

THE HIGH COST OF PUBLIC CONSTRUCTION IN INDIANA

If the Statehouse is serious about reducing taxes and government costs, now would be the time to confront the 'elephant in the dining room'

by J.R. GAYLOR

The uproar over property tax increases took center stage a couple of years ago and arguably led to the political defeat of a once-popular mayor of Indianapolis, Bart Peterson. The political debate continues in the Indiana General Assembly over constitutional caps and other solutions to the continuing problem of reigning in the levels of property taxes.

With all this uproar, however, there is almost total silence on the high cost of public buildings that property taxes fund.

The facts are these: 1) Between 1984 and 2006, Indiana property taxes for school debt and capital projects increased over eight percent per year; and 2) Indiana schools cost 40 percent more to build than schools nationally.

So if Indiana taxpayers are not getting their bang for their buck, who is?

The answer concerns the "elephant in the dining room," a term of political art referring to a controversial issue that is obvious but ignored out of embarrassment or convenience. It is a rhetorical device

to acknowledge that the problem won't be going away by itself.

That certainly is the case here. The elephant is the "common wage" and the stranglehold that Indiana union bosses in the building trades have over public construction.

Here is what happens in your county when a public building costing \$150,000 or more is to be built:

A five-member committee is formed to determine what wages will be paid to build the building. The committee's job is to determine the "common" everyday construction wages being paid in your county.

The spirit of the law is to preserve the economic base of each county so that the wages determined are not too low or too high.

Who are these five members? There are two members appointed by the public entity that is building the project — your city or town, county, school board, library board, etc.

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J.R. Gaylor is president and chief executive officer of the Associated Builders & Contractors of Indiana. He wrote this at the request of the editor. Nothing written here is to be construed as reflecting the views of the Indiana Policy Review Foundation, however, or as an attempt to aid or hinder the passage of any bill before the legislature or to further any political campaign.

THE 'COMMON' WAGE

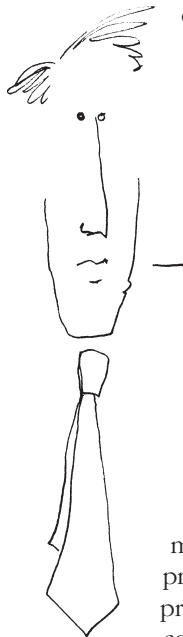
The administration wants property-tax reform but doesn't take a stand at each Common Wage hearing to protect the taxpayer from the inflated construction costs that property taxes must fund.

Last year, statewide, these particular members of the county boards missed 10 percent of all their meetings. That's right, 10 percent of the time the representatives of the owner of the project *did not even show up to help determine a major cost item of their project.*

A third member of these committees is appointed by your county commissioners. Last year, statewide, these particular members missed almost 20 percent of the meetings, according to the Indiana Department of Labor.

A fourth member of these committees comes from the Indiana Department of Labor. These members typically show up but do not exercise their right to vote. This strikes some as curious because the current administration wants property-tax reform but doesn't take a stand at each Common Wage hearing to protect the taxpayer.

A fifth person is a representative of the AFL-CIO building trades unions. The union building trades, which represent only about 25 percent of the construction workers in this state, have an automatic seat on these committees. They submit a list of wages at each hearing reflecting wages paid in Indiana's large urban areas. These are premium wages that typically do not reflect what is commonly paid in most counties for construction services.



*"Don't just do something, stand there."
(William F. Buckley)*

In Daviess County, for example, the union wage is adopted even though there is only a single union contractor, employing only a handful of workers. *(The table below shows the current rates for common laborers.)*

It is literally true that in Indiana you have unskilled workers with no education or training building a public school making more than the highly educated teachers within the building.

Do the wage rates below reflect what is commonly paid in your county? I doubt it. Yet, in most counties those are the kind of premium wages promoted by the union bosses as the "common" everyday practice of pay in each county. *(See Chart 1 for each county's voting pattern in 2008.)*

Taxpayers have every right to expect that public buildings get built as cost effective, as safe and as efficiently as buildings in the private sector. That is not happening because the union bosses are protecting their own special interests and working against those goals.

As we have been reminded on a national level, industries dominated by unions are crumbling. That is because there is a tipping point beyond which labor costs overprice the value of

the product. Dollars for public construction last year in Indiana were in the billions.

