



February 28, 2023

Dear Members of the House Labor & Industry Committee,

On behalf of the Associated Builders and Contractors MN/ND Chapter, and our 330 construction industry members and their 20,000 employees, thank you for allowing for me to testify to share our opposition to HF 826. 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. Our members are located throughout Minnesota and build our schools, multi-family housing, retail and commercial spaces, medical facilities, energy, and other critical infrastructure, and much more.

ABC is opposed to the expansion of prevailing wage mandates in areas of public and private construction in which they have not previously been mandated. While the funds in the Renewable Development Account are administered by the State, these are otherwise private ratepayer dollars that go towards investments in renewable energy projects in Minnesota. Such mandates limit competition and can drive up the cost of these projects – without any increase or guarantee in quality. In addition, there is absolutely nothing in prevailing wage law that requires local workers to be employed on these projects.

Prevailing wage mandates increase the cost of labor and result in higher overall construction costs. The nonpartisan Congressional Budget Office has estimated that the repeal of prevailing wage mandates would decrease federal construction costs by \$24.3 billion between 2023 and 2032, or about \$2.4 billion per year. For context, total federal construction costs in 2022 were about \$27 billion. This amounts to about an 8% increase resulting from prevailing wage mandates. Additionally, our local Minnesota ABC contractors have also reported increased costs due to the way prevailing wage rates are set when they include bloated union fringe and political funds. We have members who have bid on projects both ways – with prevailing wage and without prevailing wage. Oftentimes, it's at least a 10% cost increase. 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 here 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.

It has been implied in the past that prevailing wage mandates ensure that only local contractors are used for these projects. However, this premise is false because there is absolutely nothing in prevailing wage law that requires local workers to be employed on these projects. Requiring prevailing wage or union labor on renewable energy projects does not prevent out-of-state contractors from bidding on projects or from bringing in non-local workers to do the job.

Back in 2021, two Minnesota ABC contractor members were working on a wind project in southwest Minnesota. One of these contractors was based just a half hour away from the jobsite. Unfortunately, both contractors were told that they could no longer work on this project because they weren't unionized. As a result, these two Minnesota companies and their hardworking local craft professionals were off the job. They were replaced with a contractor from Wisconsin and union workers who had trucks with license plates from Nebraska and Texas. Prevailing wage mandates would not have prevented this.

Finally, it has also been implied that prevailing wage increases the safety and quality of work. Our contractor members throughout the state already build wind and solar projects for utilities and other private owners without issue. In fact, many of our contractors have been, and continue to be, subject to recruitment efforts on behalf of the building trades unions. If safety was a concern, why would so much time and money be spent trying to recruit our members' craft professionals? These efforts alone should illustrate the type of quality and safety records that our members bring to the industry and to these projects.

As prevailing wage mandates continue to encroach upon private projects, our members are asking: What's next? Where does it end? It is unclear where that line is. We should be encouraging fair competition in the construction industry, rather than enacting policies that make it more difficult to compete. We urge the committee to vote NO on HF 826, and to allow for fair competition when it comes to these projects.

Sincerely,



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