diem is only applicable if you are asking your people to stay overnight which would not be the case in his example. In the case where you did ask them to stay overnight, it probably still wouldn't cover their motel and meal expenses.

Also the travel pay is only applicable to the people that have to travel over 15 miles to get to the job. If the worker lives in that area the travel pay is not applicable. This is explained in the prevailing wage rate manual. If workers that live in this area are actually available, as Mr. Benedict assures that they would be if it wasn't for the Little Davis Bacon, I as a contractor would be crazy not to hire them because I would not have to pay any travel pay. But if the skilled craftsmen aren't available, I would, in the Hamilton Case, for a carpenter pay him an additional \$1.25 per hour or \$10.00 per day to drive 100 miles round trip in his own vehicle and his own gas to the job site.

When you take the above items into account, the % of change on Ms. Hagan's chart changes dramatically. Also the "Private Wage Rate" that is listed is higher than the Prevailing Wage Rate on 7 of the 15 listed occupations. What they are assuming is that none of these occupations in the private sector have Fringe Benefits, Health Insurance or Retirement. Obviously that was refuted by the testimony given by the opponents to this bill.

2) The proponents argued that the Little Davis Bacon wage rates kept local contractors from bidding the project.

This is a totally false statement. In our case, we call every possible subcontractor in the area that we are bidding because we want to get the lowest price possible on the job. The two major reasons that we are given when they aren't going to bid the project are that 1) They don't have the qualified people to do the work, 2) They can't get any bonding (The reason they can't get the bonding is one or a combination of three items - Inadequate financial capabilities, No prior experience in this type of work, No trained workforce)

In twenty years of bidding as a General Contractor, I have yet to be told that a contractor is not going to bid the project because of the prevailing wage rate requirement.

3) The only way this bill saves money is to reduce the amount of wages that the workers in the field receives. The workers in the field do not get paid vacations, holidays, sick leave, or personal leave. They do not get paid if it is too windy, rainy, snowy, muddy or cold to work. The average construction worker only gets to work 1,400 to 1,600 hours per year. For a carpenter that only equates to \$20,000.00 per year for a base wage. And through the passage of this bill we could possibly lower this amount. Is this what we want to do? A strong economy is not built on cheap wages. This bill will serve to slowly create a greater "caste" system between workers and owners.

4) As a person that normally votes Republican I think it is a politically ridiculous bill to pass or support.

The first time the Republicans control the House, Senate, and Governor's office they push through legislation that will lower wages to the field workers by an average of "36.81%" if it works as proponents say it will. If this isn't a giant slap in the face to the working man I don't know what is. And to think the Governor's office supports it!

During the election I went on the radio across the State saying a vote for Governor Racicot would be a vote for more jobs. I didn't realize it meant more jobs at a much lower rate!

5) As I argued at the hearing, this is an area that does not need fixing. The cost savings are just not there. The time wasted on this issue could be spent trying to do even more to lower our Workers Compensation cost in this State. Last week we talked to the Construction Manager for the Ernst Lumber and Hardware Store that is being built in Helena to see about quoting the structural steel work. He informed me that they would be using an Idaho firm who would bring Idaho workers to do the work because of the difference in the Work Comp rate between Idaho and Montana. The Idaho workers compensation rate on structural steel under 2 stories is 32.9% of the base wages. Ours in the State of Montana is 116.74% of the base wages. The construction manager was right when he said that they could pay the travel and subsistence for Idaho workers to come do the work and still be cheaper than if he had a Montana contractor do it because of the Work Comp rates. Our work comp rates are the biggest single reason that people feel construction is expensive in Montana, not the wage rates.

6) My final point is that the cost savings that they are talking about just don't exist. The prevailing wage rate for the skilled workers is just that, the prevailing rate.

When Senator Keating questioned Mr. Rich Allison from Pioneer Ready Mix about the private work his company was performing at this time, it only solidified my original statement that the cost savings are not there to be had. If Mr. Allison's company, my company and several other companies can be the successful bidders on private work using the Prevailing Wage Rates it shows that the Private Rates submitted by Ms. Hagan must not be accurate. How could companies like our own do half their work in the Private Sector if we had to pay 37% higher wages?

The prevailing scale serves as a minimum wage scale to keep the occasional unscrupulous employer from taking unfair advantage of the field workers. Why eliminate something that has worked so well in the past.

If I can provide you any additional information or explanation on the materials submitted please feel free to call me. Thank you for your time and consideration in this matter.

Thank you,



Dick Anderson
President

DICK ANDERSON CONSTRUCTION INC

by the aging facilities that either need to be upgraded significantly, or replaced. Repeal of the Little Davis-Bacon Act, will allow bond issues to be more attractive to the voters.

Another facet that needs to be considered in respect to the current application of the Little Davis-Bacon Act, is that competent local contractors are resistant to bidding a project requiring prevailing wages, because it is difficult to move employees from a higher paying public project, back to the lower pay of a private sector job. Support of SB 85 is, also, support for local contractors being able to be competitive on local jobs.

By supporting the repeal of the Little Davis-Bacon Act, you will be helping, significantly, to decrease the costs related to building bond issues in local communities, as well as encouraging local contractors to bid on public projects and return local tax money to the local economies.

Please support SB 85.

Construction Wage Rate Analysis Prevailing Wage Rates vs. Private Rates Hamilton, MT.

Bas s Based on Montana Prevailing Wage Rates (Building Construction) effective July 1, 1994
Rates are shown on a per hour basis
Per Day charges such as Per Diem have been calculated on an 8 hour day and shown as an hourly rate
Occupations used were those assumed to be most often associated with building construction
Mileage from Missoula to Hamilton is based on 53 miles

Occupation	Prevailing Wage Rate	Health Welfare	Pension	* Vacation	Training	A Per Diem	Per Diem Rate	Adj. Wage Rate	Private Wage Rate	% Change
Bookkeeper	17.15	2.05	1.25	0.00	0.00	1.25	3.13	24.83	14.00	-43.61%
Carpenter	13.03	2.00	1.60	0.75	0.10	1.25	0.00	18.73	14.00	-25.25%
Cement Mason	13.08	2.60	1.25	0.00	0.10	1.35	0.00	18.38	13.50	-26.55%
Civil/Val Applicator	13.98	2.00	1.60	0.75	0.10	1.25	0.00	19.68	12.50	-36.48%
Electrician	19.13	1.75	1.83	0.00	0.15	4.50	4.50	31.86	20.00	-37.23%
Ironworker	15.78	2.75	3.00	1.50	0.25	1.75	4.38	29.41	14.00	-52.39%
General Laborer	10.89	1.95	1.45	0.50	0.10	1.25	0.00	16.14	9.00	-44.24%
Crane Operator	15.52	2.32	1.60	0.00	0.15	1.25	0.00	22.44	15.00	-33.16%
Excavator Operator	15.02	2.32	1.60	0.00	0.15	1.25	0.00	20.94	14.00	-33.14%
Fork Truck Operator	15.77	2.32	1.60	0.00	0.15	1.25	0.00	21.69	14.00	-35.45%
Painter	12.00	1.55	0.50	0.00	0.12	1.33	3.50	19.00	12.50	-34.19%
Plumber	12.40	1.55	0.50	0.00	0.12	1.33	3.50	19.40	12.50	-35.55%
Plumber & Pipefitter	19.37	2.25	2.40	2.00	0.30	3.13	5.00	31.45	20.00	-36.44%
Roofer	14.50	2.25	1.10	1.00	0.00	1.66	4.00	24.91	14.00	-43.79%
Sheet Metal Worker	15.34	2.20	1.53	0.00	0.20	1.66	3.75	24.73	20.00	-19.11%
Averages:								26.56	219.00	-35.11%

*. Already included in the Prevailing Wage Rate. This should not be added to the rate.
+. This is not required on this job. It is only required if you men stay over.
A. Not required if the craftsman lives within 15 miles of the job site.

Anderson

Work in Montana, Idaho, & Wyoming
= Above 75-125 employees

Anderson

SEN. JOSEPH R. BIDWELL
EXHIBIT NO. 8
DATE 1-26-95
BILL NO. SB 85

Points of Contention

1. The cost savings is just not there. The #'s + % being presented are not correct.

2. There is a major shortage of skilled people in this region. If anything we need higher wage rates for our craftsmen to encourage more young people to join the trades.

3. We've done work in Wyoming & Idaho for U.S. West & AT&T on a competitive bid basis, without prevailing wage rates, and were low on the bids while at the same time using higher rates than the "Davis Bacon" rates. The reason is that "skilled craftsmen are hard to find in those States also and when you do employ them you need to pay good wages & benefits."

Site Yellowstone Park

4. I fear that any so called "savings" will result in a decrease or total elimination of Health Care & Retirement for the "unskilled" people in construction.

5. The people that bid on public works projects almost all have benefit ~~and~~ wage packages that exceed the "Little Davis Bacon" rates. You will not see a big influx of bidders if you eliminate the prevailing wage law because the Companies that are not bidding on these projects do not have the proper bonding, insurance, or the available skilled people not because they are worried about returning workers to lower wages at the end of the job.

* 1.5 million } 45-50% labor
 * 1.4 million }

16 1/2 - 18 1/2% total labor savings

14.8 million

6. Non Union not have the same chance to bid is false. Non-Union is not necessarily lower than Union wages. Benefits are not always paid in cash.

7. 13 million - 45% Private 55% Public

Ron Van Diest
Opposition SB 85

SENATE LABOR & EMPLOYMENT
EXHIBIT NO. 9
DATE 1-26-95
BILL NO. SB 85

Mr. Chairman,--- members of this committee

For the record, my name is Ron Van Diest. I represent in excess of 3000 members of the International Brotherhood of Electrical Workers. I have two things today.

The first is a letter from the National Electrical Contractors Association.

-Read Kent's letter

The second thing is to let you know that we are here today to oppose Senate Bill 85 for the following reasons *As my written testimony will show*

- 1) It will effect the apprenticeship programs adversely
- 2) It will lower the wages and the living standard of a great many citizens of the state of Montana
- 3) It will make it more difficult for the contractors in the state to get quality help
- and 4) it will remove the guarantee of non discrimination in employment opportunities

My members are extremely unhappy that our elected officials would even entertain a law that would purposely institute financial hardship on the citizens of Montana.

