SPRING/SUMMER 2014

Indiana-Illinois-Iowa FOUNDATION FOR FFC FAIR CONTRACTING

The Monitor

RAISING THE BAR BY MONITORING THE CONSTRUCTION INDUSTRY

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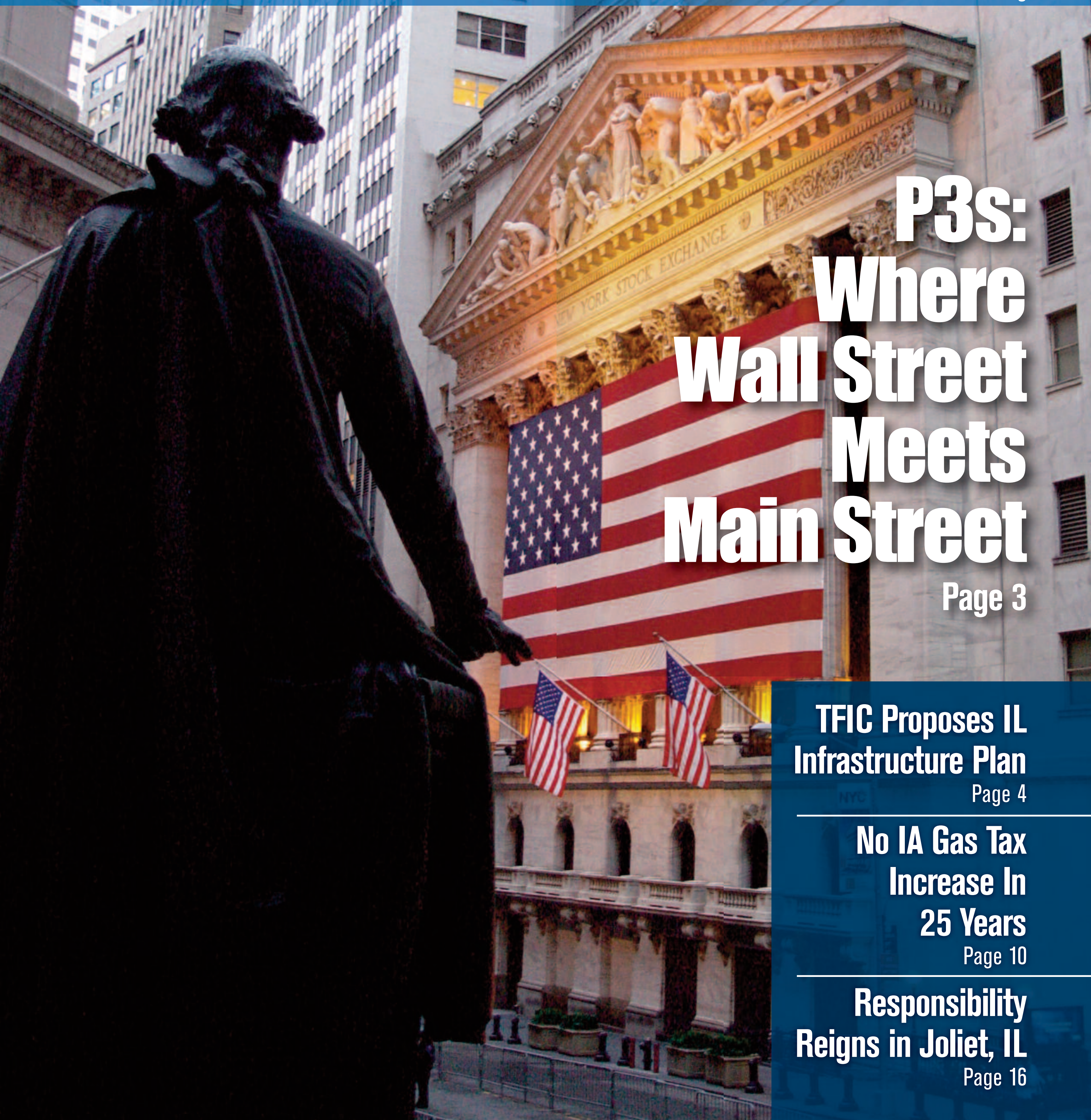

P3s: Where Wall Street Meets Main Street

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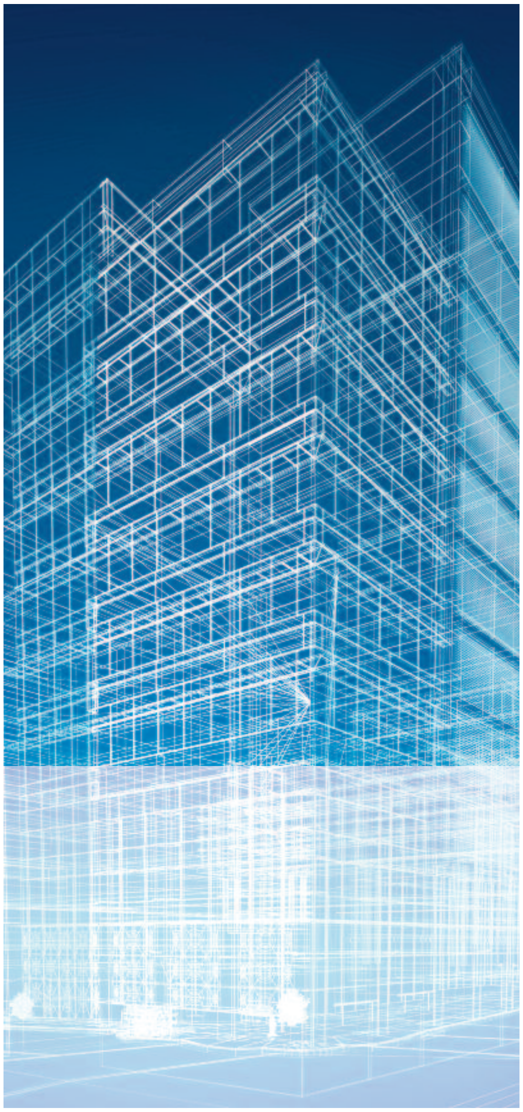

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Indiana-Illinois-Iowa FFC Foundation for Fair Contracting

