



February 7, 2013

The Honorable Paul Gosar
504 Cannon House Office Building
Washington, DC 20515

Dear Representative Gosar:

On behalf of Associated Builders and Contractors (ABC), a national association with 72 chapters representing 22,000 merit shop construction and construction-related firms, I am writing in support of the Responsibility in Federal Contracting Act (H.R. 448). This legislation represents a necessary first step in an important process to reform the federal prevailing wage system.

H.R. 448 addresses the pressing need to bring the 80-year old Davis-Bacon Act wage determination process into the 21st century. The bill mandates that wage rates in federal construction be determined scientifically by the U.S. Department of Labor's (DOL) Bureau of Labor Statistics (BLS), rather than by the notoriously inaccurate procedures in use today by DOL's Wage and Hour Division (WHD).

ABC has long advocated for reform of the Davis-Bacon Act to mitigate its damage to our industry. As currently administered by DOL, Davis-Bacon unnecessarily hinders economic growth and stifles contractor productivity by mandating wage rates on federal construction projects that fail to reflect true, market-based rates. The main culprit for these frequent discrepancies is the flawed, unscientific wage survey process WHD uses to calculate these so-called "prevailing" wages. This process often sets rates at or above the union scale, despite only 13.2 percent of the construction industry being unionized nationwide. Inversely, the use of out-of-date surveys can also result in wage determinations that are *lower* than current market rate, which is equally problematic—and especially detrimental for local contractors.

Despite repeated criticisms from the Government Accountability Office (GAO) and DOL's own Inspector General, the agency has failed to implement meaningful reforms in its wage determination process. A 2011 GAO report found widespread errors and noted that it suffers from a serious lack of transparency. Even more troubling is GAO's finding that DOL is simply unwilling to address these problems on its own.

DOL's handling of the Davis-Bacon wage determination process is not just bad for construction—it's bad for taxpayers as well. The Congressional Budget Office (CBO) has estimated that the Davis-Bacon Act will raise federal construction costs by \$15.7 *billion* over the next ten years.

H.R. 448 is much-needed legislation that would greatly benefit our national economy in general, and the construction industry in particular—home to traditionally low net profit margins and a current unemployment rate of more than 16 percent. It seeks to implement long-awaited reforms in a fair and common sense manner. Again, ABC supports the Responsibility in Federal Contracting Act, and looks forward to working with your office to ensure its passage.

Sincerely,

Geoffrey G. Burr
Vice President, Federal Affairs