We ask that you vote to kill this bill here and now!

Thank you.

*H. Kent Pellegrino
Opposition: SB 85*

P.O. Box 1249
Helena, MT 59624-1249

Montana Chapter

NECA

National Electrical Contractors Association

SENATE LABOR & EMPLOYMENT

EXHIBIT NO. _____

DATE _____

BILL NO. _____

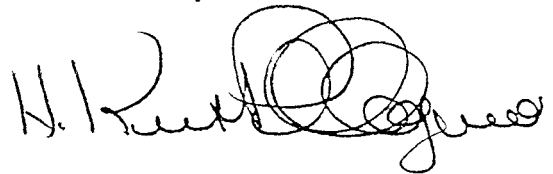
Phone: 406/442-8330

January 26, 1995
Senate Bill No. 85
H. Kent Pellegrino

Mr. Chairman and Members of the Committee. I represent the Montana Chapter, National Electrical Contractors Association.

Our chapter opposes Senate Bill No 85. The repeal of prevailing wage on Public Works Projects will not only hurt your constituents (the workers of Montana). It will also lower the standard of living for all Montanans. We respectfully request you defeat this bill.

Sincerely,



H. Kent Pellegrino
Chapter Manager

EXHIBIT 9
DATE 1-26-95
1 SB 85

WRITTEN TESTIMONY
GIVEN IN OPPOSITION
TO SENATE BILL 85

January 26, 1995

By

Ron Van Diest

Montana State Conference of Electrical Workers
International Brotherhood of Electrical Workers

Introduction:

Government, of all political divisions and subdivisions, has always been a major purchaser of construction services. In 1987, federal, state and local governments jointly accounted for 20 percent of all construction purchases. As a primary customer of construction services, government holds the potential to use its bargaining power to force down wage rates. Whether the lowering of construction wage rates significantly lowers the overall cost of a project, or the lack of quality construction done by low paid workers actually raises the over all cost, is a topic often debated.

History:

As early as 1881 the AFL argued for the passage of state prevailing wage laws which would prohibit government from using its market power to undermine local wages. Kansas passed the first prevailing wage law in 1891 and by 1969 forty-one states and the District of Columbia had prevailing wage laws in effect. Several cities had also passed prevailing wage laws in the construction field. A federal law was proposed in 1927 by New York Republican Representative Robert Bacon as a measure to help maintain industry standards. In 1931, during the Hoover Administration, Congress passed the Davis-Bacon act that took the wages of the working person out of the competitive strategies of contractors.

In the late 70's states began to experience fiscal crises and in 1979 Florida repealed its' prevailing wage laws. That was followed by Alabama and Utah in 1981, Arizona in 1984, Colorado, Idaho, and New Hampshire in 1985 and Louisiana in 1988. Nine states have never had prevailing wage laws--Georgia, Iowa, Mississippi, North Carolina, North Dakota, South Carolina, South Dakota, Vermont and Virginia.

Repeal will lead to Decline in Construction unions and wages:

As happened in Utah, wages will become a focus of competition between contractors bidding on state jobs. Contractors will go non-union or at least double-breasted (the act of being both union and non-union at the same time) in order to match or beat the lower wages of non-union contractors. Many workers will go non-union and stay with their present employer just to stay employed. Consequently, union contractors will no longer have a significant labor force or a productivity edge over the non-union contractor.

As the wages for unionized construction workers declines to match the non-union, so will the membership decline. This will lead to more non-union workers who traditionally receive less pay (lost tax base), and a corresponding loss in benefits, (much lower retirement benefits in the future and even more Montanans without any kind of health care insurance).

Decline in Training:

Since union apprenticeships are tied to the availability of union jobs, a decline in union jobs and monies will necessarily mean a loss in apprenticeships available to Montana High School graduates. Since the State of Montana is also considering cuts in their contributions to the apprentice programs this would definitely work to the disadvantage of the young citizens of Montana. Like it or not the young people are the total future of this state.

Non-union contractors are very reticent to contribute to any apprenticeship training programs as any money placed into a bid for the purposes of training may not be matched by the competition, meaning a loss of any given contract. Consequently, very little non-union training will be done. We will therefore be raising even more unmarketable.

untrained children who cannot afford to go to college because their parents are working longer hours for less money.

It should be noted that prevailing wage laws pose no obstacle to hiring inexperienced workers as apprentices or trainees and paying these workers at less than journeyman wages. All that the laws require is that the workers hired as trainees or apprentices be enrolled in a bona fide apprenticeship or trainee program.

Discrimination prevention:

A highly desirable side effect of the Davis-Bacon Act at any level is that it guarantees equal pay for equal skill and equal work. Thus it prevents discrimination against anyone because of sex, creed, or race. In Montana, despite the laws, rules, and regulations, we all realize there is a certain amount of racial and sexual bias that occurs. This law prevents that from happening on government jobs.

It is also worth noting that joint union-contractor apprenticeship programs have by far the best record in providing minority youth with training in the construction trades. The minority participation in these programs is almost double the participation rate in the non-union programs and union-sponsored programs account for more than 95% of all minority graduates from registered apprenticeships. This is how leaders of minority and women's organizations feel:

"...For years we have had to contend with the situation in which a Navajo carpenter working side by side with a non-Navajo carpenter received substantially less wages for the same work. Davis-Bacon prevents that from happening on federally funded projects."

The Navajo Nation

Tribal Chairman Peter MacDonald

"Women are beginning to gain entry into the construction trades in ever increasing numbers. Many of these women are now the principal bread winners in their families. As women learn the skills which in the past have entitled men to decent wages, it would be inexcusable if legislation such as the Davis Bacon Act was weakened."

Mildred Jeffrey

National Women's Political Caucus

"Whereas the Davis-Bacon Act protects construction workers from exploitation by requiring that prevailing wages be paid to employees working on federally financed construction projects; and

Whereas, through the efforts of the NAACP, the labor movement and other interested parties, blacks are at long last gaining employment in the construction trades;...

Be it resolved that the NAACP goes on record against any effort to repeal the Act and deny workers in the construction industry a fair wage."

National Association for Advancement of Colored People

Resolution of the 70th Annual Convention

Conclusion:

While it is impossible to quantify all the benefits and costs of prevailing wage legislation, there is solid evidence that :

1) Stipulation of wages and work categories can produce higher productivity, both through increased skill and training of the labor force and through increased capital investment. There is evidence of a trade-off between the cost of labor and labor productivity and quality.

2) Increased stability in the highly unstable, cyclic construction labor market can lead to lower social costs, increased training and productivity, and lower hourly wages. Primary areas of savings in public costs are unemployment compensation and workers compensation.

3) The savings from reduced hourly wage costs will not be fully reflected in total project cost reduction, since lower productivity may require more labor hours and contractors may increase their profit margin rather than reducing bid prices. The on-site labor share of total construction cost declined on average since 1959, while the overhead and profit share of total cost increased.

While it does appear that some nominal tax savings can be attained by repealing the prevailing wage law, the likely reduction in taxes would take place at the cost of increased instability in the construction labor market; fiercer competition from out of state contractors and workers; a lower standard of living for Montana workers and their families; and a possible increase in contractor profit margins rather than even the small tax savings predicted. The only *clear* result of repealing the Montana prevailing wage law would be lower wages for Montana residents.

The prevailing wage principle has been reaffirmed time and time again by the U.S. Congress and State legislatures. Rather than being a short term response to economic emergencies, these laws represent an integral part of our nation's system of labor legislation.

EXHIBIT 9
DATE 1-26-95
SB 85

References:

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Carl Schweitzer
Opposition to SB 85

SENATE LABOR & EMPLOYMENT

EXHIBIT NO. 19
DATE 1-26-95
BILL NO. SB 85

Testimony on SB 85
Repeal of Little Davis Bacon

Carl

Afternoon

Good Morning I am Carl Schweitzer and I represent the Montana Contractors Association. The MCA has over 100 members state wide in the building, highway and municipal/utility construction business. The MCA represents both union and nonunion employers. *Employers in every corner of Montana*

The MCA understands the problem Senator Benedict has identified. In fact, if the *enough to what with* contracts were let for the schools in the Bitterroot Valley it would be in the interest of *& of benefit* my membership to see that happen. But we do not agree that this bill is the answer. If *contractors last week - road all stated they was opposed* I may I would like to restate the problem.

"There is a desperate need for additional school facilities in the Bitterroot Valley. Several bond proposals have failed which would have financed school construction. As presented here today, it is the believe of some that the construction costs could be reduced by 10% or more if Little Davis-Bacon prevailing wages were repealed."

The proposed bill will not reduce the costs of constructing schools in the Bitterroot Valley. In fact, on a larger scale the repeal of Little Davis-Bacon may actually increase the overall and long term costs of operating and maintaining a school.

WHY DOES THIS BILL NOT REDUCE COSTS?

If the total project costs \$10,000,000 a 10% savings would be \$1,000,000. According to MSU Civil Engineering Dept. the average labor cost on a construction project this size is 40% or \$4,000,000. A \$1,000,000 saving on labor would be a 25% reduction in labor costs. *45-50%*

Further in a major construction project of this nature approximately 80% of the labor costs are for skill craftsmen — electricians, plumbers, mechanical, carpenters, and other skilled positions. In a market like Hamilton there would not be enough available skill craftsman to meet the needs of this size construction project. The current construction market is demanding skilled craftsman — why should they come to the Bitterroot Valley and work for less— They won't

7 1/2% unskilled

Therefore the \$1,000,000 in savings would be requires of the 20% (of the 40%) of the labor costs. It is impossible to get blood from a turnip. The unskilled portion of this Project would be at the most \$800,000.

How could you get a \$1,000,000 saving from an \$800,000 item— impossible

All the contractors I have talked with said that it is darn near impossible to find and keep good craftsmen now. Sletten tried for 5 months to find 5 carpenters in Bozeman to work on the Engineering building and only recently was able to fill the positions — at Little Davis-Bacon wages

*25 2/8
30/8
750/0*

Providing them with a lesser wage is out of the question.

I've talked with numerous contractor and the only potential savings would be 1 to 2 % on this type of project.

