



Thursday, March 21, 2024

Chair McEwen and Senate Labor Committee Members –

On behalf of the Associated Builders and Contractors MN/ND Chapter, a statewide organization representing 340 merit shop construction industry members and their 20,000+ employees, we strongly encourage a **NO** vote on the A-1 Amendment to SF 3197. Our local contractor members, and the men and women that they employ, are part of the 75% of the construction industry in Minnesota that proudly choose to be merit shop craft professionals. Our members are located throughout Minnesota and build our schools, multi-family housing, retail and commercial spaces, medical facilities, energy and critical infrastructure, and much more.

ABC is fundamentally opposed to the expansion of prevailing wage to include projects owned by cities, counties, and school districts that receive sales tax exemptions on materials or supplies, and we are disappointed that this amendment has surfaced with little notice to the stakeholders who will be most impacted. Like the other attempts to expand the scope of prevailing wage that have surfaced this legislative session, this mandate will result in increased costs to taxpayers without any increase in quality or value, or any guarantee that this work is performed by local contractors.

There are numerous studies that show that prevailing wage mandates increase costs. For example, research shows that West Virginia's prevailing wage mandate, which was repealed in 2016, inflated the cost of public school construction by at least 7%. Another study of New York's prevailing wage requirement found that prevailing wage mandates inflate the costs of publicly funded construction projects by between 13% and 25%, depending on where the projects were built. A study of Michigan's prevailing wage mandates found that prevailing wage mandates increased the costs of taxpayer-funded school construction by an average of \$126.7 million per year.

While the studies showing that prevailing wage mandates increase costs are numerous, more important than any study is the actual experience of the local contractors who perform this work. Our local, Minnesota contractor members have reported increased costs due to various prevailing wage mandates, oftentimes with a cost increase of at least 10-15%. In fact, just this last year, local ABC contractors were awarded a contract to perform work for a school district in southwestern Minnesota. The project was initially bid with a prevailing wage requirement but, after seeing the inflated costs driven by the prevailing wage requirement, the school district rebid the project at market-based wages. It was completed on-time, on-budget, and built by hardworking, local merit shop craft professionals.

Finally, any insinuation that the absence of prevailing wage leads to “lower labor standards” or “lower quality work” are without merit. Such insinuations are an insult to both local contractors who do great work in their communities, as well as, the thousands of employees who proudly perform high-quality work day after day, regardless of whether prevailing wage is paid. ABC members have bid projects both with prevailing wage and with market-based wages. Regardless of the project requirements, our members and their highly-skilled craft professionals take pride in their work and get the job done. Rather than enacting policies that increase costs and make it more difficult for high-quality contractors to compete, the State should be encouraging policies that promote fair and open competition in the construction industry and obtain the best value for taxpayers.

We respectfully request that the Committee vote against the A-1 Amendment to SF 3197.

Sincerely,

A handwritten signature in black ink, appearing to read 'Jon Boesche', with a stylized, flowing script.

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