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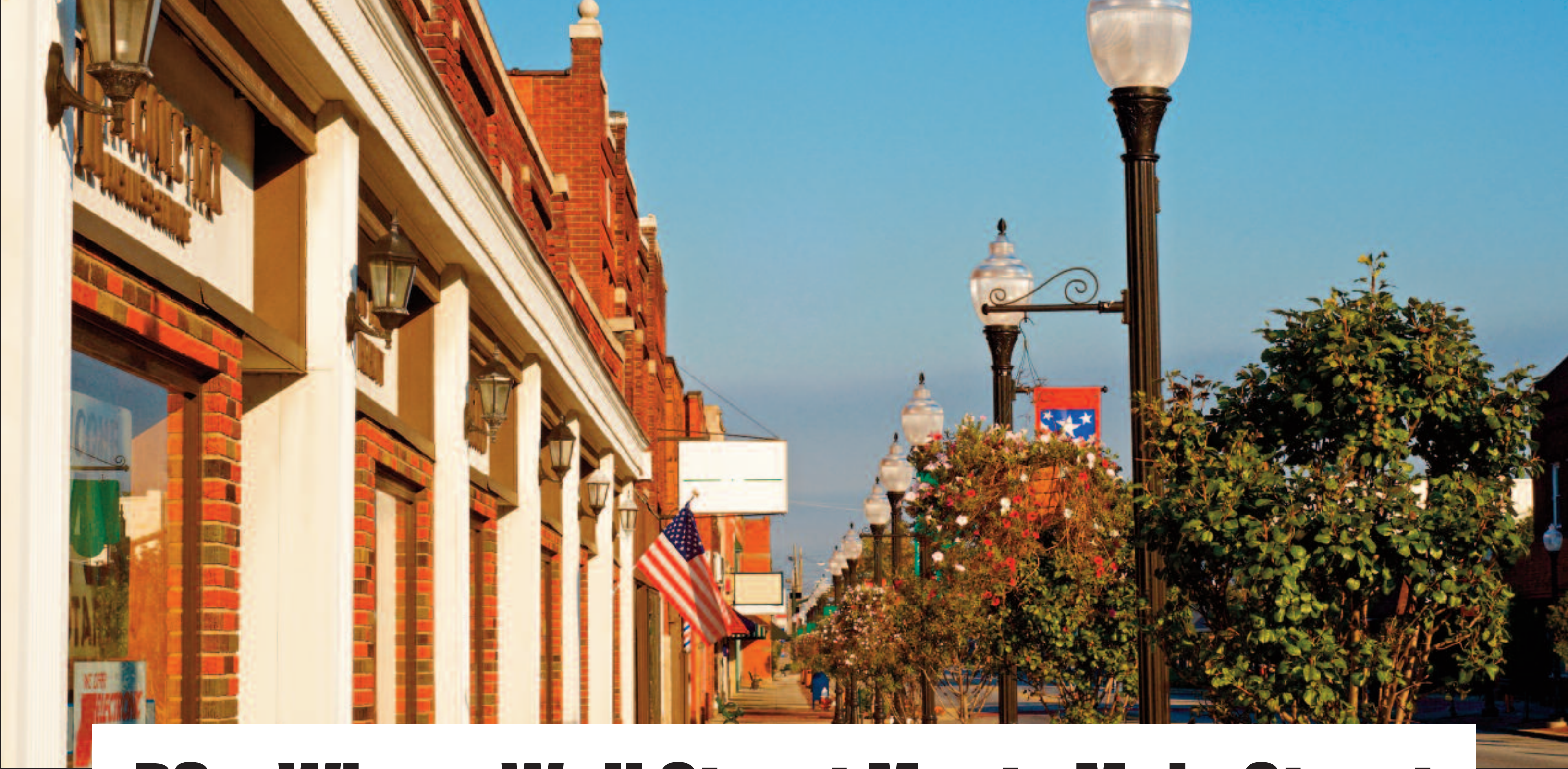


P3s: Where Wall Street Meets Main Street

The Possibility of Expanding Work in the Public Interest

BY **FRANK MANZO IV**, POLICY DIRECTOR, ILEPI

Across America, governments of all levels continue to face fiscal conditions that limit their ability to provide more and better services. In these tough budgetary times, however, governments need to spur long-term economic growth by finding ways to increase, rather than curb, internal investment. With fewer resources, the public sector has turned to the business community to help make up the shortfall and expand investment beyond the amounts to which governments are already committed.

An April 22, 2014 policy brief by the Illinois Economic Policy Institute (ILEPI) investigates the pros and cons of a new method of providing public services – public-private partnerships (or "P3s" or "PPPs") – in the construction industry.

A P3 is collaboration between the public sector and private sector on a mutually beneficial project in which decision-making, risks, and benefits are shared by both parties. The "collaborative development" structure of P3s enables governments to invest in and reap the benefits of infrastructure improvements. In the short term, the direct jobs that are created are well paying, high-road jobs. Over the long run, upgrading and expanding infrastructure increases a region's economic growth, international competitiveness, worker mobility, and quality of life.

P3s offer substantial benefits to the public sector. P3s allow the government to leverage private funds to increase internal investment beyond dedicated amounts; to capitalize on the managerial efficiencies, technological innovations, and skills and talents of private companies; and to provide projects of an acceptable quality at the lowest cost to the taxpayer. P3s also help foster an efficient network in which those who consume the infrastructure predominately pay for it instead of other taxpayers who do not. Finally, P3s have been found to build infrastructure slightly less expensively and slightly more quickly in both the United States and the United Kingdom.

While private contractors face significant risks, the benefits of P3s for private entities often outweigh the costs. First, infrastructure assets provide portfolio diversification for private sector actors. Annual usage volatility of "Core and Core Plus" infrastructure– such as roads, bridges, water systems, and energy transmission systems– was generally between just 1 and 2 percent from 1998 to 2008. Compared to the 16 percent volatility in the stock market, infrastructure assets are safer and more stable investments. P3s also effectively grant a monopolistic position to the private actor. Even with government regulations to curb the price of user fees, which can be collected, long-term returns are typically linked to inflation or economic growth, providing a predictable stream of annual revenues. Finally, P3s permit private

See **PUBLIC INTEREST** *on page 15*

Illinois' Infrastructure Needs Significant Investment Now

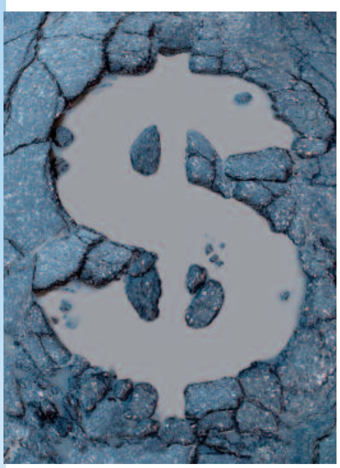
LETTER
FROM THE
Executive Director

Marc R. Poulos

If no significant investment is made in Illinois, 1 in every 3 miles of roads and 1 in every 10 bridges will reach a level that is unacceptable by 2018.

Transportation and infrastructure spending is a frequent topic in *The Monitor*. This is because our country is facing a critical time where many of our roads and bridges are nearly failing by American Society of Civil Engineers' standards.

One of the hardest hit states is in the III FFC's jurisdiction: Illinois. If no significant investment is made in Illinois, 1 in every 3 miles of roads and 1 in every 10 bridges will reach a level that is unacceptable by 2018. Because of these conditions, motorists in the Chicagoland area spend an average $292 per year in higher operating and repair costs. Northeastern Illinois residents lose an estimated $8.2 billion per year in productivity due to traffic congestion.