Finding workers who are less qualified could result in a final product which is less than satisfactory. There could be unexpected maintenance costs which in the long run would result in a more expensive building. A lose-lose situation

This bill doesn't build new schools in the Bitterroot Valley for any lesser cost. For this reason it should be defeated in this committee.

Bill Martel

If cheap is what you want - cheap is what you'll get

It is ironic that everyone states they want to provide jobs and ~~a way to provide the~~ opportunity for our children to stay and enjoy this beautiful state.
Well carpenters,

LIUNA

Laborers International Union of North America

FACTS

Montana Construction Costs Less

SENATE LABOR & EMPLOYMENT

EXHIBIT NO. 11

DATE 1-26-95

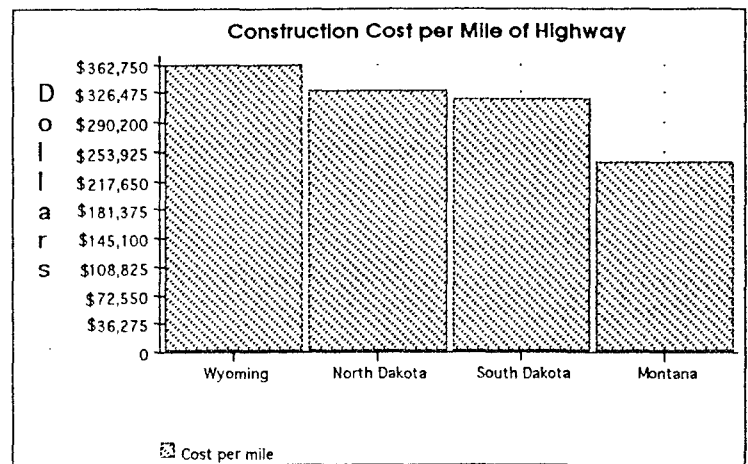
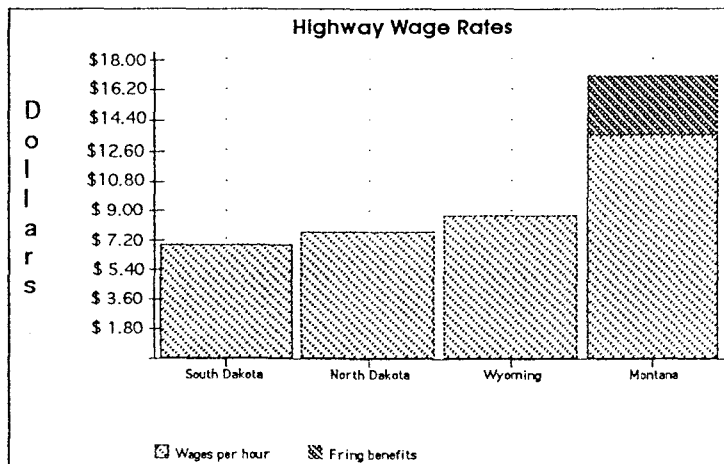
BILL NO. SB-88

David R. Burnett
MT District Council
of Laborers

Wage Rates for Highway and Street Construction

VS.

Construction Cost per Mile of Highways and Streets



Wages for laborers working on highways and streets.
SOURCE: U.S. Department of Labor January 1995

SOURCE: International Union of Operating Engineers, 1987-1990
Analysis confirmed by Ruffenberg, Kilgallon & Associates.

Montana's Little Davis-Bacon Law requires any public project over \$25,000 to pay the prevailing wage to all workers on the project. The prevailing wage for each craft is defined by the Montana Department of Labor. This law benefits everyone involved.

The graphs above are a comparison of wage rates and highway construction costs for Montana and its neighboring states. Montana is able to keep its overall construction costs down by attracting a skilled, proficient work-force.

The wage rates shown above are the prevailing rate for general laborers in the four states. Montana is the only state that separates the benefit package from the base wage.

The construction costs are a comparison of Montana and the surrounding states. The chart shows the cost of constructing one mile of highway.

Montana's Little Davis-Bacon Law has an obvious benefit and has served Montana well for over sixty years.

- The state benefits from the work of a skilled and proficient work force.
- Contractors benefit from a level playing field. Small contractors can compete with large contractors because everyone bids with the same rates.
- Taxpayers benefit from quality public works that will stand the test of time.
- Workers benefit from decent wages and fair workplaces.

LIUNA

Laborers International Union of North America

FACTS

History and Facts about Prevailing Wage Laws

- | | |
|-------------|--|
| 1891 | : Kansas passed the first prevailing wage law. This law was passed in order to stop wage slashing and shoddy work by unscrupulous contractors trying to gain state bids. Six other states passed similar laws before 1931. |
| 1927 | : Three years prior to the Great Depression, a Republican Congressman from New York, Robert Bacon, introduced the first Prevailing Wage Act. This act was defeated. |
| 1928 | : Prevailing Wage Act was again introduced and defeated in Congress. |
| 1930 | : Republican J. J. Davis was elected from New York to the U.S. Senate. Davis had previously served as U.S. Secretary of Labor under three Republican administrations. |
| 1931 | : Senator Davis and Congressman Bacon introduced and passed the Davis-Bacon Act, America's first Federal prevailing wage law. President Hoover signed the bill into law. |
| 1931 | : Republican State Senator Robert Pauline from Kalispell introduced the Little Davis-Bacon Act, Montana's prevailing wage act. The bill was passed and signed into law. |

Important Changes in Montana's Little Davis-Bacon Law

1987 - The Little Davis-Bacon Law was amended to exclude the use of labor agreements to set the Montana Prevailing Wage Rates. Ten districts were established by the Montana Department of Labor. Surveys were done for each district to set the wages for each craft according to the average of all construction workers in each district. In most cases, the union rate is much greater than the state prevailing rate.

1993 - The Little Davis-Bacon Law was further amended to allow non-union contractors to establish their own Health and Welfare programs and Pension plans. Additional amendments included strong enforcement provisions for contractors who did not pay prevailing wages on public projects.

LIUNA

Laborers International Union of North America

FACTS

Construction Workers and the Construction Industry

EXHIBIT 11
DATE 1-26-95
SB 85

Montana's economy depends on the revenue of the construction industry. Construction workers provide both the tax dollars and the infrastructure that makes Montana strong. The following are some facts about Montana's construction industry and its workers.

1 The average construction season lasts between six and eight months. For the worker, this means only between 1,200 and 1,400 hours per year.

2 General laborers earn an average annual income of between \$14,400 and \$16,800, with an average wage rate of \$12.00 per hour. The average annual income for the private sector in Montana is \$19,467 (MT Dept. of Commerce, Census Bureau 1993).

3 Construction workers do not receive paid holidays. Many of the holidays, President's Day, Veterans Day and Columbus Day, that the rest of Montanans take for granted, construction workers are working to earn a living.

4 Construction workers do not receive sick pay. A day off work because of an illness, or a child's or spouse's illness, must be taken without pay.

5 Construction workers do not receive paid vacation time. Any time taken off is time without pay.

6 Many workers are expected to bring many of their own hand tools to a job. Several crafts, such as cement finishers, carpenters and electricians are expected to pay for and provide their own hand tools.

7 Job sites are not always local. Many construction workers drive long distances away from their families and homes for work.

S.B. 85

SENATE LABOR & EMPLOYMENT

EXHIBIT NO. _____

DATE _____

BILL NO. _____

MR CHAIRMAN, SENATORS OF THE COMMITTEE, MY
NAME IS DAVID R BURNETT, I AM THE SECRETARY OF
THE MONTANA DISTRICT COUNCIL OF LABORERS AND HAVE
WORKED AS A CONSTRUCTION LABORER FOR 20 YEARS. I
HAVE SOME INFORMATION FOR EACH OF YOU AND WILL
PASS IT TO THE SECRETARY.

INCLUDED IN YOUR PACKET IS A BLUE HANDOUT
SHOWING THE HIGHWAY WAGE RATES FOR GENERAL LABORERS
IN SOUTH DAKOTA, NORTH DAKOTA, WYOMING AND MONTANA.
I DO NOT HAVE BUILDING RATE COMPARISONS AT THIS TIME
AS YOU CAN SEE MONTANA HAS THE HIGHEST WAGE RATE
OF THE GROUP. TO THE RIGHT OF THAT GRAPH IS THE
CONSTRUCTION COST PER MILE OF HIGHWAY IN THOSE SAME
STATES. MONTANA CLEARLY HAS THE LOWEST COST PER MILE.

WHAT DOES THIS MEAN. ~~DO~~ IT MEANS MONTANA IS ABLE
TO KEEP ITS OVERALL CONSTRUCTION COSTS DOWN BY
ATTRACTING A SKILLED, PROFICIENT WORK-FORCE AND
THIS BENEFITS EVERYONE ~~TO~~ FROM THE WORKER TO ^{MAIN} ~~THE~~
~~STREET BUSINESS~~ BUSINESS-MAN.

IN 1931 REPUBLICAN STATE SENATOR ROBERT PAULINE FROM
KALISPELL INTRODUCED THE LITTLE DAVIS-BACON ACT,
MONTANA'S PREVAILING WAGE ACT. THIS BILL WAS PASSED
AND SIGNED INTO LAW.

IN 1987 THE LITTLE DAVIS-BACON LAW WAS AMENDED
TO EXCLUDE THE USE OF LABOR AGREEMENTS TO
SET THE MONTANA PREVAILING WAGE RATES. ^{NOW} SURVEYS
ARE DONE FOR EACH DISTRICT TO SET THE WAGES
FOR EACH CRAFT ACCORDING TO THE AVERAGE OF
ALL CONSTRUCTION WORKERS IN EACH DISTRICT. IN
MOST CASES THE UNION RATE IS GREATER THAN THE
PREVAILING RATE.

MONTANA'S LITTLE - DAVIS - BACON LAW HAS LITERALLY
MEANT THE DIFFERENCE BETWEEN BRINGING HOME THE
BACON ON BRINGING ^{HOME THE} CRUMBS FOR ^{THOUSANDS} HUNDREDS OF
MONTANA'S CONSTRUCTION WORKERS, AND THEIR FAMILIES.