So you see what is at stake. And you also see

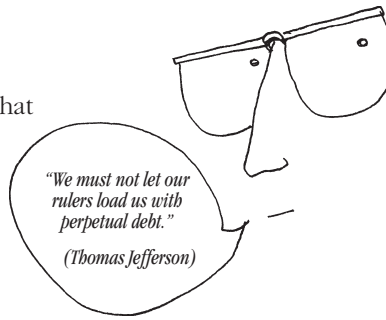
Chart 1: Percent Adoptions of AFL-CIO 'Common' Wage by county in 2008

County	AFL-CIO Wage
Adams	85.71%
Allen	51.19%
Bartholomew	100.00%
Benton	100.00%
Blackford	100.00%
Boone	22.20%
Brown	100.00%
Cass	0.00%
Carroll	0.00%
Clark	100.00%
Clay	100.00%
Clinton	75.00%
Crawford	0.00%
Daviess	100.00%
Dearborn	100.00%
DeKalb	50.00%
Decatur	10.00%
Delaware	97.06%
Dubois	50.00%
Elkhart	43.86%
Fayette	50.00%
Floyd	100.00%
Fountain	50.00%
Franklin	100.00%
Fulton	100.00%
Gibson	85.71%
Grant	80.00%
Greene	100%
Hamilton	46%
Hancock	100%
Harrison	100%
Hendricks	63%
Henry	100%
Howard	100%
Huntington	77%
Jackson	100%
Jasper	100%
Jay	50%
Jefferson	100%
Jennings	100%
Johnson	48%
Knox	100%
Kosciusko	0%
LaGrange	20%
Lake	100%
LaPorte	100%
Lawrence	86%
Madison	100%
Marion	100%
Marshall	0%
Martin	100%
Miami	100%
Monroe	100%
Montgomery	20%
Morgan	100%
Newton	100%
Noble	36%
Ohio	100%
Orange	100%
Owen	0%
Parke	80%
Perry	0%
Pike	100%
Porter	100%
Posey	100%
Pulaski	0%
Putnam	100%
Randolph	33%
Ripley	100%
Rush	0%
Scott	0%
Shelby	50%
Spencer	100%
St. Joseph	98%
Starke	50%
Steuben	80%
Sullivan	100%
Switzerland	100%
Tippecanoe	100%
Tipton	0%
Union	0%
Vanderburgh	100%
Vermillion	0%
Vigo	100%
Wabash	100%
Warren	0%
Warrick	100%
Washington	100%
Wayne	100%
Wells	0%
White	67%
Whitley	71%
Average	83.53%

	Hourly rate	Hourly fringe	Total Hourly	Yearly
Skilled	\$21.62	\$10.06	\$31.68	\$65,894.40
Semi-Skilled	\$21.12	\$10.06	\$31.18	\$64,854.44
Unskilled	\$20.62	\$10.06	\$30.68	\$63,814.40

* Source for all table and chart data: Indiana Department of Labor

why politicians are afraid to confront that “elephant in the dining room.” Not only do they fear the wrath of the labor unions, they fear being labeled by the media as enemies of working men and women and destroyers of the middle class. Who wants to face that criticism?



Moreover, labor bosses contend that using anything less than union workers, with union work rules and premium union wages would compromise the quality and safety of our public buildings. Who wants to face that accusation?

And labor bosses can convincingly promise to fill the streets around the Indiana Statehouse with thousands of protesters. Who wants to face that crowd?

So the “elephant” stays in the room, the silence continues and we look for ways to control property-tax increases without controlling the cost of construction.

But even though political leaders won't confront the “elephant,” Indiana taxpayers might. These two testimonials are encouraging:

Chris Hiatt, Delaware County

Few people are aware of the horrific waste of tax dollars this process creates. Few are even aware of the existence of these (common wage) committees. It is probably the single-most-tax-dollar wasteful 30-minute gathering any community could experience. In one fell swoop, any given number of public projects in any given community could have a 30- to 40-percent premium attached to their project costs, before they are even advertised to bid. This could easily run into the millions of excess dollar cost locally and billions statewide. The most effective way to confront this problem is to expose the process and involve the local taxpaying public. My recent experience supports, that when local public-project authorities, shouldered with the responsibility of spending local tax dollars wisely, are made aware of the consequences of their decisions, they will hedge on the side of fiscal frugality and favor more conservative, taxpayer-friendly wage scales. This phenomenon is amplified when the taxpayers footing the bill are in attendance helping to neutralize the intimidating atmosphere and letting their opinions be known.

