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House Commerce and Economic Development Committee

Testimony re: HB 2515

Presented by Ronald R. Hein

on behalf of

Associated Builders and Contractors-Heart of America Chapter

January 26, 2012

Mr. Chairman and Committee:

My name is Ron Hein and I am legislative counsel for the Associated Builders and Contractors (ABC), Heart of America Chapter. ABC is a national association with 73 chapters representing more than 23,000 merit shop construction and construction-related firms with nearly two million employees. The Heart of America Chapter of Associated Builders and Contractors is an organization of contractors and industry-related companies who are committed to promoting ethical business practices in a merit shop environment.

ABC requested the introduction of and strongly supports HB 2515 which prohibits both the state and other taxpayer funded governmental units in the state from mandating that contractors have project labor agreements (PLAs) in order to bid on public construction projects.

Anti-competitive project labor agreements (PLAs) are special interest schemes that work against open, fair and competitive bidding on public works projects. PLAs drive up the cost of construction by reducing competition and effectively excluding merit shop contractors and their skilled employees from building projects paid for by their own tax dollars.

In the end, government-mandated PLAs prevent taxpayers from getting the best possible construction at the best and lowest possible price. On government-funded or assisted projects, taxpayers deserve the best product for the best price. Numerous studies show that PLAs can increase construction costs by nearly 20 percent.

In addition to discriminating against merit shop firms - and those whose employees choose not to join a labor organization - PLAs also have a track record of discriminating against women and minority-owned firms and their workers that traditionally have been under-represented in unions.

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A number of groups representing minority and disadvantaged businesses have voiced their opposition to government-mandated PLA requirements. The American Asian Contractors Association, The National Association of Women Business Owners, the National Black Chamber of Commerce and the Latin Builders Association are among the groups that have gone on record to oppose PLAs.

Several provisions common to most PLAs operate to eliminate qualified bidders from the bidding pool and thus serve to increase construction costs. These include: (1) workers employed on any PLA project must be hired through the hiring halls maintained by the unions signatory to the PLA (signatory unions); (2) contractors must pay fringe benefits into funds maintained by the signatory unions whether or not the contractors already pay fringe benefits into other funds for their own workers; (3) workers must pay union dues, whether or not the workers belong to the signatory union; and (4) the work rules on each PLA project are governed by the signatory union for each trade even if other contractors employ more productive work rules and techniques that prohibited under the PLA work rules.

Kansas's state and local governments faces serious challenges in trying to close large budget deficits. Both economic theory and empirical evidence show that PLAs increase construction costs. Therefore, the state should enact HB 2515 so that the state has the opportunity to get the best and lowest cost bids for state and local construction projects and the tax payers of Kansas can be sure they are best able to insure efficient and use of their tax dollars.

Thank you for permitting me to testify and I will yield for questions.