YOU TALK ABOUT MAKING GOVERNMENT RUN LEANER
AND MORE EFFICIENT. MONTANA'S CONSTRUCTION WORKERS
ARE ALREADY WORKING THAT WAY. YOUR ORANGE HANDOUT
EXPLAINS SOME OF THEIR CONDITIONS.



ALL ^{THAT} MONTANA'S CONSTRUCTION WORKERS WANT IS TO ^{BE ABLE} BRING
HOME THE BACON - LET THEM HAVE A FAIR WAGE
FOR AN HONEST DAYS WORK.

THANK YOU

DAVID R. BURNETT

SEC. MT. DISTRICT COUNCIL OF LABOR

HIGH WAGE vs. REAL COST

ANALYSIS

WAGE RATE VS. PRODUCTIVITY REPORT UPDATE

Supporting tables of data for this analysis are included in the copy provided to the Committee Secretary for the record, if you ~~would~~ want additional information.

International Union of Operating Engineers (IUOE)
AFL-CIO/CFL

HIGH WAGE vs. REAL COST

ANALYSIS

LABOR MAN-HOURS AND COST PER PROJECT MILE ON FEDERAL AID HIGHWAY CONSTRUCTION CONTRACTS OF OVER ONE MILLION DOLLARS

WAGE RATE VS. PRODUCTIVITY REPORT UPDATE

We submitted our original report to an independent statistical analyst firm (Ruttenberg, Kilgallon & Associates, Inc., Washington, D. C.) for verification. Their recommendations are included in this report.

All data in this report was compiled by the Federal Highway Administration (FHWA) from survey form FHWA-47. The unpublished tables are entitled, "PMF-C117 Materials Listing-A." The data consists of the four-year period 1987 through 1990, and consists of construction contract dollars only, excluding all other costs such as right-of-way purchase, engineering design inspection costs.

The data for a given year are for all projects completed in the year, irrespective of the year initiated. The data reports the labor hours and project miles for the duration of the project, not solely for the year in which it was completed.

Total labor-hours and costs per project mile are impacted by the variable characteristics of the specific projects that make up the total. For example:

- (a) A difference in topography and composition of the soil (i.e. granite vs. sandy) among the projects by state.
- (b) A difference in proportion of projects that involve overlay as opposed to new construction.
- (c) The proportion of bridge vs. roadbed construction.

In order to minimize these variables we chose to study 10 states with the highest dollar volume of federal aid.

The four-year study of the data base for 50 states includes \$27 billion, 26,691 miles of roadway, 743 miles of bridges and 419.7 million man-hours.

TEN-STATE TOTALS

	LOW WAGE (NONUNION: TX, GA, FL, VA)	FAIR WAGE (UNION: IL, PA, NY, MI, CA, MO)
Labor Hours	136 Million	77 Million
Gross Earnings	\$1.270 Billion	\$1.544 Billion
4-Year Total	\$6.9 Billion	\$6.3 Billion
% U.S. Total	25.5	23.3
Roadbed Miles	4,992.85	5,067.21
Bridge Miles	116.03	148.8
% of Total Miles	2.27%	2.55%
TOTAL MILES	5,108.88	5,216.01

TEN-STATE PROJECT PER MILE AVERAGES

	LOW WAGE (NONUNION)	FAIR WAGE (UNION)
Average Wage	\$9.33	\$19.99
Man-Hours per Mile	26,651	14,810
Labor Cost per Mile	\$248,618	\$296,077
TOTAL COST PER MILE:	\$1,348,098	\$1,213,569

NOTE:

The Fair Wage state total cost per mile is 10% lower than the Low Wage state total.

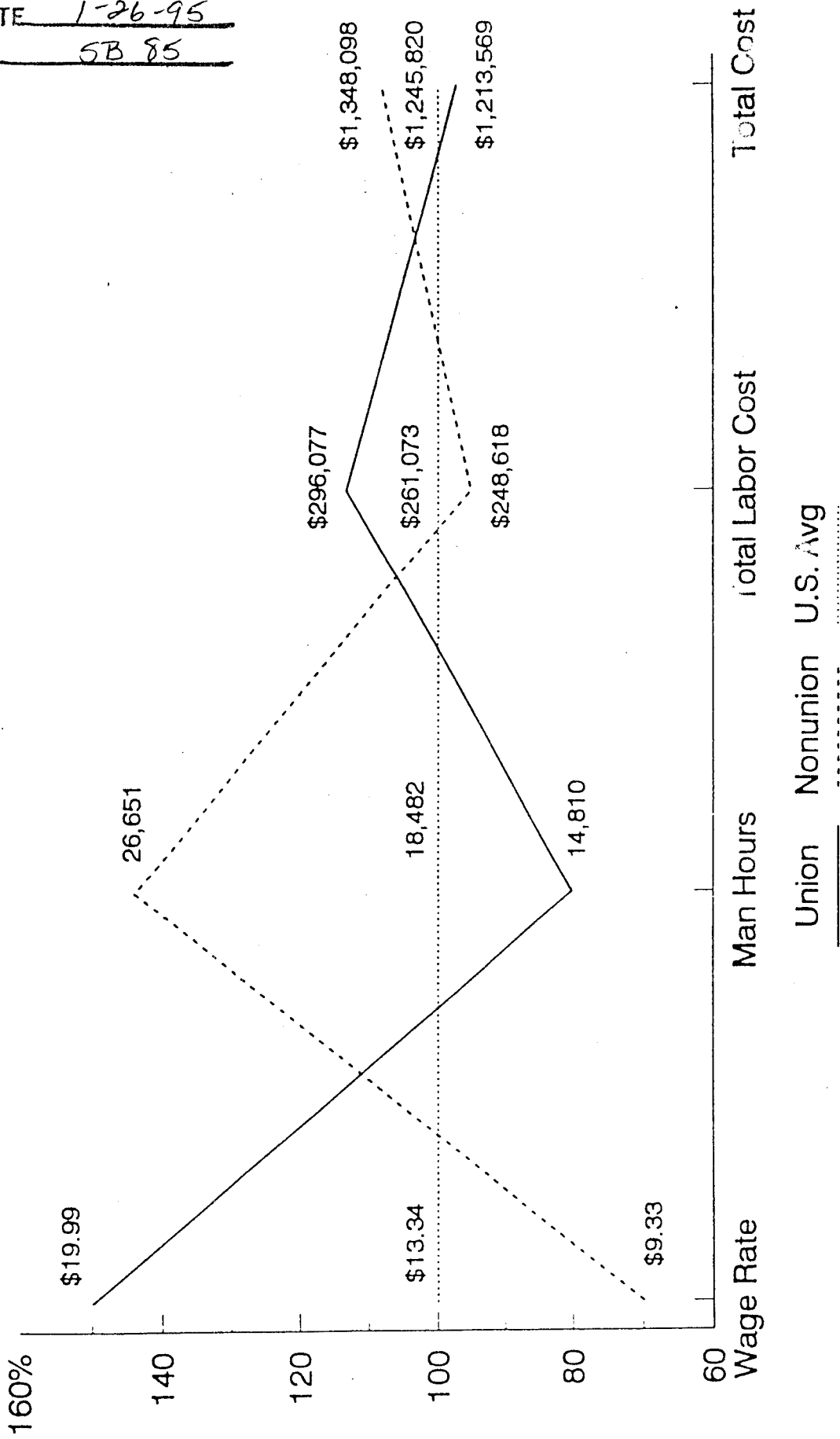
The Fair Wage workers completed the work with 56% of the man-hours.

Fewer man-hours also means fewer equipment hours and is reflected in the lower total cost per mile of the Fair Wage states.

Top 10 Highway \$ Volume States

Union Fair Wage vs. Nonunion Low Wage

EXHIBIT 11
 DATE 1-26-95
5B 85



SUMMARY

The top 10 states represent \$13.2 billion or 48.8% of all highway and bridge work in the United States.

These states also reflect a near equal proportion of low-wage nonunion to fair-wage union dollar volume.

Four states - Texas, Georgia, Florida and Virginia - represent the low-wage nonunion group (less than 5% union).

Six states - Illinois, Pennsylvania, New York, Michigan, California and Missouri - represent the fair-wage union group (more than 80% union).

At first glance, most of these statistics appear somewhat equal. A careful analysis reveals some startling facts:

1. The union states built **74.4 more miles of roadbed** and **32.8 more miles of bridges** for **\$557 million less** with a wage package more than **double** the nonunion states.
 2. The argument that low nonunion wages are cost-effective is simply not true. In fact, the opposite is true.
 3. While we seem to be holding our market share in most of our traditional union states, a much larger federal highway dollar volume is being shifted with the population migration to the nonunion southern states. The chart shows 25.5% of all federal highway dollars were spent in just four southern states. If we project that percentage to the new Surface Transportation Bill, they would receive 25.5% of the \$119 billion authorization, or \$30.35 billion of authorized highway work over the next six years.
-

Chuck Caspell
Opposition: SB 85

Chuck Caspell

DATE

1-26-95

BILL NO.

SB 85

MR chairman, members of The committee

I am ~~Chuck Caspell~~ represent 2000 members of The operating Engineers Union Local #400. This is not a UNION -vs- Non-Union issue.

It is a worker issue. An attack on The economic well being of The working people in The state of Montana. as well as an attack on The economic well being of The state of Montana itself. If This bill passes The wages + benefits of workers in This state will decrease. Also The tax base for The state will decrease. The economies of The Local ~~economies~~ ^{communities} will inturn be affected detrimentally.

If This bill passes ~~the~~ people (workers in The state of Montana) could Loose Their Health Insurance, and Pensions. Skilled workers who will not work for an unlivable wage will Look to other jobs + will not work at these jobs That are Let without The prevailing wage. Proponents of SB 85 are only talking about Construction Costs of projects. Opponents of SB 85 realize That what passage of This bill would mean. Lower wages, Lower or no Benefits, Less money made means Less Taxes, Less money to spend in The community, MORE of a Burden on The

Johnny Monahan
Opposition to SB 85

SENATE LABOR & EMPLOYMENT
BILL NO. 13
DATE 1-26-95
BILL NO. SB 85

JANUARY 26, 1995

TESTIMONY OF JOHNNY MONAHAN ON SENATE BILL 85 -REVISE " LITTLE DAVIS BACON ACT".