Tom Flynn, Marshall County

I employ a man who has been with my company for 20 years. His name is Joe. His workmanship is exceptional. I would put his work beside any electrician. Joe makes \$21 per hour and about \$7 in fringes for a \$28 total package. When union wages from outside the county are presented for my county, the skilled-electrician rate for an AFL-CIO electrician is a total of \$44 per hour — an extra \$16 an hour per man for no greater quality of workmanship. Multiply that for every man hour worked on a public project and the dollars add up quickly. Plus, the out-of-county worker pays no taxes to fund the current project being worked on. Joe does. How is this ever fair?

Again, some want to change the Indiana Constitution to cap property taxes. This, however, would take years. You don't have to wait that long. An immediate change can be made at your county's next Common Construction Wage meeting (see chart 2).

Costs of projects could be lowered overnight if taxpayers would take over a process that has been overshadowed by that “elephant in the dining room.”

In a world where decision-making seems out of reach for the regular citizen, you can make a difference. Go to the next Common Construction Wage hearing in your county. Chris Hiatt and Tom Flynn did.

I hope to see you there.

Chart 2: *Common Wage Hearings per County by Month

	January	February	March	April	May	June	July	August	September	October	November	December	Total
Adams	0	4	0	0	1	0	0	0	0	0	0	1	6
Allen	0	4	4	3	3	2	2	1	1	2	2	3	27
Bartholomew	1	0	3	3	0	1	1	0	2	1	1	1	14
Benton	0	1	0	0	0	0	1	0	0	0	0	0	2
Blackford	0	0	0	0	0	0	0	0	0	0	0	1	1
Boone	1	0	3	1	0	1	0	1	0	0	1	0	8
Brown	0	0	0	0	1	0	0	0	0	0	0	0	1
Cass	0	2	0	0	1	0	0	0	0	0	0	0	3
Carroll	0	0	0	0	0	0	0	0	0	0	0	0	0
Clark	3	0	3	0	2	0	3	2	1	1	2	2	19
Clay	0	0	0	0	0	0	0	1	0	0	1	0	2
Clinton	0	0	1	0	0	0	0	1	1	0	1	0	4
Crawford	0	0	0	0	0	0	0	0	0	0	0	0	0
Daviess	0	1	0	0	0	1	1	0	1	0	0	0	4
Dearborn	1	0	1	0	1	3	0	0	1	0	1	1	9
DeKalb	1	2	0	0	1	0	1	0	1	0	0	0	6
Decatur	0	1	1	0	1	0	0	1	0	0	1	0	5
Delaware	0	4	0	0	2	0	0	1	2	2	0	1	12
Dubois	0	1	0	2	0	0	0	1	0	0	1	1	6
Elkhart	0	3	3	3	0	0	2	1	2	0	1	1	16
Fayette	0	1	1	0	0	1	0	0	0	0	0	1	4
Floyd	1	0	0	3	0	0	3	1	0	0	1	1	10
Fountain	0	0	1	0	0	0	0	0	1	0	0	0	2
Franklin	1	0	0	1	0	0	0	0	0	0	0	0	2
Fulton	0	0	0	1	0	0	0	0	0	0	0	0	1