This has been an ongoing issue for Illinois. In 2002, an estimated 6,089 miles of state highways needed repair. That number skyrocketed to 8,687 miles by 2012. Without an immediate investment, the total investment needed from Illinois to bring infrastructure up to an acceptable level is over $60 billion over the next five years.

To address this problem, the Transportation for Illinois Coalition (TFIC), which III FFC is a member, proposed a plan that would support $1.4 billion in annual transportation revenues and an additional $450 million to support $5 billion in bonding for transportation over the next five years. The legislative push would fund both pay-as-you-go spending and a bonding program that would get the state's roads up to 90% acceptable condition and bridges up to 93% acceptable condition. Moreover, millions of dollars would be allocated for much needed transit improvements in the Chicagoland area.

As a breakdown, TFIC's plan would split funding as follows: 80% for roads, bridges and airports and 20% for transit needs—with 40% of total funding going to state infrastructure and 60% to local infrastructure.

Revenues for the $1.8 billion plan would come from reallocating current state sales tax revenue from motor fuel, ending ethanol credit for gasoline, increasing the state motor fuel tax on gasoline by 4 cents per gallon and on diesel by 7 cents per gallon, raising motor vehicle registration fees, reprioritizing spending out of road funds (that currently support other government services), and creating a state sales tax on certain driver-related services such as auto repair, oil changes and car washes.

While we were successful in securing an additional $1.1 billion in transportation funding this year for state and local roads, our job is not over. If passed, the plan discussed above would be the first ongoing increase in local funding since 1999. Clearly, Illinois' infrastructure is in desperate need of repair. We need taxpayer investment to help keep our citizens safe from collapsing bridges, sinking roads, and outdated transit systems.

Illinois Supreme Court Finds ECA Constitutional

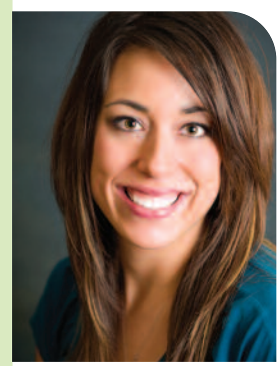
In *Bartlow v. Costigan*, the Supreme Court of Illinois determined that the Illinois Employee Classification Act (ECA) is constitutional. 2014 IL 115152 (Feb. 21, 2014).

The purpose of the ECA is to address misclassification of employees as independent contractors in the construction industry. In March 2010, Rhonda and Jack Bartlow, doing business as Jack's Roofing, and two other individuals who performed services for the Bartlows, filed an action alleging that the ECA violates the due process clause of the United States and Illinois Constitutions, the special legislation clause of the Illinois Constitution, and the equal protection clause of the United States and Illinois Constitutions. The Bartlows filed the action after the Illinois Department of Labor (IDOL) made a preliminary determination that they may be assessed a fine of $1,683,000 based on the Department's finding that individuals performing work for Jack's Roofing were employees and not subcontractors under the Act.

Rejecting the constitutional challenges, the Court held that the procedural due process challenges were rendered moot by amendments to the Act, effective January 1, 2014. Thus, the appellate court's decision – finding that the ECA did not violate due process, was vacated. The Court also determined that section 10 of the Act was not unconstitutionally vague; a person of ordinary intelligence had a reasonable opportunity to understand what constitutes an independent contractor, sole proprietor, or partnership, and how to qualify for an exemption under the law. The Court described the provisions of section 10 as "highly detailed and specific," and stated that the "exemptions contained in subsections (b) and (c) of section 10 unambiguously demonstrate how and when an independent contractor, sole proprietor, or partnership will be considered exempt from the Act's application."

Finally, finding that the Plaintiffs failed to fully brief the special legislation and equal protection claims in their appeal, the Court determined these claims were forfeited. Thus, the Fifth District appellate court's decision, citing the well-established principle that the legislature may limit application of a statute so long as it is rationally related to a legitimate state interest, remains intact. *Bartlow v. Costigan*, 974 N.E.2d 937 (Ill. App. Ct., Aug. 21, 2012).

Melissa Binetti
Counsel for the III FFC



Kara Principe
Counsel for the III FFC

Training a diverse workforce

Michael Lingl
SUPERVISOR

FOCUS ON
Illinois

As we look forward to a busy season, we typically think of mobilizing equipment and workers on the jobsite. One thing that might not immediately come to mind is a diverse workforce. The Chicago Urban League Transportation Construction Apprenticeship Readiness Training (TCART) Program sets out to change that, making diversity and training a priority.

The goal of the TCART Program is to increase participation of minority groups, disadvantaged persons, and females in the highway construction industry.

With the goal of increasing participation of minority groups, disadvantaged persons, and females in the highway construction industry, the TCART program is a collaborative initiative among IUOE Local 150's Apprenticeship Skill and Improvement Program, the Chicagoland Laborers District Council Apprenticeship Fund and community organizations including the Chicago Urban League, the Austin Peoples Action Center, the Black Chamber of Commerce of Lake County and United Services of Chicago. The program is funded by the Illinois Department of Transportation.

Applicants must meet a number of criteria to participate in the TCART program. For example, applicants must be 18 years old, have a valid driver's license, be a high school graduate or have a G.E.D., pass a drug test, pass a pre-training math test, be a resident of Cook, DuPage, Kane, McHenry, Lake or Will County, and show a commitment to pursuing a career in the construction industry.

The TCART program is broken into three components: an initial 3-week orientation program, 4 weeks of skills training with the Chicago Laborers District Council Apprenticeship Fund and 4 weeks of skills training with Local 150's Apprenticeship Skill and Improvement Program.

The initial orientation program is offered at several locations and provides training on construction industry conduct, life skills and math skills. Classes meet 8 hours a day, starting at 7 a.m. During these 3 weeks, participants receive a $100 per week stipend and transportation cost assistance.

The technical training includes a 4-week program at the Chicagoland Laborers District Council Training Center in Chicago. This training offers an introduction to the skills that a construction laborer performs on highway construction projects. During this time the participants are eligible to receive a $10 per hour stipend for the 40-hour training week.

Participants attend an additional 4-week training program at the IUOE Local 150 Apprenticeship Skill and Improvement Program (ASIP) in Wilmington. Training at the ASIP includes an introduction to material testing and rigging for cranes. A $10 per hour stipend is available during this training as well.

Martin Turek, the ASIP's Assistant Coordinator/Safety Administrator reports that almost 400 participants have gone through the Operating Engineers phase of the TCART program since it started in November 2013. Turek goes on to say that he thinks the program offers a great opportunity for pre-apprenticeship training and that he encourages participants to pursue a career in the construction industry by applying to apprenticeship programs like the ASIP in Wilmington.

