



April 15, 2015

The Honorable Jim Patterson
California State Assembly
State Capitol
Sacramento, CA 94249-0023

Re: Assembly Bill 842 – SUPPORT

Dear Assemblyman Patterson:

The Salinas Taxpayers Association provides a forum for debate & analysis of taxes, fees and assessments impacting businesses & residents in Salinas. We support your Assembly Bill 842, which would prohibit a government-mandated Project Labor Agreement from requiring construction contractors not bound to an existing union Master Labor Agreement to pay fringe benefits for health insurance into union-affiliated health insurance trust funds, provided those contractors provide evidence of equivalent existing health benefits for their employees.

During the past two years this issue has become relevant for the taxpayers of Salinas and Monterey County. In our region there is an obvious uptick in lobbying efforts for government-mandated Project Labor Agreements. Here are three examples and their relationship to the issue addressed in your AB 842:

1. Assembly Bill 182 (which you opposed in 2014) was signed by Governor Brown and requires the Monterey County Water Resources Agency to impose a Project Labor Agreement on the entity that wins a design-build contract for the Interlake Water Project. On December 9, 2014, the Monterey County Board of Supervisors voted 5-0 to negotiate a Project Labor Agreement. One of your Assembly colleagues warned the board at consecutive meetings that it might not obtain Proposition 1 water bond funds if it did not adopt a Project Labor Agreement mandate. We are uncertain if the water agency negotiators can reach agreement with unions to exempt construction contractors not bound to an existing union Master Labor Agreement to pay fringe benefits for health insurance into union-affiliated health insurance trust funds, provided those contractors provide evidence of equivalent existing health benefits for their employees. AB 842 would ensure it.

2. In 2013, the Hartnell Community College District Board of Trustees voted 4-3 to negotiate a Project Labor Agreement but then voted 4-3 at a subsequent meeting to repeal the resolution. A major reason for the change in policy was the realization that Project Labor Agreements require construction contractors not bound to an existing union Master Labor Agreement to pay fringe benefits for health insurance into union-affiliated health insurance trust funds. AB 842 would have made this issue irrelevant.

3. On March 24, 2015, the Salinas Union High School District Board of Trustees heard a presentation on imposing a Project Labor Agreement on future construction funded by Measure B, a November 2014 voter authorization for the district to borrow \$128 million for school construction. The presentation included references to how Project Labor Agreements require construction contractors not bound to an existing union Master Labor Agreement to pay fringe benefits for health insurance into union-affiliated health insurance trust funds. AB 842 would eliminate a major issue of dispute over the proposed Project Labor Agreement.

When a government-mandated Project Labor Agreement requires construction contractors to pay redundant health insurance benefits into union trust funds despite providing their own health insurance program for employees, those companies will either be compelled to pay "double benefits" or choose not to work under the Project Labor Agreement. The resulting increased bid amounts and reduction in bid competition are likely absorbed by taxpayers.

In fact, a 2011 study by the National University System Institute for Policy Research showed that California school construction costs were 13-15% higher when Project Labor Agreements were included in bid specifications. Assembly Bill 842 would eliminate this unnecessary cause of higher construction costs for taxpayers. We support it.

Sincerely,

A handwritten signature in cursive script that reads "Rick Giffin".

Rick Giffin
President, Salinas Taxpayers Association