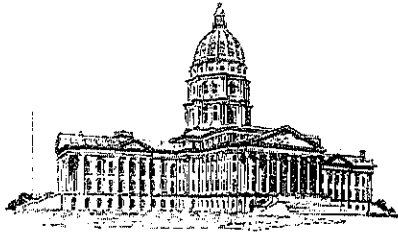


State of Kansas
House of Representatives

STATE CAPITOL
300 S.W. TENTH AVENUE
ROOM 452-S
TOPEKA, KANSAS 66612
785 296-7371
pam.curtis@house.ks.gov



322 N. 16TH STREET
KANSAS CITY, KANSAS 66102
913-626-0404

PAM CURTIS
32ND DISTRICT

House Committee on Commerce, Labor and Economic Development
Testimony on HB 2185
Pam Curtis, Kansas House of Representatives District 32
February 7, 2017

Mr. Chairman and Members of the Committee,

Thank you for the opportunity to testify in support of HB 2185. This bill would allow local units of government the option to incorporate a prevailing wage requirement on public projects.

In 2013, despite overwhelming opposition from local units of government, the Legislature imposed an unnecessary and unwelcome intrusion in local affairs and violated the spirit of Home Rule for cities, which had been a guarantee in the Kansas Constitution for more than 50 years. This bill simply undoes that action and allows local units of government to decide what is best for their communities.

Prevailing wage is the hourly wage, usual benefits and overtime, paid in the largest city in each county to the majority of workers, laborers and mechanics. Prevailing wages are established by the Department of Labor & Industries and they are established separately for each county, and are reflective of local wage conditions.

Attached to my testimony is the Executive Summary from a UMKC Prevailing Wage Study that was conducted on the economic analysis of the impact of the repeal of prevailing wage statutes in Wyandotte and Sedgwick Counties.

The study proves that requiring prevailing wage does not have a major impact on government contracting costs and most importantly does not increase the overall cost of projects. Labor costs are approximately 23% of the total costs in the construction industry. In the study the per square foot cost of school construction was actually cheaper in both Sedgwick and Wyandotte Counties before the repeal of the prevailing wage statutes.

Requiring prevailing wage leads to local job growth with more work being completed by in state contractors. When prevailing wage was required in public projects in Wyandotte County construction projects were awarded to both union and non-union companies.

Prevailing-wage laws support a highly skilled and safe construction workforce that delivers construction projects more cost efficiently and improves the overall economic health of communities.

Kansas has a long history of being a model. In 1891 Kansas was the first state to pass a "prevailing wage" for its own public works projects. Many other states followed our lead and prevailing wage requirements remain in 32 states and the District of Columbia today.

One of the best ways we can help our State's local communities be successful is by allowing local government officials the ability to adopt policies that fit the nature of their local community and that are supported by their citizens. This bill restores local control that would be optional and at the discretion of local communities to require prevailing-wage be paid if they deem appropriate.

Thank you, Mr. Chairman and members of the committee, for allowing me to testify in support of HB 2185.

Sincerely,

A handwritten signature in cursive script that reads "Pam Curtis".

Pam Curtis

Kansas House of Representatives District 32

**An Economic Analysis of the Impact of Kansas
Repeal
of
Prevailing Wage Statutes
in
Sedgwick County, Kansas
And
Wyandotte County, Kansas**

**Michael P. Kelsay, Ph.D.
Research Associate and Adjunct Faculty
The Department of Economics
University of Missouri - Kansas City
5100 Rockhill Road
Kansas City, MO 64110**

December, 2016

Chapter I

Executive Summary

The repeal of the prevailing wage statutes in Sedgwick County, Kansas and Wyandotte County, Kansas was based upon the claim that repeal will save dollars on total construction costs and will bolster state and local budgets. Utilizing data from the F.W. Dodge Company on construction costs in Sedgwick County, Kansas and Wyandotte County, Kansas for the period 2005-2016, my economic analysis has shown that repeal of the prevailing wage statutes in those two counties did not decrease total construction costs as claimed by proponents.

1. Opponents of prevailing wage statutes argue that prevailing wage laws increase the costs of public construction due to the impact of higher wage rates on total construction costs. Repeal opponents argue that the increased costs to states as a result of prevailing wage statutes ranges from 10%-30% of total construction costs.