We wish success to the TCART program and its participants, and hope that continued collaboration will promote a diverse and highly skilled workforce on highway construction projects. ■

More Power to You

Power Construction of Chicago selected to construct new Centregra Hospital

The Illinois Health Facilities and Services Review Board has approved construction of only two new hospitals in the last 30 years – Centegra Hospital received approval for one of them. This new facility is being built on the corner of Algonquin Road and Haligus Road in Huntley. The 5-story, approximately 300,000 square foot, hospital will have 128 patient beds.

The construction of a new facility was most likely approved because of the almost 20% growth over the last ten years in the southern McHenry County area, and a significant number of residential construction building permits issued in spite of the recent recession in that area.

Power Construction of Chicago was selected to construct the new hospital. Established in 1926, Power got its start building power plants. Over the years Power Construction's business focus has shifted, with almost 70% of its work in the healthcare field. Power Construction is management-owned and currently employees about 250 people.

Rich Bunke, a Senior Superintendent with over 20 years of experience with Power Construction, is overseeing the project in Huntley. Rich advised that they broke ground on February 18, 2014 and that they expect to have substantial completion of the hospital by May 2016. Currently the project has 50-60 construction workers on site and he expects that to peak to around 300 workers on site in the spring of 2015.

Rich is confident that Power will produce a high quality project on time and within the budget, partly because there is a Project Labor Agreement (PLA) in place between Centegra, Power Construction and the Unions of the major trades working on the project. The PLA addresses issues like work stoppages, work hours and jurisdictional issues. The PLA also helps ensure that highly skilled workers will be performing the work. This is the third major project that Rich has managed with a PLA and he thinks that PLAs will be more prevalent going forward.

Given the experience that Rich brings to the project, and the skilled workers on the jobsite, it appears that the Centegra Hospital in Huntley will be an excellent facility, serving the community for years to come. ■

Tom Frailey
SUPERVISOR

FOCUS ON
Indiana

LaPorte County

Trained and Educated Contractors Welcome

A year ago we wrote about LaPorte County in our public body "Spotlight," a lovely community along Lake Michigan in Northwest Indiana, with a population around 111,000. In May 2013, the LaPorte County Commissioners passed a Responsible Bidder Ordinance (RBO) to help ensure County projects are performed by the safest, most qualified contractors available to perform the work on behalf of the taxpayers.

The RBO establishes criteria that each contractor must meet to be eligible to work on behalf of the County. The criteria include proper business registrations, evidence of past compliance with environmental, labor and safety laws, as well as compliance with common construction wage requirements, and proof that the contractor participates in an apprenticeship and training program approved by and registered with the U.S. Department of Labor. The RBO also offers credits to local bidders with a place of business in the county, or bidders with a local workforce where 25% of the bidder's construction employees reside in the County.

Earlier this year, a bridge project went out to bid, which included the RBO requirements. After reviewing the bids, it was determined that the lowest responsive and responsible contractor was LaPorte Construction, a local contractor that met all the RBO criteria, including the apprenticeship requirement.

According to LaPorte County Commissioner Dave Decker, "It is of the utmost importance that we have the best contractor for the job on County projects; we do this by relying on the Responsible Bidder Ordinance."

He and the other Commissioners also think the local credit provisions are particularly important to encourage contracts with local businesses and a local workforce. "Our Ordinance not only ensures we have a trained workforce, but it also makes contractors prove their past performance," says Commissioner Decker. "We feel the Responsible Bidder Ordinance is one of our greatest tools for successful construction projects in LaPorte County."

DAVIS-BACON AND RELATED ACTS

WHY SUPPORT PREVAILING WAGE LAWS?

Prevailing wage laws, like the federal Davis-Bacon and Related Acts (DBRA), regulate wages paid to workers on public works projects. Opponents of prevailing wage laws have described this as "price-fixing." In fact, a primary goal of prevailing wage laws, historically and today, is to protect communities and workers from non-local contractors underbidding local wage rates.[i]

Market stability has been a goal since the inception of the Davis-Bacon Act. Testifying in support of the Act, passed in 1931, Representative Robert L. Bacon stated:

"It seems to me that the federal government should not engage in construction work in any state and undermine the labor conditions and the labor wages paid in the state….The least the federal government can do is comply with the local standards of wages and labor prevailing in the locality where the building construction is to take place."

Prevailing wage opponents argue greater competition should be encouraged by allowing contractors to pay lower rates and allowing workers to accept those rates. Besides undermining local wage rates, this position ignores the broader benefits associated prevailing wage requirements. For one, working and safety conditions are improved for workers in states with prevailing wage laws.[ii] Studies also show that workers are more productive in prevailing wage states, thus saving taxpayers money when completing jobs on time and on budget.[iii]

Finally, one of the most familiar critiques of prevailing wage laws is that higher wages result in higher construction costs. In fact, studies show that this is not the case.[iv] Contractors must effectively coordinate mobilization of equipment, workforce and materials to competitively bid, and successfully perform, a public works project.

Specifically, contractors must coordinate staffing and the mobilization of equipment to be available when needed on a particular job site; a delay at one site may affect work at another if equipment is not moved on time.

The argument that repealing prevailing wage laws will save costs on public work projects assumes there will be no effect on labor productivity and factors such as on time completion, cost overruns, and long-term maintenance costs.[v] Repeal also ignores that the likely result is to drive down wages, meaning workers have less money to spend and states will lose income and sales tax revenues.[vi]

Providing a competitive wage for workers is just one benefit of prevailing wage laws. Prevailing wage laws also lead to more contracts with local contractors, improved working and safety conditions on the job site, and improved productivity leading to projects completed on time and on budget. ■

For more information about the benefits of prevailing wage laws, visit http://www.faircontracting.org/ and click on "Studies."

i. See Prus, Mark. 1999. *Prevailing Wage Laws and School Construction Costs, An Analysis of Public School Construction in Maryland and the Mid Atlantic States,* State University of New York–Cortland, Department of Economics 30 (preliminary findings that prevailing wages discourage the use of out-of-state contractors).

ii. Philips, Peter, *et al.* 1995. *Losing Ground: Lessons from the Repeal of Nine 'Little Davis-Bacon' Acts.* University of Utah, Economics Department, 62 (workplace injuries for construction workers increased 15% in nine states that repealed state prevailing wage laws between 1979 and 1985). *See also* Dickson Quesada, Allison, *et al.* 2013. *A Weakened State: The Economic and Social Impacts of Repeal of the Prevailing Wage Law in Illinois.* Labor Education Program, School of Labor and Employment Relations, University of Illinois at Urbana-Champaign. Full Report, 25–26 (for the period of 2008–2010, states with strong PW laws had an average of 8.53 fatal work injuries per 100,000 full time workers across all construction industries, while states with no PW had an average of 12.12 fatal work injuries).

iii. Philips, Peter. 2014. *Kentucky's Prevailing Wage Law, An Economic Impact Analysis.* University of Utah, 27–28 (finding value added per construction worker is, on average, 14% higher in states with prevailing wage laws, and ranges from 21-33% higher on public works projects).