MR. CHAIRMAN, COMMITTEE MEMBERS, MY NAME IS JOHNNY MONAHAN. I AM DIRECTOR OF THE MONTANA IRONWORKERS JOINT APPRENTICESHIP AND JOURNEYMAN TRAINING PROGRAMS AND A MEMBER OF IRONWORKERS UNION LOCAL 841.

I RISE AS AN OPPONENT OF SENATE BILL 85 BECAUSE I FEEL IT WOULD BE UNFAIR TO THE PEOPLE OF MONTANA TO REVISE THIS ACT. THERE IS A GROSS MISPERCEPTION ABOUT THIS BILL. MANY PEOPLE THINK OF THE PREVAILING WAGE AS A UNION ISSUE WHEN IN FACT THE REPUBLICANS IN CONGRESS CREATED THE FEDERAL PREVAILING WAGE LAW, THE DAVIS-BACON ACT OF 1931, TO STOP CUTTHROAT BIDDING ON FEDERAL CONSTRUCTION PROJECTS BECAUSE CONTRACTORS WERE SLASHING WAGES TO GET GOVERNMENT CONTRACTS.

THE MONTANA LEGISLATURE RECOGNIZED THE MERITS OF THE DAVIS-BACON ACT AND PASSED WHAT BECAME THE STATE "LITTLE" DAVIS BACON ACT THE SAME YEAR.

THE PREVAILING WAGE LAWS PROVIDE IMPORTANT PROTECTIONS FOR WORKERS, UNION AND NON-UNION ALIKE, FAIR CONTRACTORS, WHETHER THEY ARE UNION OR NOT, GOVERNMENT, TAXPAYERS, BUSINESS AND THE GENERAL PUBLIC.

CUTTING WAGES COULD BE THE BIGGEST FACTOR IN BRINGING IN A LOW BID. SKILLED WORKERS DEMAND A TOP WAGE. LOW WAGES WILL ATTRACT ONLY MINIMAL OR UNSKILLED WORKERS. SKILLED WORKERS WILL BRING IN A QUALITY PRODUCT IN A REASONABLE TIME. UNSKILLED WORKERS CANNOT DO QUALITY WORK AND WILL TAKE LONGER TO DO A JOB, NOT TO MENTION THE ADDED COSTS DOWN THE ROAD, WHICH HAPPENS AS A RESULT OF SHODDY WORKMANSHIP.

I RESPECTFULLY REQUEST YOU RETURN A "DO NOT PASS" RECOMMENDATION ON SENATE BILL 85.

THANK YOU FOR YOUR CONSIDERATION.

Cleon / Yanks

SENATE LABOR & EMPLOYMENT

EXHIBIT NO. 14

DATE 1-26-95

BILL NO. SB 85

1-26-95

Mr. Chairman, Members of the panel, & fellow citizens. My name is Cleon Yanks from Cascade, Mt. I have been working close to 50 yrs, having engaged in farming, ranching, factory, logging and construction.

While I haven't much education, I believe I have acquired a fair amount of knowledge and common sense. Somewhat like The Davis-Bacon bill, which is in fact a year older than myself. Pretty much tried and proven in that length of time.

Senators, we voters have entrusted you with the welfare of Mont. and to represent us in Mont.

The media tells us the economy is fairly stable here in Mont. It seems as if we can survive with a 70% of workers in the minimum ~~class~~ wage class, but, ~~by~~ ^{is} my belief that Main Street of Mont. will never survive with the majority in minimum wage competition.

Members of the panel, may I urge you to examine your hearts in this important

SENATE LABOR & EMPLOYMENT

EXHIBIT NO. _____

DATE _____

BILL NO. _____

matter, for the welfare of most, and
the future generations to come.

Do not delete The Davis Bacon Act of 1931.

Thank You

Box 103

Cascade 59421

Pam Egan
Opposition: SB 85



Montana Family Union, AFL-CIO

110 W. 13th Street, P.O. Box 1176, Helena, MT 59624, (406) 442-1727

SENATE LABOR &

EXHIBIT NO. 15

DATE

1-26-95

BILL NO.

SB 85 Don JUDGE, President

Pam Egan, Executive Director

Testimony of Montana Family Union
before the
Senate Committee on Labor and Employment Relations,
Thursday, January 26, 1995,
on Senate Bill 85

Mr. Chairman, members of the committee, for the record I am Pam Egan, Executive Director of the Montana Family Union, AFL-CIO.

On behalf of the more than 2500 members of the Montana Family Union, members who are **not** employed in the building and construction trades, including small business owners, retirees, students, homemakers, attorneys, farmers, ranchers -- average Montana taxpayers and their families -- I urge your strong opposition to Senate Bill 85.

The members of the Montana Family Union who pay the taxes that fund the projects covered under Montana's "little Davis Bacon" law know that we get quality work on our public facilities when -- and only when -- we pay qualified workers a living wage to build them. We also know that our communities are healthy when -- and only when -- working families can make a living wage.

We want safe and lasting public buildings, we want Montana workers to get Montana's publicly-funded building and construction jobs, and we want a living wage paid to the workers who do those jobs. That's why we urge you to vote against Senate Bill 85.

Respectfully submitted by Pam Egan, Executive Director, Montana Family Union, AFL-CIO

Don Judge
Opposition



Montana State AFL-CIO

DATE NO. 16

DATE 1-26-95

BILL NO. 58 55

Donald R. Judge
Executive Secretary

110 West 13th Street, P.O. Box 1176, Helena, Montana 59624

406-442-1708

Statement of Donald Judge, Executive Secretary, Montana State AFL-CIO, on Senate Bill 85, before the Senate Labor and Employment Relations Committee, January 26, 1995

Mr. Chairman, members of the committee, for the record my name is Don Judge and I'm the Executive Secretary of the Montana State AFL-CIO. On behalf of thousands of working families across Montana, we rise in strong opposition to this bill.

Mr. Chairman, the original concept for establishing a prevailing wage schedule so that contractors and workers could have a level playing field came from Republicans in the Congress back in 1931. They came up with this plan to stop cutthroat bidding because contractors were slashing wages in order to win federal contracts.

The low bidders obviously won the contracts, and that left the public with shoddily built facilities and workers with poor working conditions and even more poor compensation. Workers and the public were clearly and justifiably outraged, and Congress quickly put a stop to it all by passing the federal Davis-Bacon Act.

In Montana, the Legislature immediately saw the merits of that plan and passed what has come to be called the Montana Little Davis-Bacon Act.

Since then, contractors, workers and government have been involved in determining what fair prevailing wage rates would be in various occupations in various regions. And I want to make it clear that prevailing wage is NOT "union wage." Both unionized and non-unionized contractors support and benefit from prevailing wage laws.

Montana is broken down into 10 areas so that regional variations in wages are taken into account when these prevailing rates are established.

The benefits of that work accrue to everyone involved -- except for unscrupulous contractors who don't report their wages or don't pay the required prevailing rate. Contractors and workers alike benefit by having the playing field level so that bids for government contracts don't vary widely simply because a few contractors are willing to underbid by chopping what they pay their workers.

I want to address a common misconception here about what happens when prevailing wages are NOT paid. Many people who support this bill **WRONGLY** argue that passage of this bill will result in all wages being lower, and thus that costs to the government -- and therefore the taxpayers -- will be lower. This is absolutely untrue, despite assertions to the contrary by proponents of this bill and even the governor's budget office, as reflected in the fiscal note.

National studies have shown that the lack of prevailing wage rates on contracts does NOT always result in lower overall contract costs. Because we live in the real world, we **must** recognize what happens in the real world: some contractors who can pay lower wages and benefits do NOT necessarily lower their contract bids; they keep the total contract costs at their previous levels and simply pocket the difference as higher profit margins.

If prevailing wage is repealed in any way in this state, I suspect that you'll be able to look back in five or 10 years at the history of completed public contracts and you will NOT be able to find any overwhelming savings to the public. You will, however, find higher profit margins for the contractors and subcontractors.

You will also find lower-quality work and, as a result, public facilities that need more frequent, more extensive and more costly maintenance and repairs. That's the present experience of states that don't have prevailing wage laws like ours.

We all need to remember that public facilities and infrastructure are currently being built by highly skilled master craftsmen and their apprentices who have undergone rigorous training, and in many cases, thorough testing and state licensing or certification procedures. If you artificially lower wages and benefits by repealing the Little Davis-Bacon Act for local governments, you will find fewer master craftsmen and fewer apprentices willing to engage in that work. And all you need do is contact folks in Utah and Idaho to confirm that.

A University of Utah study showed that the repeal of their prevailing wage law decimated apprenticeship and training of craftsmen in Utah. These apprenticeship programs very often are run as joint employer/employee initiatives in Montana and across the country. The Utah study noted that after the demise of the employer/employee apprenticeship programs there, no other source -- public or private -- had moved in to help train workers for these demanding occupations.

The study went on to say, and I quote, "there is a looming crisis in training for construction workers in Utah." They found that experienced master craftsmen were leaving their professions -- if not just leaving the state.

Idaho has had a similar experience since their repeal. In fact, an official of the Idaho Associated General Contractors says Idaho now is 15 to 20 percent short on the labor pool needed in these highly skilled trades. He noted that workers need incentives to enter training for these trades because the training is long term -- from 10 to 15 years to reach the master level.

He talked about Idaho's wages having gone up in recent years, but his notion of high wages is only \$10 per hour with no benefits. That's not an incentive -- that's a disincentive. Imagine being a highly sought-after master craftsman. You have a home, say, in Billings, and you're asked to go on a job in Wolf Point. You have an enormous cost to bear there -- the cost of essentially running two households. You can't do that on anything but prevailing wages -- and it's still a struggle for some.

You can't induce someone to leave their home and travel from job to job during the construction season if you're not paying fair wages and offering industry-standard benefits, such as health care, retirement contributions and so forth. In largely rural areas like Montana, you can't induce master craftspeople to travel to your job site and work in treacherous conditions without paying the prevailing wage rates and benefits.

And let's look at the health care part for just a minute. Workers who receive the prevailing rate get fair health care benefits -- as well they should given the dangers of their crafts and the wear and tear on their bodies. Does this Legislature really want to take a large segment of Montana's working families -- 16,000 were employed in construction last summer -- and simply repeal their health care benefits in one fell swoop? Does this Legislature really want to create a whole new group of people who may have to utilize state-funded health care because you took away their ability to maintain their privately-paid health care?

