



April 18, 2023

Members of the Senate Finance Committee -

On behalf of the Associated Builders and Contractors of Minnesota, a statewide organization representing 300 merit shop construction industry members and their 20,000 employees, we appreciate the opportunity to share our concerns with SF 2847. Our local contractor members, and the men and women that they employ, are part of the 76% of the construction industry in Minnesota that choose to be merit shop craft professionals rather than be in a union. ABC is opposed to several of the provisions in SF 2847, including the various prevailing wage mandates, registered apprenticeship mandates, and project labor agreement requirements. Such provisions are completely unnecessary and prevent open and fair competition in the construction industry.

### **Prevailing Wage Mandates**

First, ABC is opposed to the various prevailing wage mandates that are included in this bill. In particular, we are concerned with the language in Article 4, Section 6, which mandates that prevailing wage be paid on projects funded with dollars from the Renewable Development Account. While the funds in the Renewable Develop Account are administered by the State, these are otherwise private ratepayer dollars that go towards investments in renewable energy projects in Minnesota. Prevailing wage mandates increase the cost of construction and result in higher overall project costs, while doing absolutely nothing to prevent out-of-state contractors from bidding on projects or from bringing in nonlocal workers to do the job.

Our local Minnesota ABC contractors have reported increased costs due to prevailing wage mandates. We have members who have bid on projects both ways – with prevailing wage and without prevailing wage. Oftentimes, there is at least a 10% cost increase due to inflated wages and fringe benefits. This difference is even more stark in Greater Minnesota, where many of these projects will likely be built and skilled trade pay is typically lower than it is in the metro. Artificially high prevailing wage rates eliminate the local bidding advantage and allow large construction companies from other areas or states to take away local economic development dollars. Rather than enacting policies that make it more difficult for high-quality, local contractors to compete, the State should be encouraging fair and open competition in the construction industry.

### **Registered Apprenticeship Mandates**

Second, while ABC is not opposed to the underlying purpose of the Air Ventilation Pilot Program Grants in Article 4, Sections 9-11, our members are opposed to the requirement that these projects be performed by workers who have either graduated from, or are currently participating in, a registered apprenticeship program. Registered apprenticeship is one way of learning a trade, but it is not the only one. ABC has dozens of HVAC contractor members who employ highly-skilled technicians who live and work throughout Minnesota who already safely perform this work in their communities. ABC members provide their employees with in-house craft, manufacturer, code, and safety training – even though not all of them are registered with the State. If you're part of the 76% of the Minnesota's construction workforce who are not in a union, odds are you are not in a registered apprenticeship program and would be essentially prohibited right off the bat from working on the projects covered under this program.

There seems to be a misconception that a construction worker can only perform work safely if they've participated in a registered apprenticeship program. However, we've seen real life examples of how this isn't the case. For instance, the tragic explosion at Minnehaha Academy in 2017 involved a worker who had completed a union registered apprenticeship program. Despite completing the registered program, the National Transportation and Safety Board concluded that the work was not qualified to work on the section of piping at issue. The bottom line is that registered apprenticeship programs are not the sole indicator of quality and safety.

We are also concerned about the impact that this requirement will have on small and minority-owned companies who largely don't participate in these registered programs. This mandate will make it more difficult for companies owned by people of color to compete due to the poor track record of registered apprenticeship programs admitting people of color. These additional requirements will act as a deterrent to contractors from bidding and competing for these school construction projects. This will result in fewer bids, which will ultimately drive up the cost. This is not something that school districts and taxpayers deserve. We are concerned that the inclusion of this requirement will set a precedent and that our merit shop members will see this requirement continue to expand upon other areas of construction.

### **Project Labor Agreement Requirements**

Finally, while ABC is not opposed to the underlying concept of the Minnesota Climate Innovation Finance Authority, our members are fundamentally opposed to the language on lines 97.8 to 97.9 that would allow the Authority to discriminate against merit shop contractors and their workers by requiring projects to implement a project labor agreement (PLA) as a condition of receiving financing. In practice, government-mandated PLAs typically require a contractor to become signatory to at least one union for the life of project. This results in merit-shop contractors being forced to recognize unions as the representatives of their employees and requiring them to hire union employees at the expense of their own. PLAs also often require merit shop contractors to pay into union benefit funds that their own employees won't ever benefit from. By limiting bidders and forcing contractors to pay inflated union wages, government-mandates PLAs can raise the cost of construction projects by 12% to 20% compared to non-PLA projects.

The lack of a PLA does not mean that union workers can't work on a particular project. They've successfully been able to work on countless projects across the state without PLA mandates. In contrast, the only work that will get taken away is from the 76% of Minnesota's construction workers who aren't in a union. The State should not be enacting policies that tilt the playing field, stifle competition, and prevent taxpayers from getting the best product at the best possible price.

In closing, we encourage the committee to vote NO on SF 2847 as it is currently written. We appreciate the opportunity to submit testimony, and we respectfully request that the committee consider an amendment that would address our concerns.

Sincerely,



Jon Boesche  
Director of Government & Public Affairs  
Associated Builders and Contractors MN/ND Chapter