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**TESTIMONY OF
NATIONAL FEDERATION OF INDEPENDENT BUSINESS (NFIB)
REGARDING
HB-5377, AAC THE PREVAILING WAGE
BEFORE THE
LABOR & PUBLIC EMPLOYEES COMMITTEE
MARCH 8, 2016**

A non-profit, non-partisan organization founded in 1943, NFIB is Connecticut's and the nation's leading small-business association. In Connecticut, NFIB represents thousands of members and their employees. NFIB membership is scattered across the state and ranges from sophisticated high technology enterprises to "Main Street" small businesses to single-person "Mom & Pop" shops that operate in traditional ways. NFIB's mission is "To promote and protect the right of its members to own, operate, and grow their businesses." On behalf of those small- and independent- job-providers in Connecticut, NFIB/Connecticut offers the following comments:

NFIB/Connecticut opposes Section 1 of HB-5377. This section of the bill would require any business organization, including a small business, receiving a wide-array of broadly defined "financial assistance" from the state or any "agency" of the state, *including but not limited* to DECD, to be subject to the state's prevailing wage laws. The unprecedented expansion of these requirements to private projects that have received some form of state economic development assistance would have a chilling effect on private businesses, their contractors, and the free market at-large. In addition, such an expansion would only work to further curtail much needed opportunities for small contractors to bid for certain work on private projects. Section 1 of HB-5377 would only further increase costs for private projects and private entities, which is also inconsistent with such entity receiving state financial assistance. Small and minority-owned businesses are already discouraged from bidding on prevailing projects by the complex and archaic rules set forth by the requirements. The requirements and significant paperwork burdens shut small employers out of the construction market for these types of projects, and Section 1 of HB-5377 would only expand that further to include the renovation, repair, rehabilitation or new construction activities of private businesses. This bill would be an unnecessary, unprecedented, and dangerous expansion of government prevailing wage requirements into the private sector. Marketplace conditions have been working just fine for private businesses engaged in their own construction projects, and efforts such as those contained in Section 1 of HB-5377 would also undermine the very intent and purpose of state financial assistance that may be awarded to these private businesses for their growth. Therefore NFIB/Connecticut urges rejection of the concepts contained in Section 1 of the bill.

That said, **NFIB/Connecticut supports Section 2 of the bill.** Small businesses operate differently than large businesses; they do not have human-resources departments to track the changing standards and mandates that affect their workforce and workplace. They



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often simply do not have the capacity to attempt to comply with what is perceived as significant barriers to doing business. As such, generally, NFIB urges the legislature to simplify the employment process for small businesses, eliminate burdensome mandates and prevent cumbersome regulations that in effect inhibit job creation. In Connecticut, small business owners - both those in the construction industry and at large - consistently cite the state's prevailing wage laws as an area that is ripe for simplification and reform.

The construction industry found itself at the epicenter of this current recession. Typically construction helps lead economic recoveries, but due to the unique origins of this particular recession (i.e. over-supply of housing, economic slowdown, complex financial products), construction continues to lag. In response to the recession, both federal and state governments tried to stimulate the economy by funding public infrastructure projects. However, it appears that small construction companies find that winning these projects is difficult (for those that choose to even bid). Among small business owners in the construction industry, this problem is ranked 43rd vs. 69th of the general small business population. In 2008, construction owners ranked this problem 61st. (See 2012 *Small Business Problems & Priorities*, NFIB Research Foundation).

In addition to the issue of winning bids for public jobs, certain other problems are more burdensome in this industry than in the general small business population. The problem of "poor earnings" ranks 8th vs. 14th; while the problem of "poor sales" ranks 18th vs. 24th.

Small business owners also continuously cite problems complying with burdensome government regulations, including "paperwork", and specifically cite "state and local paperwork" burdens. In 2012, this problem ranked 16th among all small business problems, up five places since 2008, and nearly 20% of all small business owners deemed this problem as "critical". This problem ranks 14th among owners in the construction industry.

Finally, putting the construction industry aside, "property taxes" ranks as the 9th most important problem to small businesses overall, with nearly 25% of all small business owners deeming this problem as "critical".

Clearly the aforementioned small business problems are applicable to the issues surrounding Connecticut's prevailing wage laws, which in effect cause small and minority-owned businesses to be discouraged from bidding on public projects by the complex and burdensome rules required by the state to be a participant, while simultaneously serving to drive up costs at the municipal level, and in turn, local property taxes on small businesses and residents.

NFIB/Connecticut therefore feels that increasing the current thresholds as contemplated in



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Section 2 of this bill is long overdue as there has not been an increase in the thresholds in over twenty years; and all-the-while labor and materials costs have dramatically escalated. When NFIB/Connecticut members were surveyed specifically as to this issue, a majority of respondents indicated that they supported increasing the thresholds and indexing the thresholds for the future.

In addition, to the changes currently contained in Section 2 of this bill, NFIB/Connecticut also recommends that an automatic escalator accompany any increase in the threshold or indexing provision to keep pace with inflation moving forward. NFIB/Connecticut feels that this would be a positive step and a fair approach to take to help address the concerns raised by small businesses, contractors and taxpayers alike.

Finally, liability concerns fostered among small business owners, both real and perceived, should be addressed. NFIB/Connecticut would recommend and support "safe harbor" provisions to be included in any reforms to the prevailing wage laws, which would serve to protect small business owners from being fined or prosecuted for making small or inadvertent mistakes with regard to various paperwork and administrative requirements attendant to prevailing wage jobs.

Thank you for the opportunity to comment.