The bottom line on this issue is the quality of work provided and the fair wages and benefits paid to the workers. Companies that attract skilled master craftspeople are able, with confidence, to guarantee their work. Their projects are constructed with quality and durability, often under budget and under schedule. Facilities built with less-skilled workers often are late because of high turnover and absenteeism, which in turn often ends up putting them over-budget.

Prevailing wage laws protect employers as well as working families. Because of the quality of jobs done under these circumstances, the ultimate benefits are enjoyed by the public at large, and that's who we all are concerned about.

Statement of Don Judge, SB 85, January 26, 1995, Page 3

We encourage members of the committee to examine the testimony of opponents of SB 85 carefully and note that many contractors -- both union and non-union -- are among the opponents, as well as some of the local governments potentially affected.

We encourage this committee to set this legislation aside, just as right-to-work was set aside in the House. Thank you for your time.

Associated General Contractors **INTERMOUNTAIN CONTRACTOR PROFILE**

SENATE LABOR & EMPLOYMENT

EXHIBIT NO. 16

DATE 1-26-95

BILL NO. SB 85

The future of AGC

First Vice-president's message

“We absolutely have to change the image of the contractor,” says Idaho Branch AGC's First Vice President Douglas McAlvain of McAlvain Construction in Boise.

He points to a recent advertisement by Ricoh copiers as an example of how the public perceives contractors: The ad shows a slovenly dressed man standing between two copiers saying, “Now that I have two copiers, I can make copies for both my jobs.” McAlvain argues that the portrayal of the contractor “as a real dumb” is exactly the perception the public has about contractors—and that image is having a tremendous effect on the industry in many negative ways.

“That [image] is one of the reasons we have difficulties attracting and retaining good workers,” says McAlvain. “Nobody wants to be a carpenter or a contractor anymore. Nobody wants to be thought of as a dummy, or worse, a shyster. If we want to attract good people into the industry, we have to build the image of an industry that people can be proud to work in.”

When McAlvain first started in construction, the image was different: “People knew that construction was the essence of the American Dream. You could start at the bottom and work your way up, becoming astute, becoming a leader, and making big bucks if you worked hard enough.”

That is not the image now, says McAlvain, but the process is still available. “In the late 70s and early 80s there was a lull in the industry and the work force began to drop off because wages went down relative to the rest of the economy,” McAlvain explains. “Now wages are high again, and there's a lot of work, but no one wants to train to be a carpenter or mason or painter anymore.”

Currently, says McAlvain, the state is probably 15 to 20 percent on the labor pool needed. “The problem is, we have gotten away from quality and pride. Workers need a motivation to become master tradesmen, not just laborers.”

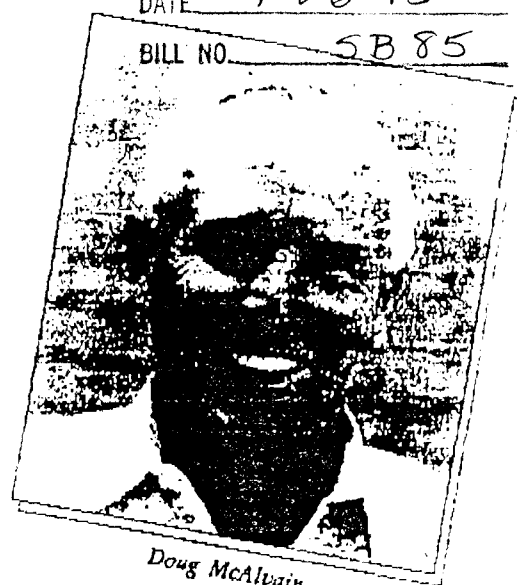
The message is the future. The first step for the AGC is to educate school counselors on the opportunities in construction. “We need to have counselors understand that the construction industry provides top of the line job opportunities, but requires dedication and pride. It takes as long as 10 or 15 years to learn all aspects of a job to become a master craftsman.”

Educating the public is also a large part of the effort needed. “Construction isn't just construction anymore—it's a business that has to be run like a business, using all the modern tools available to business such as computers and sophisticated management strategies.” That message, he believes, is one that needs to be pushed to the industry as well as to the public.

“My mission at AGC is going to be to work on changing the image of the industry,” says McAlvain. “The first two emphases have to be on getting good people into apprentice training and then to increase membership and membership retention,” says McAlvain. “We will focus on member education systems. The AGC is a service organization that can help members both individually and as a group, and we need to get that message across.”

But McAlvain plans to focus on image throughout. “We need to make everyone aware of the necessity for professionalism. We need to get the message out that this is an organization for ‘professional’ people, because contractors are professionals just as much as doctors or lawyers or bank presidents.” Increasing the information flow is one aspect of this goal, he says. The AGC is looking at adding more plan rooms, possibly in Pocatello or Lewiston, and increasing member awareness of all of the resources available through Idaho Branch and the national office.

Third, says McAlvain, he plans to



emphasize information on safety. “In the next year, we will double the safety training available to members. If you are not managing safety in today's market, you are simply not going to make money. High workers compensation modification rates, fines, lost time—all of these will eat away the profit for a contractor who doesn't stay on top of the safety issues.” As part of this effort, he adds, the association is in the process of developing a Chapter Workers Compensation Insurance Plan, which could save participating members up to 25 percent of their current premiums by the third year of operation.

These goals, McAlvain explains, are not the result of wishful thinking, but of a carefully planned process that the Idaho Branch AGC leadership has gone through in the past few months. “It has been a sometimes painful process, but we have diligently stepped back and looked at where we are and where we need to be—not just as an association, but also as an industry.” To that end, he notes, the Idaho Branch is developing a Total Quality Management plan of its own complete with a new mission statement and a new vision (see the opposite page). Recently completed, these elements are being used to chart a new strategic plan for the association's future—a future, McAlvain asserts, that will rebuild the good reputation of the construction industry. □

IDAHO APPRENTICESHIP REPORT		1994
	1980	1994
TOTAL APPRENTICES	1494	1036
TOTAL PROGRAMS	522	424
SELECTED TRADES		
ELECTRICIAN	218	250
POLICE OFFICER	0	242
PLUMBER	100	144
SHEET METAL	47	107
ROOFER	41	48
MAINT. ELECTRICIAN	0	34
LINEMAN	95	30
CARPENTER	207	27
MILLWRIGHT	0	23
PIPEFITTER	70	14
BRICKLAYER	56	10
FISH & GAME WARDEN	0	10
MAINT. MECHANIC	44	8
OPERATING ENGR.	17	9
PAINTER	28	9
WELDER	UNK	0
IRONWORKER	22	7
CEMENT MASON	40	2
FLOOR LAYER	8	1
GLAZIER	15	1
INSULATION WORKER	0	2
PLASTERER	7	0
TAPER	15	3

Post-It™ Fax Note 7671		Date 1-25	# of pages 2
To Don/Darrell	From Randy		
Co./Dept. M.I.	Co. LD		
Phone #	Phone #		
Fax #	Fax #		

Davis-Bacon repeal could hurt economy

Prevailing wage is not "union wage;"
it's set by the state labor department!

The prevailing wage -- originally a Republican proposal -- is not "union wage." Prevailing wages for different types of jobs are determined by the Montana Department of Labor and Industry -- not by unions.

The Department of Labor uses wage surveys, unemployment insurance statistics and other data, as well as collective bargaining agreements to arrive at prevailing wages for construction contracts involving public funds. The wages are generally based on the most common wage paid for specific jobs in each region of the state -- on both union and non-union jobs.

The primary role of union contracts in setting prevailing wages is to act as a ceiling: prevailing wages cannot be HIGHER than wages for the same jobs under collective bargaining agreements in the region, but they CAN be lower. Regional differences are closely adhered to -- wages paid in the Flathead won't usually be the same as wages paid in Carbon County.

How did prevailing wage get started?

It's ironic that the GOP is leading the charge to repeal the Montana's Little Davis-Bacon Act, which sets the prevailing wage rates. Republicans in Congress created the federal prevailing wage law, the Davis-Bacon Act of 1931, to stop cutthroat bidding on federal construction projects because contractors were slashing wages to get government contracts.

Before Davis-Bacon, the public was stuck with shoddy work and construction workers and their families were exploited by some unscrupulous contractors, who were naturally the successful low bidders on government projects.

The Montana Legislature immediately recognized the merits of the federal Davis-Bacon Act and passed what has come to be called the state "Little" Davis-Bacon Act the same year.



Who benefits from prevailing wage?

Everyone -- EXCEPT unscrupulous contractors!

Prevailing wage laws provide important protections for workers, fair contractors, federal, state and local governments, taxpayers, main street businesses, schools and the general public.

The old adage, "you get what you pay for" certainly is true in construction. Schools, roads and highways, power

Prevailing rate required in governor's jobs bill, for banks

Sen. Benedict is carrying the Governor's jobs bill (SB 38), as well as the Davis-Bacon repealer.

The jobs bill contains a loan fund for businesses to create jobs with coal tax trust revenue. On pg. 3, line 6, Sen. Benedict proposes that the state loans be REQUIRED to carry the "prevailing market rate" for similar loans.

Fair enough -- after all, that's what prevailing rates for wages are: the market rates for similar jobs in the region.

Why should the owners and the employees be treated differently in bills by the same sponsor? If the owners are required by state law to pay prevailing rate to finance a project, why shouldn't they be required to pay prevailing rate to BUILD the project?

plants and dams, and other public-sector infrastructure projects require highly skilled labor.

Unskilled workers can be cheaper, but they take longer and don't do quality work. The result? The small initial savings are eventually consumed by higher repair and replacement costs -- and perhaps even the terrible cost of accidents caused by faulty construction. States without prevailing wage laws can give testimony to that other old saying, "you can pay me now or pay me later."

What if it's repealed?

Utah repealed its prevailing wage law in 1981, and workers and employers saw the effects pretty quickly.

The Bricklayers' Union lost its apprenticeship program -- there aren't any bricklayers in apprenticeship anywhere in Utah. That means a decrease in the quality of workmanship, on-the-job safety and compliance with current standards.