iv. Mahalia, Nooshin. 2008. *Prevailing Wages and Government Contracting Costs, A Review of the Research.* Economic Policy Institute Briefing Paper #215 (reviewing prevailing wage studies and summarizing that prevailing wage regulations do not inflate the cost of government construction contracts). *See also* Duncan, Kevin. 2011. *An Analysis of Davis-Bacon Prevailing Wage Requirements: Evidence from Highway Resurfacing Projects in Colorado.* Healy Center for Business and Economic Research, Hasan School of Business, Colorado State University-Pueblo, 10 (The author describes the "intuitive" approach of earlier prevailing wage studies, which argued an increase in wage rates will result in an increase in total construction costs. This approach, however, fails to address any changes in hours due to managerial efficiency, the substitution of equipment for labor, or employing labor with more training. Subsequent studies using more advanced statistical analysis find no statistically significant prevailing wage cost effect).

v. Dickson Quesada *et al.*, note ii, 9–10 (reviewing earlier studies and finding no statistically significant impact on total project costs; even if PW repeal and a resulting decrease in wages saves an estimated 1 to 2.25 percent on projects, this does not account for variables such as the number of hours worked, negative productivity changes or alterations in management practices of contractors submitting the lower bids).

vi. Philips, note iii, 37–40 (calculating the effect if Kentucky's prevailing wage law were repealed).

John Freitag
SUPERVISOR

FOCUS ON
Iowa

Iowa's Transportation Needs

"There has been no increase in the gas tax, truly a user fee, for 25 years."

–Scott Newhard
Associated General Contractors

During this past legislative session, the Iowa General Assembly entertained helping to fund Iowa's transportation needs with the possible passage of an additional motor fuel user fee. A user fee seems to be the most acceptable source for a revenue increase as 20% of it is paid by out-of-state travelers and truckers utilizing Iowa roads.

About $2 billion is spent annually on the state's 114,000 miles of roads, but an Iowa Department of Transportation study estimates the state is falling short by about $215 million per year to meet the road system's most critical needs.

Representative Josh Byrnes (R)-Osage, House Transportation Chairman, introduced HSB514 which unanimously passed a two Democrat three Republican five member subcommittee. The proposal would have increased the current state tax on fuel by 3 cents on July 1. Three more cents would be added on July 1, 2015, and a final 4 cents would start July 1, 2016. Currently, Iowa's state tax on gas sits at 22 cents per gallon and has not been raised in 25 years.

It is estimated that this legislation would have created 1,000 construction jobs—354 indirect jobs from purchase by construction industry, 669 induced jobs from increases in consumer spending, along with jobs in architectural and engineering services, retail, food and beverage, and hospitals and physicians. In addition, numerous proponents of the legislation lobbied for passage including the Iowa Good Roads Association, Associated General Contractors, Iowa Farm Bureau, Iowa Motor Truck Association, Iowa Corn Growers, the Heavy Highway Contractors Association and the BTI Special Commodities.

Given all the need and bipartisan support it is hard to understand why the legislation was never called to the Senate or House floor. The Iowa General Assembly is made up as follows, 53 House Republicans, 47 House Democrats; 24 Senate Republicans and 26 Senate Democrats. The Senate was expected to take the lead on the Bill and Senate Majority Leader Michael E.

Gronstal stated that he could produce half the votes needed to pass the legislation if Senate Republican Leader Bill Dix could commit the other half. Similar arrangements were agreed in the House. This approach only made since to alleviate "mudslinging" about a tax increase during the election cycle. Even though the Senate Republicans have enough "safe" seats to have called the Bill, meaning a seat is in a district where the majority of voters will easily reelect an incumbent or a seat with no candidate opposition, Leader Bill Dix refused to call the Bill for a vote.

It is clear that something needs to be done to address Iowa's transportation needs. The American Society of Civil Engineers reports that 26.6% of Iowa's bridges are either considered structurally deficit or even functionally obsolete and 46% of Iowa roads are in poor or mediocre condition. And an American Road & Transportation Builders Association study just ranked Iowa's bridges second worst in the nation with 5,043 deficient bridges.

Consider that the average household spends $588 each year on taxes dedicated to road construction or $49 per month. On average the same household spends $740 for expanded basic cable ($62 per month) and $1,084 for electricity ($90 per month). A .06 increase would generate $122.3 million (56.9% of annual backlog) and cost the average Iowan $2 per week, $8.33 per month, or $100 per year.

Perhaps Scott Newhard with Associated General Contractors put it best, "It is past time that the Iowa Legislature act to address the state's critical economic and community infrastructure needs. Iowa's roads and bridges transport goods throughout the nation and are vital to the state's economy.

There has been no increase in the gas tax, truly a user fee, for 25 years. Twenty percent of fuel purchases in Iowa are from out-of-state vehicles. It is by far the fairest, most practical method to fund infrastructure investment."

Let's hope the General Assembly sees it is in the best interest of Iowans to properly fund our infrastructure needs next session.

III FFC sponsors Quad Cities area Contractor Appreciation Dinner

The III FFC sponsored the 1st Annual Contractor Appreciation Dinner in the Quad Cities on March 6, 2014. The event, held at Jumer's Casino in Rock Island, was held for contractors working in the Quad Cities area and northern Illinois.

Approximately 50 attendees enjoyed an evening of networking with fellow contractors, representatives from the Operating Engineers, and III FFC staff. Marshall Douglas, IUOE Local 150 Treasurer, welcomed the group and expressed his gratitude to each contractor for the positive and professional working relationship that has developed.

III FFC's Executive Director Marc Poulos next reviewed the history of the III FFC and explained the importance of Labor-Management cooperation to achieve mutual goals.

Finally, III FFC Supervisor John Freitag shared success stories concerning projects throughout the region and encouraged each attendee to notify the III FFC with any issue they may have. We are extremely pleased with the turn out and look forward to next year's event.

The III FFC recently sponsored the 1st Annual Contractor Appreciation Dinner at Jumer's Casino in Rock Island.

PREVAILING WAGE SEMINAR

For public bodies and contractors

Topic: Compliance with the Illinois Prevailing Wage Act

September 11, 2014

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Guest Speakers include representatives from:
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—Illinois Department of Labor

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Indiana, Illinois & Iowa Foundation for Fair Contracting
6170 Joliet Road
Suite 200
Countryside, IL 60525
815.254.3332

www.iiiffc.org

Jeff Taylor

CCW LIAISON

Jeff Taylor believes RBOs are a great way to protect public bodies.

Jeff Taylor joined the III FFC in March 2010 after thirty years with the Indiana State Police where he says he enjoyed helping people. Working at the III FFC allows him to further this interest by helping to protect the jobs and benefits of workers in the construction industry. Married for over 25 years, he and his wife have one child who is a freshman at Indiana University, as well as three adult stepchildren and two grandsons.

