

## EDITORIALS Keep growth alive

### *Freeing joint public-private projects from wage rule would bolster the economy*

The interpretation of Ohio's prevailing-wage law favored by Gov. Ted Strickland will torpedo economic-development efforts around this struggling state. To allow a more reasonable approach and save millions of dollars' worth of development and jobs, the law should be changed. State Sen. John A. Carey Jr., proposing a bill to make needed changes, is on the right track.

The Wellston Republican has heard from economic-development professionals throughout the state — the folks who midwife the office buildings, industrial parks and brownfields projects that create new jobs and improve communities — and they're saying that Strickland's recent prevailing-wage guidelines could kill nascent projects and discourage others from starting.

Carey is shopping around a bill that would limit the occasions when prevailing wages must be paid.

Prevailing-wage law, in effect since the 1930s, requires most governmentfunded construction projects to pay union-scale wages. In many markets, including central Ohio, that's 10 percent to 15 percent higher than market wages. The law requires prevailing wages to apply even if public funding is only a fraction of a project's budget.

In the past, the Ohio Department of Commerce has allowed joint public-private undertakings to be considered separate projects, reasonably allowing developers of the privately funded parts to pay the lower, market-wage rate.

Strickland's guidelines are intended to end that by declaring that most public-private undertakings must be considered single projects and, thus, subject in their entirety to prevailing-wage requirements. These guidelines effectively expand the imposition of prevailing-wage requirements, creating an added burden that Ohio can't bear at a time when communities are struggling to create and keep jobs in the face of rising unemployment.

Their effect would be particularly damaging to efforts to redevelop blighted areas or clean up and reuse polluted industrial sites. In those instances, public money to fix problems left by previous property owners often makes the difference in whether a project gets off the ground. Allowing a relatively small public contribution to trigger higher labor costs on millions of dollars' worth of privately funded construction is unjustified.

The state is filled with examples of desperately needed job-creating projects that likely would have gone elsewhere had Strickland's guidelines been in effect. Members of the Columbus Chamber gave these examples in testimony last week on the proposed bill:

- Henderson Auxiliary Axle decided to expand its operations in Newark, investing \$1.5 million in machinery and equipment and adding 40 jobs that paid an average of more than \$50,000 per year. The company received a state-funded incentive of \$40,000 to help buy equipment.

Had the guidelines been in effect and prevailing-wage law been applied to the entire project, the cost would have increased by \$250,000 — wiping out any benefit from the state incentive.

- In Delaware County, longtime employer V&P Hydraulics made a deal with Atlanta-based Sky Climber to combine their operations in Delaware and employ a total of 150 people. The two companies, which also considered sites in Atlanta, spent about \$6 million on the project, which received \$400,000 in state incentives.

Paying prevailing wages for the privately funded work would have made the undertaking about \$225,000 more expensive.

- North American Bus Industries was given a \$150,000 grant from the state to help buy equipment for a \$9 million, 260,000-square-foot building in Delaware. Had it been required to pay prevailing wages for the construction, it would have faced a \$450,000 jump in costs and

likely would have built elsewhere.

Meanwhile, Delaware's economic development department is trying to hold onto two potential projects that officials fear will slip away because of the Strickland guidelines, and the city is having a tougher time changing the mind of a local company considering a relocation to Indiana.

Prevailing-wage law was enacted based on the philosophy that when the state pays for public works such as roads and sewers, workers should be paid at a certain level.

But why should state law dictate what private companies investing in Ohio should have to pay for construction labor?

Carey's bill would limit the prevailing-wage requirement to publicly funded portions of public-private projects, unless the public funding exceeds 35 percent of the total budget. That's a reasonable law.

It also would make publicly funded speculative projects, such as industrial parks that don't yet have tenants, more viable, by saying that private companies that eventually move into those projects would not have to pay prevailing wage for any improvements they make.

Details of a law change, such as the exact portion of public funding that should trigger the prevailing wage requirement, merit further discussion by legislators. But a guarantee that a small public-funding contribution won't saddle a project with higher labor costs is essential.

Strickland's support for wide application of the prevailing-wage requirement is decidedly at odds with his often-stated goal to make Ohio more attractive to businesses by eliminating unnecessary burdens.

Although the governor likely views his stand as a way to support the organized-labor interests that back Democrats politically, applying it excessively would hurt union workers as much as anyone else. If developers give up on trying to do business in Ohio, there'll be fewer jobs for all workers, union and nonunion.

