AMERICANS FOR PROSPERITY

OHIO

Micah Derry, State Director
HOUSE ECONOMIC DEVELOPMENT, COMMERCE & LABOR
Proponent Testimony on HB 163
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Chairman Young, Vice Chair DeVitis, Ranking Member Lepore-Hagan, and members of the House Economic Development, Commerce & Labor Committee. My name is Micah Derry, and I am the Ohio State Director of Americans for Prosperity, the largest free-market grassroots advocacy organization in the country, with tens of thousands of activists here in Ohio. I appreciate the opportunity to testify before you today. On the behalf of Ohio taxpayers, I strongly urge you to allow local governments the freedom to opt out of the state's onerous and costly prevailing wage mandate and support House Bill 163.

We all know there are two sides to every story, and here on Cap Square many of us know there are two sides to every tight state budget. The same is true of local government budgets. State government not only has influence over the revenue streams, but in many cases this body regulates aspects of local expenditures. Over the past six years Governor Kasich and this General Assembly have cut the Local Government Fund (LGF) in half, but have done very little to alleviate the strain caused by antiquated regulations such as the prevailing wage laws.

Prevailing wage is an artificial labor market construct of the undeniably racist Davis-Bacon Act of 1931. The intention was to require all capital improvement projects to pay a higher labor wage to keep minority-owned or -operated companies from under-bidding white labor. Also in 1931, the Ohio 89th General Assembly passed House Bill 3 to enact state prevailing wage standards to prevent out-of-state contractors, hungry for work during the depression era, from undercutting local contractors. Nearly 90 years later we continue to cling to the same laws even though they raise the cost of public projects by as much as 10 to 37 percent, depending on the trade.

Over the past three years, Wisconsin, Indiana, West Virginia, Kentucky, and Arkansas have repealed their prevailing wages entirely. Several other states are considering following suit, as they seek hundreds of millions of dollars in savings at a time state budgets are already being stretched thin. Ohio is no exception, and the experience of other states shows that repealing this outdated and burdensome mandate would free millions of dollars to be invested into classroom supplies, road pavements, teacher raises, or any number of other essential priorities for the state. While this body may not quite be prepared to eliminate the mandate entirely, at the very least it should allow cash-strapped local governments the freedom to decide for themselves the burden their taxpayers to face.

Twenty years ago, Ohio voted to exempt school construction from prevailing wage. Four years later, the state's Legislative Services Commission found the state had saved over $487 million without any negative impact on quality or construction wages. In Michigan, that state's brief suspension of the mandate created an additional 11,000 jobs. The nonpartisan Anderson Economic Group found that Michigan's prevailing wage costs the state an additional $2 billion from 2002-2011, which would have been enough to give every teacher a $1600 raise – with $87 million left over. And just last year, the Associated Builders and Contractors of West Virginia estimated that state's taxpayers saved $20 million in just *two month*s after prevailing wage repeal went into effect. These are the kinds of savings that our local governments deserve the opportunity to realize in an attempt to maximize value for taxpayers.

Special interests will as usual attempt to stand in the way of progress because the prevailing wage mandate shrinks the competition they face, which unsurprisingly increases taxpayer costs. The process is such that primarily large, unionized contractors can compete for public projects, which also shrinks the talent pool – since the vast majority of the workforce is not unionized – hurting competition and quality as well as increasing cost.

In fact, the very creation of the prevailing wage decades ago was for this exact purpose: to insulate entrenched interests from competitors who might do the job cheaper and better. The prevailing wage might be a good deal special interests who benefit from increasing taxpayer costs, but it's a bad deal for workers, taxpayers, and all those who depend on other services from the government.

As House Bill 163 allows local governments the opportunity to opt out of our state's costly and burdensome prevailing wage mandate it has garnered the support of the NFIB, County Commissioner's Association of Ohio, Ohio Municipal League, Ohio Township Association, and the Inter-University Council. Americans for Prosperity – Ohio has marked this legislation as a key vote on our legislative scorecard and ask that this committee favorably report the bill to the full House.

Chairman Young, thank you for this opportunity and I am happy to answer related questions at this time.