Since joining the III FFC, Jeff has been helpful in working with public bodies to pass Responsible Bidder Ordinances (RBOs). Jeff believes RBOs are a great way to protect public bodies, helping ensure they will work with contractors who play by the rules and provide a well-trained and experienced workforce.

Jeff also takes pride in the on-site monitoring projects. In 2011, he filed eight charges against a contractor concerning safety issues that resulted in the Indiana Department of Labor assessing fines of $3,000 per charge – one of the largest safety-related findings in III FFC history.

Jeff's latest assignment has been as the III FFC's Common Construction Wage Liaison, promoting the importance of Indiana's Common Construction Wage (CCW) law. The CCW law establishes a wage scale on public construction projects comprised of hourly wages and fringe benefits based on the wages most commonly paid in the county where the work will be performed. The law applies to projects valued at over $350,000.

Jeff compiled research and case studies highlighting the importance that Indiana's CCW law has on the state's workers, contractors, and public bodies. As CCW Liaison, Jeff's role is to present these findings to Indiana building trades, contractors, government officials, elected officials, and any other groups interested in the benefits of the CCW law in Indiana. Jeff says "common construction wage is a necessity in Indiana as it keeps project costs stable, keeps Hoosier workers and money local, is good for taxpayers, and maintains a high-road economy."

The CCW sets uniform wages to be paid to various classifications of workers, establishing a level playing field in the bidding process as it pertains to workers. While some have suggested the CCW should be abolished, it has worked for almost 80 years. Public work construction projects should not promote a race to the bottom to see who will pay the lowest wage for work.

Construction is hard work requiring skill and expertise to complete jobs safely, efficiently, on time and on budget. Jeff believes construction workers should be able to support their families with their wages, and that by providing competitive wages, local workers are able to support local businesses. Enforcing the CCW law is an important component in making sure this happens. ■

ILLIANA CORRIDOR UPDATE

BY **RON KURMIS**, COMPLIANCE MONITOR

Since we last visited the Illiana Corridor in the Spring 2012 issue of The Monitor, several key issues have been addressed and the project continues to move forward. To recap, the Illiana Expressway will run 47 miles from Interstate 65 in Indiana just northwest of Lowell to Interstate 55 near Wilmington in Illinois. It has a projected cost of $1.5 billion. Indiana and Illinois are developing this as a public-private partnership and, when completed, it will be operated as a toll road. The Indiana Department of Transportation has also included additional travel lanes on a 1.2-mile stretch of I-65, from U.S. 30 to St. Rd. 2.

The Illiana Expressway will run 47 miles from Interstate 65 in Indiana just northwest of Lowell to Interstate 55 near Wilmington in Illinois.

The Indiana and Illinois Departments of Transportation and the Indiana Finance Authority entered into a 33-page agreement describing the responsibilities of both states, as well as expectations for private developers bidding on the design, construction and operation of the toll road. Illinois Transportation Secretary Ann L. Schneider says that the agreement shows the States' commitment to the success of the project. And according to INDOT Commissioner Karl Browning, "The agreement enables us to move the project along efficiently in connecting our distribution centers and trucking corridors to the rest of the world."[1] Indiana will pay $80 to $110 million, and Illinois will contribute up to $250 million. The rest of the $1.5 billion will come from private investors, according to published reports.

According to William Hanna, President and CEO of the Northwest Indiana Regional Development Authority, the Illiana Expressway represents a real opportunity to promote and keep the local talent in Indiana, and will help create many short and long term job opportunities for northwest Indiana.

Because both northeast Illinois and northwest Indiana have state and federally recognized planning agencies which have published formal regional plans under federal law, the Illiana Expressway must be reflected in those plans. In northeast Illinois, this committee is the Chicago Metropolitan Agency for Planning (CMAP). In northwest Indiana, it is the Northern Indiana Regional Planning Commission (NIRPC). At the end of last year, CMAP's Metropolitan Planning Organization Policy Committee, and NIRPC both voted to include the Illiana Expressway in their plans.

The Environmental Law & Policy Center challenged this vote in a lawsuit filed on behalf of the Sierra Club and Openlands in Cook County Circuit Court this past April. The lawsuit contends that the MPO Policy Committee's vote was unlawful and asks a judge to rule that IDOT cannot spend public funds on the proposed road.

Moving forward on the project, both states have announced their shortlist of qualified developer teams. INDOT's list includes: The Illiana Corridor Transportation Group, Illiana East Mobility Partners, Isolux Infrastructure Netherlands B.V., and WM Indiana-Illiana Partners LLC. And IDOT's list includes: Illiana West Mobility Partners, Illiana Corridor Connection, Illinois Mobility Partners, and WM Illinois-Illiana Partners LLC.

Both INDOT and IDOT want to issue a request for proposals in late spring or early summer this year. Proposals will be due back in the third quarter and a contract award anticipated in the fourth quarter.

On March 17, 2014, the Illiana Corridor reached another significant milestone with the U. S. Department of Transportation declaring the project eligible to apply for a low-cost federal loan that could finance up to a third of the cost of construction. If approved, the loan would be provided through the Transportation Infrastructure Finance and Innovation Act (TIFIA) at a reduced interest rate, representing a potential savings of as much as 20 percent on the project. This announcement means the Illinois Department of Transportation and the Indiana Finance Authority are approved to negotiate with the USDOT on the terms of the loan. Both Illinois and Indiana, in turn would make the financing available to the shortlisted developer teams that are proposing to build and operate the proposed expressway.

Both states are now awaiting a Record of Decision from federal agencies giving a green light to the road project, after that property acquisitions will begin and a request for proposals for private investments teams will be issued. Ground is slated to be broken on the Illiana Expressway project in late 2014 or early 2015.

[1]Reported by Keith Benman, Illinois and Indiana Sign Illiana Expressway Pact, nwitimes.com, May 7, 2014.

PUBLIC INTEREST *from page 3*
entities to borrow cheaply at rates typically enjoyed only by financially solvent governments.

So far, P3s on highway projects have been shown to provide large benefits to the public sector:

- The Chicago Skyway P3 allowed the City to repay $855 million in debt, close a $375 million budget shortfall, save millions of dollars annually in interest payments by improving its debt rating, fund $875 million in reserves, and invest $100 million in other infrastructure.
- The Indiana Toll Road P3 allowed the State to contribute $2.6 billion to a 10-year transportation plan which will have constructed 87 new roadways, resurfaced 49 percent of the state's highways, and rehabilitated or replaced 19.5 percent of the state's bridges by the end of 2015.
- The Denver metropolitan region's Northwest Parkway P3 generated $603 million in revenues with the potential for additional toll revenues for the public agency.

P3s are justified when they allow governments to expand the delivery of public works and services of an acceptable quality at lower costs to taxpayers.

