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**Testimony offered to House Committee on Education and Labor  
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Good morning ladies and gentlemen.

Greetings from Kentucky, where celebrations got underway earlier this week, commemorating the 200<sup>th</sup> birthday of the nation's 16<sup>th</sup> president.

My name is Jim Waters. I am director of policy and communications at the Bluegrass Institute for Public Policy Solutions, Kentucky's free-market think tank. We offer free-market ideas to Kentucky's most pressing problems in light of the ideals of our founders, who believed in: individual liberty, economic prosperity, personal responsibility and a respect for the lives and property of others.

The "prevailing wage" law provides an example of a well-intentioned policy gone awry. Originally modeled after the federal Davis-Bacon Act, Kentucky lawmakers wanted to ensure contractors working on state projects paid workers a fair, but not rock-bottom, wage.

However, during the past 20 years, Kentucky's prevailing-wage policy has become a huge boondoggle.

The law prevents state government from receiving the most value for every dollar spent on public projects. Forcing government to pay union-like wages drives up the cost of roads, school buildings and infrastructure systems by 10 to 15 percent.

In recent weeks, a bid was accepted for \$61 million to the new Joseph Warren middle and high schools in Bowling Green, Kentucky.

Research commissioned by the Bluegrass Institute and conducted by experts like respected labor analyst Paul Kersey, has concluded that the negative, trickle-down effect of Davis-Bacon drives up the cost of public projects by as much as \$100 million each year.

Even Kentucky Department of Education officials, which aren't exactly known for endorsing fiscally sound policies, recognize – and despise – the state's prevailing-wage policy. The department claims prevailing-wage requirements adds 11 percent to the cost of building schools – \$6.7 million on the Warren County schools project alone. That would be enough to build another new elementary school, even at prevailing-wage rates!

Schools are crumbling. The state's proverbial budget checkbook is overdrawn. Yet plumbers and pipe fitters for the new Warren middle and high schools are going to get \$41.35 an hour. I checked with an experienced contractor in the region, who said these workers would receive a rate of about \$18 an hour on a similar job in the private sector.

But the gap in wages -- the \$100-million estimate – does not even include the cost of the labor bureaucracy charged with overseeing Kentucky's prevailing-wage policy. What is the cost for inspections, hearings and paperwork? Who knows? We see how easy it is for government to spend someone else's money – taxpayer – with little accountability for how that money is spent.

On Page 4 of the state Labor Cabinet's prevailing-wage categories for Warren County, it states that “water boys” get \$18.07 an hour and \$8.79 in benefits. So “water boys” working on the Warren schools get paid more than the usual rate earned by experienced, professional plumbers working on homes, office buildings and churches.

Just to put this in perspective, this weekend, the Holiday Inn University Plaza – the premier convention-center hotel in Bowling Green, Kentucky – will host 1,200 people who will use four of its luxury-laden ballrooms in a classroom-style setting at a cost of \$1,600.

The school district could rent those rooms at that rate for 200 days, which includes instructional days plus personal preparatory days for teachers for \$320,000. Even if those rooms were rented every single day of the year – 365 days – at that rate, the district would still spend only \$584,000. Allow another half-million for salaries, supplies, transportation and so forth, and you still are a far cry from the Taj Mahal-like prices being charged by taxpayers.

A favored defense of maintaining this labor policy, borne out of the desperate days of The Great Depression, is that simply requiring prevailing-wage rates result in safer, higher-quality work. But this thinking is outmoded and antiquated – just like the Davis-Bacon Act itself.

According to the Kentucky Legislative Research Commission, 96 percent of Kentucky's 176 school superintendents answered "no" when asked if the increased costs incurred by prevailing wage resulted in discernible higher quality.

Besides, how is it that contractors build quality office complexes, large custom homes, investment properties and corporate facilities without being coerced by some kind of forced wage policy? These contractors don't even have to be told the quantity and quality of people to hire to accomplish a task!

But many contractors don't even participate in public projects. Prevailing-wage rates are so complicated, vary widely from place to place, are established according to federal rates in some areas, state rates in other areas and can be at the whims of even local unions that it's too daunting for many private contractors.

Kentucky is not only known for Lincoln. It's also known for Corvettes. All Corvettes are now made at the GM plant in Bowling Green plant. Across the street from the plant is the National Corvette Museum, which contains many of the past relics of the great Corvette.

While the museum is a great place – car and history buffs love it – it's at the plant across the street where the new models are coming out, which build and improve on past models.

In order to free up badly needed money to build new schools and repair existing ones, it's time for Davis-Bacon to be relegated to the history of public policies that have long outlived their usefulness, either to schools or taxpayers.

Thank you very much.

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