A 1993 study by the University of Utah said: "We find that the Utah repeal...drove down average construction wages...and decreased union apprenticeship training."

The study continued: "No other public or private source has offset the decline in training....[I]n response to...the coincident decline in health and pension benefits, experienced construction workers are leaving their trades for careers in other industries....There is a looming crisis in training for construction workers in Utah...The carpenters who graduated 70 in an (apprenticeship) class in 1977, graduated 5 in 1992."

The study says it all: prevailing wage laws protect the public, its infrastructure, and workers' wages and benefits.

Cash registers tell the tale!

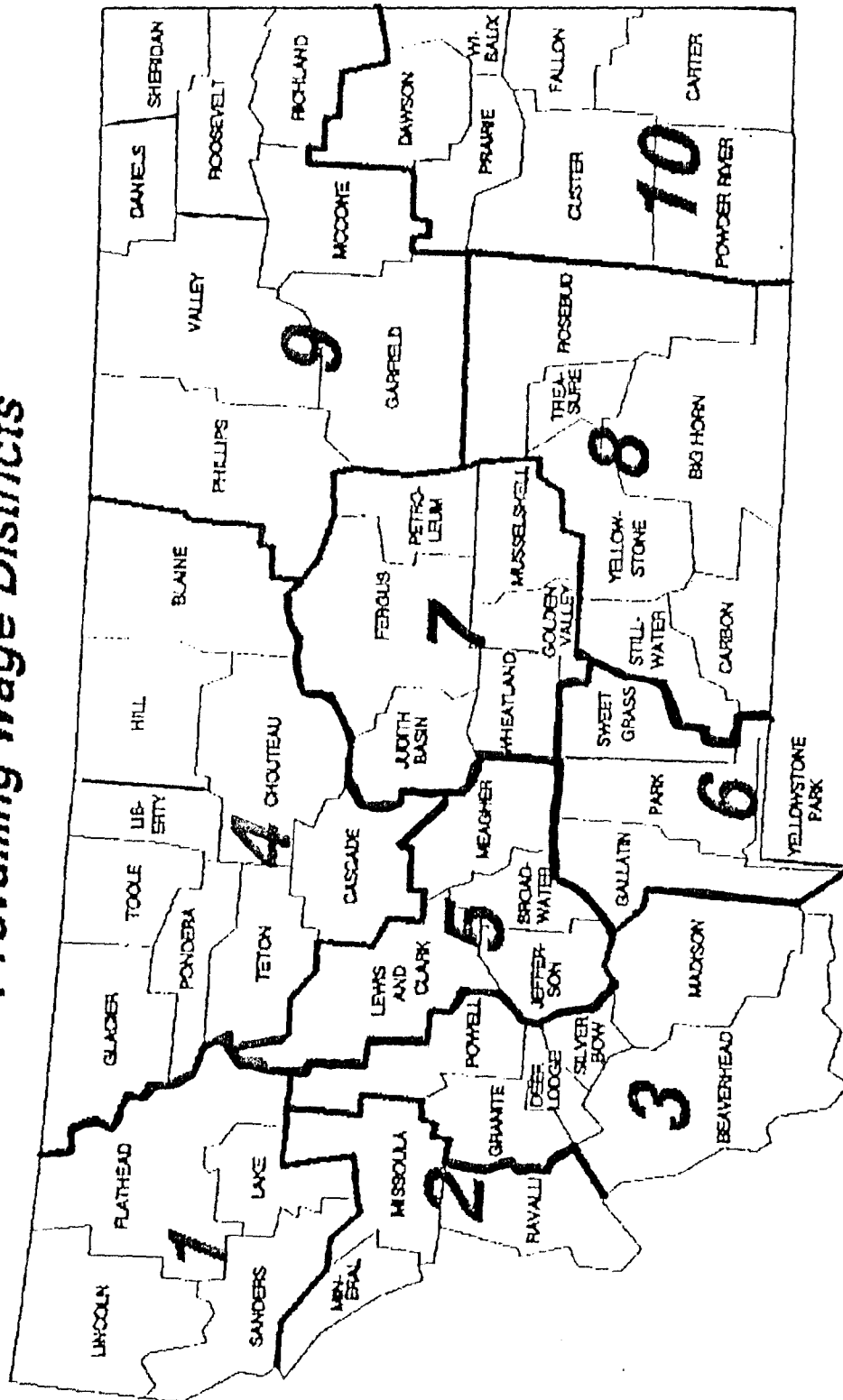
Look at the U.S. Department of Labor's figures on production wages:

-- \$11.09/hr. in Utah (33rd in the nation)

-- \$12.21/hr. in Montana (10th).

Which paycheck would you rather have passing through your town's cash registers?

Prevailing Wage Districts



Wally Bell
Opposition to SB 85

BELL BUILDING MECHANICAL SERVICES, INC.

17

1-26-95

INSTALLATIONS
REPAIRS
CONTRACTING
FREE ESTIMATES

P.O. BOX 6266
GREAT FALLS, MONTANA 59406-6266
PHONE (406) 453-9974
WALLY BELL - OWNER

BILL NO.

SB 85

BOILERS
WATER HEATERS
FIXTURES
WATER TREATMENT

January 25, 1995

Dear Senate Labor and Employment Relations Committee Members:

My name is Wally Bell. I operate a Plumbing and Heating business in Great Falls. I am addressing this Committee to voice my strong opposition to the anti-worker legislation that has been introduced by the honorable Senator Steve Benedict of Hamilton; titled Senate bill 85.

As I read and study this piece of proposed legislation, I find myself becoming upset by what I perceive to be anti-union bias of the author. This is not a union-nonunion issue. I do not think the author has considered the negative consequences this proposed legislation would inflict upon the public health and safety.

One of the primary concerns I have for the industry I serve, and the building trades in general, is our ability to continue to adequately train enough of the highly skilled and safe workers we have come to take for granted. Their skills and dedication in getting a job done efficiently, safely, and on time are not products of accident, but rather the results of nearly fifty years of both employers and employees efforts to establish training programs that provide these skilled workers for the industry. These programs cost money, money that the public receives back many times over in the quality, safe, necessary labor force and projects they receive.

History would tend to indicate the State of Montana tried the proposed conditions before. Obviously, they did not work satisfactorily then, and I fail to see what has transpired since, that would change the outcome. We should probably use caution as we change the hard work of those before us.

I feel this bill can only further weaken the ability of ALL workers of Montana to receive a fair days wage for a fair days work, and our ability, as employers, to continue to get the job done. In addition, I do not believe we need anything done to further depress the current wage base in Montana. In this spirit, I sincerely urge you to do what is best for all Montana in the long term and reject this Bill in its entirety.

Thank You

Wally Bell, Pres.

Wally Bell, Pres.

OCAWOil, Chemical & Atomic Workers
International Union, AFL-CIODan C. Edwards
International Representative
P.O. Box 21635
Billings, MT 59104
406/669-3253SENATE LABOR & EMPLOYMENT
EXHIBIT NO. 18
DATE 1-26-95
BILL NO. SB 85SB 85

Statement of:

Dan C. Edwards, International Representative
Oil, Chemical & Atomic Workers Int'l Union, AFL-CIO
P.O. Box 21635
Billings, MT 59104

406-669-3253

STATEMENT FOR THE SENATE LABOR COMMITTEE
January 26, 1995, 1:00 p.m.
TOM KEATING, CHAIR

Senator Keating and Members of the Committee:

My name is Dan C. Edwards, International Representative for the Oil, Chemical and Atomic Workers International Union, AFL-CIO (OCAW). OCAW represents some 550 members in the State of Montana, including employees of the Conoco and Exxon refineries in Billings, the Cenex refinery in Laurel, the Montana Refining Company in Great Falls, and Montana Power Company in Cut Bank and Shelby.

This statement is to indicate OPPOSITION to SB 85.

As you know, SB 85 would, if enacted, repeal Montana's long-standing prevailing wage laws for local governments and school districts. The purpose of these laws when they were adopted in the early 1930's was to stop the practice of unscrupulous contractors slashing the wages of their workers to enable them to get government contracts; and, of course, the inferior work such contractors performed. The need to protect local governments and school districts, and prevent the exploitation of employees, is no less real today than it was then.

It may be asked why members of OCAW, who don't work for local governments or school districts, care about this bill.

First, we don't believe repealing prevailing wage will, in the long run, save any money. Generally speaking "you get what you pay for". When the fact that unskilled workers take longer to complete jobs, and the costs of repairs and replacement of substandard work is factored in, there are no real savings. Second, the fact that

with fly-by-night contractors, safety is a concern of little or low priority, means the cost of accidents must be factored in. And, finally, the impact of fairly paid construction workers has a quick and dramatic impact on local merchants and businesses. Lower the wages of these workers, and they and their families will buy less. Or, these workers may be forced to move to other states where they can make a decent living. The State of Montana has seen more than enough of that!

Thank you for your consideration of my testimony.

#####

Elmer Fauth
Opposition to SB 85
S.B. 85

SENATE LABOR & EMPLOYMENT

EXHIBIT NO. 19

DATE 1-26-95

BILL NO. SB 85

Hi Elmer Fauth. I'm with
NARFE and MSEA in Falls and
the Triangle Area. I and most of our
senior oppose S.B. 85. Many of
us older people worked hard to get
a standard or prevailing wage so
that all contractors could bid fairly
on local government construction.

If this bill passes it will mean
inferior work because of inferior
wages. Lets go forward not back
work and keep what's decent and
good. Oppose S.B. 85

Elmer Fauth
Leg. Ch. NARFE - Chap. 107
President M.S.C.A. Dist. 5

SPECIAL LEGISLATION & EMPLOYMENT

EXHIBIT NO. 20

DATE 1-26-95

BILL NO. SB 85

COP CONSTRUCTION CO

General Contractors



AN EQUAL OPPORTUNITY EMPLOYER

P.O. BOX 20913

PHONE 406-856-4632

FAX 406-856-4808

BILLINGS, MONTANA 59104

VIA FAX

January 25, 1994

#20
Senator Tom Keating
Fax No. 1-900-225-1600
Helena, MT

Dear Tom,

I'm opposed to S.B. 85, Little Davis-Bacon Revision. This is an ill advised move. Please support my opposition and vote against it.