Gibson	0	1	1	1	0	0	1	1	1	0	0	0	6
Grant	0	0	0	1	0	1	0	0	1	1	0	2	6
Greene	0	1	0	0	0	0	0	0	0	0	0	0	1
Hamilton	0	2	5	3	1	1	0	1	1	1	1	1	17
Hancock	0	0	1	1	4	0	0	1	0	2	1	0	10
Harrison	1	3	1	0	0	1	0	0	1	1	1	0	9
Hendricks	1	1	0	1	2	3	1	0	2	1	1	1	14
Henry	0	0	0	1	0	0	0	0	0	1	1	0	3
Howard	2	0	1	2	1	0	1	0	0	1	1	1	10
Huntington	0	0	2	1	1	0	0	0	0	4	0	0	8
Jackson	0	0	0	0	0	1	3	0	0	0	0	0	4
Jasper	0	0	0	0	1	0	0	1	1	0	1	0	4
Jay	1	0	1	0	0	0	0	1	0	0	0	0	3
Jefferson	1	0	1	1	0	4	0	0	0	0	0	0	7
Jennings	1	0	0	1	0	1	0	0	1	0	0	0	4
Johnson	0	3	1	2	0	3	1	2	1	1	2	0	16
Knox	1	2	0	1	0	1	1	0	1	0	0	0	7
Kosciusko	2	0	1	0	0	4	0	0	1	1	0	0	9
LaGrange	0	0	0	2	0	0	0	1	0	1	0	0	4
Lake	3	6	5	9	10	5	5	4	2	1	5	5	60
LaPorte	1	4	1	2	3	1	3	0	1	1	0	0	17
Lawrence	1	0	1	0	0	1	1	1	0	0	0	0	6
Madison	0	2	0	0	0	0	1	3	0	0	0	2	8
Marion	5	10	5	4	8	6	8	4	7	6	3	6	72
Marshall	0	0	0	1	0	0	0	1	0	0	0	1	3
Martin	0	0	0	0	0	0	0	0	2	0	0	0	2
Miami	2	0	0	0	1	0	0	0	1	0	1	0	5
Monroe	1	2	2	2	3	2	1	0	1	1	3	1	19
Montgomery	1	0	0	0	1	1	0	0	0	0	0	0	3
Morgan	1	0	0	0	0	1	0	0	1	1	0	0	4
Newton	0	0	0	0	1	0	0	0	0	1	1	0	3
Noble	0	2	0	1	0	2	0	0	0	0	0	0	5
Ohio	0	1	1	0	0	0	0	0	0	0	0	1	3
Orange	0	0	0	0	0	1	2	1	0	0	0	1	5
Owen	0	0	0	0	0	0	0	0	0	0	0	0	0
Parke	0	2	1	0	0	1	0	0	0	0	0	1	5
Perry	0	0	0	0	0	0	0	0	0	0	0	0	0
Pike	0	0	1	0	0	0	0	0	0	0	1	0	2
Porter	1	3	3	1	1	0	3	5	2	2	1	2	24
Posey	1	0	0	0	0	1	0	1	0	0	0	0	3
Pulaski	0	0	0	0	0	0	0	0	0	0	0	0	0
Putnam	0	1	0	0	1	0	0	0	1	0	0	0	3
Randolph	1	0	0	1	0	1	1	0	1	0	0	1	6
Ripley	0	0	0	0	1	0	1	0	0	0	0	0	2
Rush	1	0	0	0	0	0	0	0	0	0	0	0	1
Scott	0	0	0	0	0	0	0	0	0	0	0	0	0
Shelby	0	0	0	0	1	2	0	0	0	0	1	1	5
Spencer	1	1	0	0	1	0	2	0	1	0	1	1	8
St. Joseph	3	4	2	7	0	4	4	5	2	2	3	2	38
Starke	0	0	0	0	0	1	0	0	0	0	1	0	2
Steuben	1	0	1	0	0	1	0	1	0	0	1	0	5
Sullivan	0	1	0	0	0	0	0	0	0	0	0	0	1
Switzerland	0	0	0	0	1	0	0	0	0	0	1	0	4
Tippecanoe	2	2	1	2	2	1	3	1	2	0	3	0	19
Tipton	0	1	0	0	0	0	0	4	0	0	0	0	5
Union	0	0	0	0	0	0	0	0	0	0	0	0	0
Vanderburgh	0	0	4	2	3	2	4	1	4	0	2	1	23
Vermillion	0	0	0	0	0	0	0	0	0	0	0	0	0
Vigo	1	0	1	2	2	0	0	3	3	1	2	2	17
Wabash	0	1	0	1	0	0	0	0	0	0	0	0	2
Warren	0	0	0	0	0	0	0	0	0	0	0	0	0
Warrick	0	0	1	0	0	0	0	1	1	1	0	2	6
Washington	0	1	0	0	0	1	0	0	0	0	0	1	3
Wayne	1	1	1	0	1	0	2	0	0	2	0	2	10
Wells	0	0	2	0	1	0	0	0	0	0	0	0	3
White	0	0	0	1	0	0	0	0	1	1	0	0	3
Whitley	1	0	0	0	0	0	1	0	0	0	0	1	3
Total	48	82	69	71	65	64	65	57	57	46	47	53	724