P3s on potential highway projects in the Midwest are also expected to deliver significant benefits. The Illiana Expressway in the Chicago metropolitan area, for example, will support 24,000 vehicles per day. In the construction phase, the expressway will support about 3,800 construction jobs, over $1 billion in worker income, and more than $2 billion in economic output. In the long run, the project will sustain at least 3,400 jobs and produce $21 billion in GDP, well above the initial cost of $1.3 billion. The Ohio River Bridges project in the Louisville area, as another example, is predicted to stimulate 4,200 construction jobs initially and about 18,000 total jobs per year on average over 30 years while producing $8 billion in cumulative economic output.

P3s are justified when they allow governments to expand the delivery of public works and services of an acceptable quality at lower costs to taxpayers. To improve America's infrastructure and address potential costs of P3s to the public sector, several policy positions are recommended:

- Governments should increase P3s, but only in "Core and Core Plus" projects. P3s in retail developments, sports stadiums, and schools have been found to be an inefficient use of taxpayer dollars, which often socialize private costs onto taxpayers.
- P3s should include Project Labor Agreements and pay the prevailing wages of the communities in which the projects occur.
- P3s should incorporate a competitive bidding process with multiple bidders. This practice limits the possibility of collusion between the public sector and a politically preferred firm.
- P3s should allow the private sector to collect user fees for the delivery of the service.
- To eliminate monopolistic practices, the government should cap user fee prices and incorporate a benefits-sharing agreement.
- P3s should include stakeholder input throughout the process to ensure transparency and accountability.

Ultimately, P3s can bring transportation efficiency gains, remove debt from public agency balance sheets, save on distortionary taxes, support thousands of jobs for workers in a weak labor market, and spur billions of dollars in economic development.

Collaborative Development: The Pros and Cons of P3s on Construction Projects is available at www.illinoisepi.org/policy-briefs-countryside.

SPOTLIGHT

RESPONSIBILITY REIGNS IN JOLIET, IL

RBOs KEEP TRANSPORTATION CENTER PROJECT ON TRACK

Transportation has played a significant role in the history and economy of Joliet, IL. It began when Native-Americans and early French settlers navigated the Des Plaines River to trade their goods and explore the region. Today's marketplace is global, and transportation is more important than ever.

Joliet remains a major transportation hub with Interstates 80 and 55 forming the "Crossroads of America" on the south end of the city and major rail lines that slice through the edge of the downtown area. Together, these Interstates and railroads make up a vital commercial link between U.S. ports on the east and west coasts.

Joliet's proximity to them was attractive to Oak Brook, IL–based CenterPoint Properties, Inc. who developed the CenterPoint Intermodal Center and helped the fourth largest city in Illinois to emerge as America's largest inland port. *(See corresponding story on Page 17).*

Joliet Mayor Tom Giarrante (right) recently received a progress update on the Joliet Gateway Center from Nick Bostic (left), Project Manager with the Orland Park, IL-based John Burns Construction Company.

The city's position as a transportation leader is growing even stronger thanks to the Joliet Gateway Center Transportation Campus – a $43.4 million public works project that includes the construction of new commuter parking facilities, a bus terminal, train station, and the relocation of train passenger platforms. It will also be the first southbound stop for trains coming out of Chicago on a new high-speed rail system designed to whisk passengers to and from Springfield, IL, St. Louis, MO and beyond.

The project is funded through a $32 million grant from the State of Illinois, $7.5 million in funding from the City of Joliet, $2.2 million from the Burlington Northern Santa Fe Railway, and $1.7 million from PACE.

"It is critical for all contractors to stay on the project's timeline," said Joliet Mayor Tom Giarrante. "I am confident they will."

Mayor Giarrante is reassured by the fact that the Joliet City Council passed a Responsible Bidder Ordinance ("RBO") in 2007 and recently amended the Ordinance to include demolition. Because of this, taxpayers can be confident that responsible contractors are working on the multi-million dollar public works project and that it will be completed safely, on time, and on budget.

"A responsible contractor will provide more taxpayer value than a contractor who is cutting corners in the areas of training, labor, or safety," Giarrante said.

The Gateway Center project demonstrates a partnership between the State of Illinois, the City of Joliet, Will County Government, the RTA, Metra, PACE, Amtrak, Burlington Northern and Santa Fe Railroad, and Union Pacific Railroad.

The jobsite, according to Mayor Giarrante, creates some significant challenges.

"Several hundred commuters a day depart from Joliet's Union Station," Giarrante said.

"There also is a heavy schedule of freight traffic passing through the adjacent tracks to serve the CenterPoint Intermodal Center. We can't afford to have major service interruptions of any kind. It's reassuring to know that because of the RBO, all contractors working on the project are qualified, trained and have a strong history of safety."

The III FFC commends Mayor Giarrante and the Joliet City Council for their decision to pass an RBO in 2007.

"We did it because it was in the best interest of our taxpayers, businesses, and the residents," Mayor Giarrante said. The III FFC invites and encourages any public body wanting to learn more about RBOs to please contact the III FFC.

CenterPoint Properties®

THE CENTERPOINT INTERMODAL CENTER

America's largest inland port

The $43.4 million dollar Joliet Gateway Center Project will create a safer environment for Metra and Amtrak passengers while providing uninterrupted freight traffic passing through downtown Joliet to serve the CenterPoint Intermodal Center located a few miles to the south.

Currently, some arriving and departing Joliet Union Station train passengers must walk across live tracks, and freight trains are often required to reduce their speed or stop completely during boarding times. This carefully choreographed dance places the hundreds of daily passengers at risk and is extremely costly for freight operators serving the CIC, a project that was built entirely with skilled union labor.

As the largest owner, manager and developer of industrial real estate in metropolitan Chicago with 21 branded business parks, CenterPoint is no stranger to union labor or the logistics industry. After 12 years as a public industrial real estate company, CenterPoint was acquired by CalEast Global Logistics in March 2006. CalEast is a joint venture between the California Public Employees Retirement System (CalPERS) and GI Partners, a private investment firm focused on investments in asset-backed businesses and properties.

The Monitor recently spoke with Jeremy Grey, CenterPoint's Vice President of Infrastructure & Logistics about the successful CIC Joliet, as well as the current and future state of their growing industry:

What are the benefits of intermodal industrial parks and when did you discover the need for them?

There are significant supply chain benefits to our customers associated with co-locating intermodal facilities, distribution centers, export, and container facilities on one campus. By paying attention and listening to the needs of our tenants, customers and marketplace trends, CenterPoint made the decision to invest in intermodal centers.

Why is Joliet, IL an attractive location?

It's located just 40 miles southwest of Chicago in Will County, which is strategically positioned in the epicenter of the region's transportation, logistics and infrastructure hub. It is also bordered by two Class 1 rail mainlines that can be served by 4 of the Class 1 railroads, it's close to both I-55 and I-80, the adjacent Des Plaines River provides access to barge transportation, it offers a friendly business environment with the State of Illinois, Will County, the City of Joliet and the Village of Elwood. It also has a strong, talented labor pool serving the area.