I realize this can be an emotional and volatile issue. I am opposed in general to eliminating Davis-Bacon at this time and would be happy to discuss my reasons with you. Additionally, there are some fundamental practical reasons to oppose S.B. 85.

- COP has a sizable workforce of talented craftsmen. It will be next to impossible to ask them to work on a county bridge when there are many better paying jobs on MDOT Federal Aid projects. The good work force will not be on the county project.
- We are having an extremely difficult time manning our projects. There are not enough skilled workers available to help rebuild Montana. They will continue to migrate out of the industry, out of public works contracting, and out the state.
- Passing S.B. 85 will be like tweaking a spider's web, when the reverberations reach the perimeter and touch the rest of the world, there will be disruptive shock waves. This has not been analyzed or thought through.
- There has been no input from the construction employers. I am disappointed and upset that those of us impacted by this drastic move were not consulted. We are intelligent, concerned businessmen. These are our employees. It is wrong not to involve us beforehand. This is like unfunded mandates-drop a big bomb on us and walk away.
- The industry is barely beginning to recover from the near fatal years of the mid to late 80's. I took significant risk and bought close to \$1,000,000 of new equipment in December and signed my life away again. My (and my Dad's) personal guarantee is committed to this and to each contract bond written for us. Don't blind-side us now just when we are beginning to move forward again in this high risk business.

SENATE LABOR & EMPLOYMENT

EXHIBIT NO. _____

DATE _____

BILL NO. _____

Page 2
Re: S.B. 85

Tom, call me if you want.

Home 656-9714
Office 656-4632
Mobile 698-9089.

Sincerely,
COP Construction Co.



John L. Hansen, Jr.
President

JLH:lh

cc: Carl Schweitzer

SENATE LABOR & EMPLOYMENT
EXHIBIT NO. 21
DATE 1-26-95
BILL NO. SB 85

January 25, 1995

The Honorable Thomas Keating
Montana State Senate
Helena, MT 59620

Dear Senator Keating,

I am writing in request of your opposition to Senate Bill 85, scheduled for hearing before your committee on January 26, 1995.

Montana's prevailing wage law is a protection for employees, contractors and taxpayers within our communities. As a school board member of School District #24, Huntley Project, I feel that the prevailing wage law also serves as a protector of our interests. It ensures fair competitive bidding, skilled workers and quality workmanship.

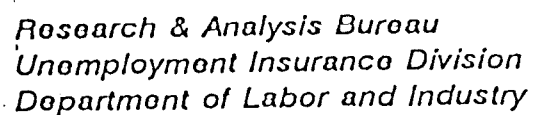
Again, I respectfully request that you oppose Senate Bill 85.

Sincerely,

Vance R. Fisher
Vance R. Fisher
RR 1 Box 36B
Worden, MT 59088

SB 85

X



DAF

DATE 22 1/92
BILL NO. 1-26-95
58 85



Interim
Studies

Legislative
Management
Council

Code
Commission

Executive
Director

Legal
Division

Legislative
Service
Division

Audit and
Budget
Division

Research
Division

Environmental
& Water Policy
Committee

Audit
Committee

Budget
Committee

SENATE LABOR & EMPLOYMENT
EXHIBIT NO. 22 246
DATE 1-26-95
BILL NO. SB 85

DATE January 26, 1995

SENATE COMMITTEE ON Labor & Employment Relations

BILLS BEING HEARD TODAY: SB 85

< ■ > PLEASE PRINT < ■ >

Check One

Name	Representing	Bill No.	Support	Oppose
Bill Antovitch	OPERATING LOCAL 400 ENGINEERS	S.B. 85		X
Ron VanDiest	I.B.E.W	SB 85		X
John Watson	LIUNA	SB 85		X
Chuck Casheil	IUE #400	SB 85		X
Cassandra Curriero	IUE #400	SB 85		X
Randy Thiele	IUE #400	SB 85		X
Robert Hicks	1334	SB 85		X
Clean Minks	1334	SB 85		X
John Pasko	4A LOCAL #139	SB 85		X
Dick Anderson	Dick Anderson Construction	11		X
DAVID L RACHOR	IBEW 768	SB 85		X
Randy Chavez	FRB	85		
Clifford Willis	local 1334	85		X
Ken Devine	Borlaker local 11			X

VISITOR REGISTER

PLEASE LEAVE PREPARED STATEMENT WITH COMMITTEE SECRETARY

SENATE LABOR & EMPLOYMENT
EXHIBIT NO. _____
DATE 1-26-95
BILL NO. SB 85

DATE _____

SENATE COMMITTEE ON

BILLS BEING HEARD TODAY:

< ■ > PLEASE PRINT < ■ >

Check One

[illegible]

VISITOR REGISTER

PLEASE LEAVE PREPARED STATEMENT WITH COMMITTEE SECRETARY

DATE Jan 26SENATE COMMITTEE ON SENATE LABORBILLS BEING HEARD TODAY: SB 85

< ■ >

PLEASE PRINT

< ■ >

Check One

Name	Representing	Bill No.	Support	Oppose
<u>Sean Hagan</u>	<u>Hamilton School Trust</u>	<u>SB 85</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<u>JOHN GORVICK</u>	<u>CRAYSON</u>	<u>SB 85</u>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<u>JOHN MAZE</u>	<u>AFSCME</u> ^{PO BOX 5356 Helena MT 59601}	<u>SB 85</u>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<u>Hal a Lewin</u>	<u>Hamilton School Board</u> ^{Chairman}	<u>SB 85</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<u>EDUARDO A COMER</u>	<u>CONSTRUCTION WORKERS</u> ^{MONTANA}	<u>SB 85</u>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<u>DON WALDROW</u>	<u>MREA</u>	<u>SB 85</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<u>SOMMER LOCKREY</u>		<u>SB 85</u>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<u>RICH ALUSON</u>	<u>JTL GROUP, PIONEER READY MIX</u>	<u>SB 85</u>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<u>Fred Happel</u>	<u>MONT. Citizens</u> ^{for RIGHT to work}	<u>85</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<u>Nigel Marks</u>	<u>Montana Society of Engineers</u>	<u>SB 85</u>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<u>JOHN FORKAN</u>	<u>MONTANA STATE BUILDING TRADES COUNCIL</u>	<u>SB 85</u>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<u>MATT Postello</u>	<u>Local 400</u>	<u>SB 85</u>	<input type="checkbox"/>	<input type="checkbox"/>
<u>Frankie D. Plaznichek</u>	<u>Local 400</u>	<u>SB 85</u>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<u>Chet Kinsey</u>	<u>MHC Parp</u>	<u>SB 85</u>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

VISITOR REGISTER

PLEASE LEAVE PREPARED STATEMENT WITH COMMITTEE SECRETARY

SENATE LABOR & EMPLOYMENT

EXHIBIT NO. _____

DATE 1-26-95BILL NO. SB 85

DATE

SENATE COMMITTEE ON

BILLS BEING HEARD TODAY:

< ■ > PLEASE PRINT < ■ >

Check One

Name	Representing	Bill No.	Support	Oppose
Pam Egan	MT Family Union, AFL-CIO	SB 85		✓
Marvin Alves	AFL-CIO			✓
ROD SENGGER	SHEET METAL WORKERS	SB 85		✓
Maury Kinsey	MYSELF	SB 85		✓
Ben Stulman	Boilermakers # 11	SB 85		✓
JAY Driscoll	MEF/MFSZ	SB 85		✓
Douglas Kirkaldie	Labrers Local 1334	SB 85	XXXX	✓
Lynn Laska	1734		SB	✓
Helen Christensen	MT State AFL-CIO	SB 85		✓
G. BRUCE MORRIS	CARPENTERS UNION	SB 85		✓
Steve Browning	Montana Hospital Assn	SB 85	✓	

VISITOR REGISTER

PLEASE LEAVE PREPARED STATEMENT WITH COMMITTEE SECRETARY

SENATE COMMITTEE ON LABOR & EMPLOYMENT
 DATE 1-26-95
 BILL NO. SB 85

DATE January 26, 1995
 SENATE COMMITTEE ON Labor & Employment Relations
 BILLS BEING HEARD TODAY: SB 85

< ■ > PLEASE PRINT < ■ >

Check One

Name	Representing	Bill No.	Support	Oppose
Elmer Faut II	MSCA/MARFE	SB-85		✓
Dave Hunter	MSCA	SB 85		✓
DAVID R. BURNETT	DIST. COUNCIL LABORS	SB 85		✓
JAMES T. MULAR	TCU-(MONT RAILS)	-		✓
JOHNNY McNAHAR	MONTANA TEAMWORKERS	SB85		✓
Patti Keebler	Laborers / MT Fam. Union	SB85		✓
Don Alverson	Plumbers + Pipefitters UA Local 459	SB85		✓
Jim Rickard	LABORERS #1334	SB85		✓
DARRELL HOLZER	AFL-CIO	SB85		✓
Don Judge	MT STATE AFL-CIO	SB85		✓
Blake Wondal	Lewis & Clark Co.	SB 85		✓
Alan Solan	IBEW Local 768	SB85		✓
RE McLEES	McLEES INC	✓ 85	✓	
Brook Martin	MT Democratic Party	SB85		✓

VISITOR REGISTER

PLEASE LEAVE PREPARED STATEMENT WITH COMMITTEE SECRETARY

DATE January 26, 1995

SENATE COMMITTEE ON

BILLS BEING HEARD TODAY: SB 85

< ■ > PLEASE PRINT < ■ >

Check One

Name	Representing	Bill No.	Support	Oppose
PETER HOPPE	LABORERS 1334	SB85		X
DON PALMER	LABORERS 1334	SB85		X
Alce Hansen	MLCT	SB85		X
STEVE KOONTZ	SELF	SB85	X	
Tom McNam	Montana Tech Council	85		X
Jerry Driscoll	mt State Building Trades	SB85		X
David Ditzel	Bro. of Locomotive Engs	SB85		X
F.G. Marceau	United Trans Union	SB85		X
Leon Minkes	1334	SB85		X
Carl Schweitzer	Montana Ass'n	SAFT		✓

VISITOR REGISTER

PLEASE LEAVE PREPARED STATEMENT WITH COMMITTEE SECRETARY