

ALASKA AFL-CIO

3333 Denali Street, Suite 125 · Anchorage, Alaska 99503 · 907-258-6284 · Fax 777-7276

VINCE BELTRAMI
Executive President



JIM DUNCAN
Secretary / Treasurer

March 14, 2016

**House Labor and Commerce Committee
Representative Kurt Olson
State Capital Room 120
Juneau, AK 99801**

RE: HB 313

Dear Representative Olson:

The Alaska AFL-CIO wants to go on record strongly opposing HB 313: Public Construction Contracts Wage Rates.

In 2011 we worked with you and the Alaska Municipal League to increase the threshold amount of a contract that falls under the rules of the Little Davis-Bacon Act (LDBA). That change to the law increased by more than twelve times what the previous threshold had been for many years. I don't know the number of contracts that fell under the \$25,000 dollar threshold since the change but in 2015 alone 276 more contracts would have fallen between the \$25,000 and \$75,000 dollar range. That means 276 contracts would add up to one quarter of all LDBA contracts for the year 2015. We are hearing widespread reports of cheating of the system that occurs when contracts are divided in to smaller chunks to avoid the LDBA threshold. And we are told by contractors and workers these number could be much higher. Yes, we know the aforementioned practices would amount to a violation of state law, but with the cuts to the wage and hour investigation section of the Alaska Department of Labor the chances are very slim of stopping the practice. Budget cuts impact enforcement, and lack of enforcement fosters abuse of the law.

The LDBA is the only tool that makes the playing field fair to all bidders on labor cost for a project. Increasing the threshold further would also lower income for construction workers, and with the lack of a capital budget for the foreseeable

future these contracts could be the only income for them. The only one likely to make more money is the contractor, since data shows that when LDBA provisions have been weakened in other states, it has not typically resulted in lower bid prices, which means contractors increase their profit margins at the expense of their workers.

Peer-reviewed research supports that diminishing the threshold for prevailing wages does not necessarily result in lower bid prices. Instead, contractors pocket the difference and workers make less, decreasing the amount of economic activity in a community by paying lower wages and not investing in training of skilled workers.

During the last two downturns in oil price we lost much of our trained work force to other states that had work. After oil prices rebounded we had to start training a work force from scratch again to keep up with demand. This is a very expensive and unnecessary process, provided we uphold strong laws that encourage Alaska hire and continue to provide high quality skills training to those Alaskans who would otherwise be negatively impacted by passage of HB 313.

Opponents of prevailing wage laws claim that repealing or weakening the wage policy will save taxpayer dollars, yet 75% of recent peer-reviewed studies indicate that construction costs are not affected by prevailing wages.

Weakening or repealing prevailing wages does, however, increase poverty, shrink economic activity and local hiring, and reduces work-site productivity.

We know that there are a large variety of different ways that other states deal with prevailing wage construction projects and that Alaska's Little Davis-Bacon Act is among the best in assuring a decent standard of living for valuable jobs in the construction industry, and we want to stay that way. The Alaska AFL-CIO is not interested in a race to the lowest standard of living among the states.

Thank you for the opportunity to provide testimony on this legislation and we hope you do not let HB 313 out of committee.

Sincerely,



Vince Beltrami
President