See **INLAND PORT** *on page 19*

Greg Hass, Executive Vice President, Valley Construction Company

Quad Cities Contractor emphasizes Safety and Commitment to the Community

BY **MIKE SICILIANO**, COMPLIANCE MONITOR

> "Our number one goal is always to make sure our employees go home at the end of the day to their families."
>
> –Greg Hass
> *Executive Vice President*
> *Valley Construction Company*

Valley Construction Company was founded in 1925 by Arthur J. Hass. What began in the early 1920s as one determined man with a single piece of equipment has grown into one of the most well-known and well-respected construction firms in the Quad Cities region.

Arthur J. Hass established the foundation of a union company that has over 85 years of steady, safe and respected growth that now employs over 200 great local workers.

Headquartered in Rock Island, IL, VCC performs work throughout Iowa and Illinois in both the public and private markets.

The second generation of the Hass family – John, Jim and Bill Hass – have led VCC for the last 30 years and remain active in the company, which has become one of the largest and most diversified contractors in the Quad Cities marketplace.

VCC provides a broad range of construction services such as asphalt/concrete paving, underground utilities, excavation/grading, and commercial, municipal and industrial buildings. VCC's Power Division performs nationwide in the nuclear power industry. The third generation of the Hass Family – Greg and Adam Hass – have taken on leadership roles and are committed to growth while continuing to exceed their customer's expectations of quality, timeliness and value.

Greg Hass, Executive Vice President, is

INLAND PORT *from page 17*

What prompted CenterPoint's commitment to a Project Labor Agreement ("PLA") on the Joliet development?

Local Labor has always been a great partner with CenterPoint on all of our construction and developments. Signing the PLA was important to ensure that our infrastructure and building developments were constructed by highly qualified union men and women with excellent construction training and experience.

What about the partnership between CenterPoint, Labor and the City of Joliet?

Without the partnership of the City of Joliet and Labor, we would not be able to expand the Elwood phase of the Intermodal center to the north and there would not be such a valuable asset in Will County today. Joliet is a very business friendly community that has excellent leadership and an extremely qualified staff that have been easy to work with over the years. The Contractors' Association of Will and Grundy Counties, the Will County Grundy Building Trades Council and Three Rivers Construction Alliance have provided a talented construction labor force to complete complex development in extremely challenging time frames.

What major tenants are located on the Joliet side of the development?

The Joliet side includes, but is not limited to, Union Pacific, The Home Depot, APL, The Delong Company and Central States Trucking.

What local products are imported/exported, and where do they go?

Approximately 105 million bushels of local agricultural products are exported per year including one of every four kernels of Will County corn. They're sent to LA/Long Beach by train before shipment overseas. The Joliet Intermodal Center is the fasting growing agriculture export hub in the Midwest.

What does the future hold for the Joliet development?

With the strong support from Labor and the City of Joliet, this park has a competitive edge over other industrial developments. We are confident that development within the intermodal center will continue to expand due to our customer's focus on supply chain savings and logistics costs. As investment in the park increases, so will the number of union construction jobs. ■

committed to safety and giving back to the communities in which VCC works.

"We insure that all of our hard working employees receive fair wages and benefits that keep them contributing to the local economy and allow them to raise their families here," Hass said. "Our family has passed these values onto us and we hope that our employees will follow our lead."

Greg is very proud of the company's award winning safety record. "We are committed to our extensive training and to the union apprenticeship programs," he noted.

The leadership of VCC is proud to be recognized as a leader in their industry when it comes to safety and quality of work.

VCC has been nominated for industry awards at the national and state levels for the recently completed Floodwall Project at the Iowa American Water Treatment Plant in Davenport.

In addition to the floodwall receiving recognition by the Iowa Ready Mix Association with a nomination for the Aesthetically Designed Concrete Award, the project was also selected as a finalist for the 2013 Scofield Decorative Concrete National Award. The project is also being honored with a Safety Award by the US Army Corps of Engineers, Rock Island District and the Mississippi Valley Branch AGC, a chapter of the Associated General Contractors of America.

VCC is currently working as the Construction Manager for the City of Rock Island's new $20 million police station, an example of VCC's continued diversification in the services they offer.

The VCC team looks toward the future as it continues to build on its rich history by using the latest construction methods, working more safely and providing the greatest value to its customers. VCC is proud of its accomplishments and is committed to upholding its reputation, its tradition of providing superior client satisfaction and supporting the communities they work and live in, leading VCC into another century of success. ■

Successful projects
Are built with teamwork.

It's really quite simple. Successful projects happen when Labor and Management share the same priorities. And when the highest priority is having a team of safe, well-trained workers on the jobsite, those projects are completed on time and on budget.

So who keeps everyone on target? We do.

We're the Indiana, Illinois, Iowa Foundation for Fair Contracting.

We bring Labor and Management together to assist public bodies and contractors with OSHA, contract compliance and other contracting matters, while striving to secure work for responsible contractors.

Ready for success? Call or click today to learn more.

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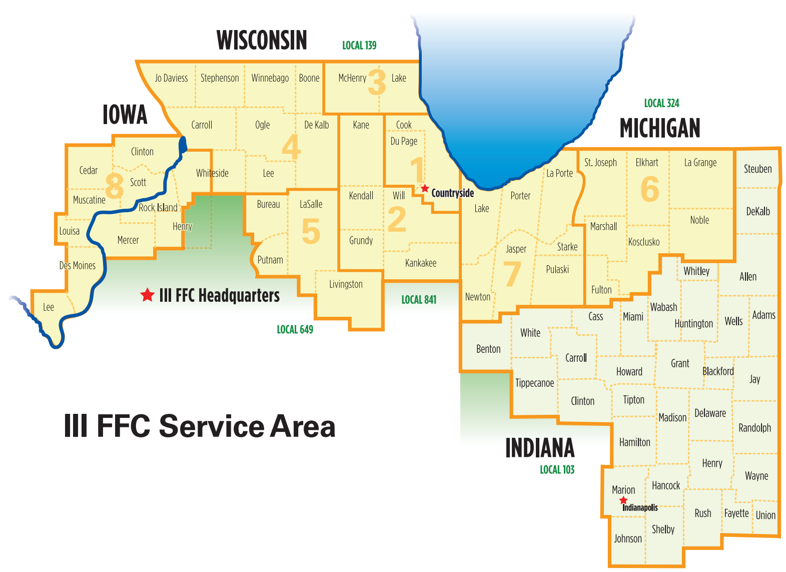
Indiana, Illinois, Iowa Foundation for Fair Contracting
6170 Joliet Road • Suite 200
Countryside, IL 60525
815.254.3332
www.iiiffc.org



III FFC Service Area