Study Finding #1

- The F.W. Dodge Company provided the bid price on 1,325 observations for the period 2005-2016 for Sedgwick County, Kansas and Wyandotte County, Kansas across thirteen different non-residential construction projects, of which 1,049 were for the period 2005-2013 and 276 were for the period 2014-2016.¹
- For the period 2005-2013, the dollar value of new non-residential construction was \$3,929,050,800; total square feet of new non-residential construction 26,758,100; the mean cost per square foot of new non-residential construction in Sedgwick County, Kansas and Wyandotte County, Kansas across all 13 non-residential structure types was \$146.84.

¹ These construction totals include new and additions only in the Dodge Data and Analytics data base. They do not include alterations which were provided in the data base for which there are no square feet reported in the data base.

- For the period 2014-2016, the dollar value of new non-residential construction was \$1,501,308,900; total square feet of new non-residential construction 10,329,900; the mean cost per square foot of new non-residential construction in Sedgwick County, Kansas and Wyandotte County, Kansas across all 13 non-residential structure types was \$145.35
 - For the period 2005-2016, the dollar value of new non-residential construction was \$5,430,359,700; total square feet of new non-residential construction 146.42; the mean cost per square foot of new non-residential construction in Sedgwick County, Kansas and Wyandotte County, Kansas across all 13 non-residential structure types was \$146.42
 - There is no statistical difference in the mean square foot cost of non-residential construction across 13 construction types in Sedgwick County, Kansas and Wyandotte County, Kansas for the periods 2005-2013 and 2014-2016, respectively.
 - Given that labor costs account for approximately 23% of total construction costs according to the Census of Construction (2012) and have been decreasing over time, the claim of 15%-30% cost savings with the repeal of the prevailing wage statute is not possible.
2. Opponents of prevailing wage statutes argue that, by exempting school construction from the prevailing wage statute, four schools could be built for the price of three schools.

Study Finding #2

- For the period 2005-2013, the dollar value of new non-residential school construction was \$958,215,400; total square feet of new non-residential school construction 5,478,300; the mean cost per square foot of new non-residential school construction in Sedgwick County, Kansas and Wyandotte County, Kansas for the period 2005-2013 was \$174.91.

- For the period 2014-2016, the dollar value of new non-residential school construction was \$332,243,800; total square feet of new non-residential school construction 1,390,600; the mean cost per square foot of new non-residential school construction in Sedgwick County, Kansas and Wyandotte County, Kansas for the period was \$238.92.
- For the period 2005-2016, the dollar value of new non-residential school construction was \$1,290,459,200; total square feet of new non-residential school construction 6,868,900; the mean cost per square foot of new non-residential school construction in Sedgwick County, Kansas and Wyandotte County, Kansas for the period was \$187.87.
- School construction costs were *\$67.01 per square foot cheaper* in the period before repeal (2005-2013) of the prevailing wage statutes in Sedgwick County, Kansas and Wyandotte County, Kansas.
- For the period 2005-2013, the mean square foot cost of construction for elementary (K-8) was \$159.04 per square foot; for the period 2014-2016, the mean square foot cost of construction for elementary (K-8) was \$162.16 per square foot; the square foot cost of construction for elementary (K-8) was *\$3.12 per square foot cheaper* before repeal of the prevailing wage statutes in Sedgwick County, Kansas and Wyandotte County, Kansas.
- For the period 2005-2013, the mean square foot cost of construction for Secondary (9-12) was \$218.13 per square foot; for the period 2014-2016, the mean square foot cost of construction for Secondary (9-12) was \$287.59 per square foot; the square foot cost of construction for Secondary (9-12) was *\$69.46 per square foot cheaper* before repeal of the prevailing wage statutes in Sedgwick County, Kansas and Wyandotte County, Kansas.
- For the period 2005-2013, the mean square foot cost of construction for College/University was \$184.92 per square foot; for the period 2014-2016,

the mean square foot cost of construction for College/University was \$281.45 per square foot; the square foot cost of construction for College/University was *\$96.53 per square foot cheaper* before repeal of the prevailing wage statutes in Sedgwick County, Kansas and Wyandotte County, Kansas.

- For the period 2005-2013, the mean square foot cost of construction for Rest of Education was \$167.55 per square foot; for the period 2014-2016, the mean square foot cost of construction for College/University was \$235.61 per square foot; the square foot cost of construction for College/University was *\$68.06 per square foot cheaper* before repeal of the prevailing wage statutes in Sedgwick County, Kansas and Wyandotte County, Kansas.
- The repeal of the prevailing wage statute in Sedgwick County, Kansas and Wyandotte County, Kansas did not result in any cost savings in school construction costs as alleged by the opponents of the prevailing wage statutes.