

My name is Ralph E. Simpson, Jr. and I am the president and CEO of Warfel Construction Company. We are a regional contractor doing work in 5 states including Pennsylvania, Maryland, New Jersey, Delaware and West Virginia. Our revenues for any given year approach \$100,000,000 and our workforce typically varies from 100-130 employees. Although our work is virtually 100% non-residential, the depressed housing market profoundly affects many of our clients. In the fall of 2008 and entering 2009 we were forced to reduce our workforce to 80 people due to the lack of work in our industry.

Even though our company has fared relatively well over the last three years, 20-25% of our workforce are still unemployed – and this is JULY! We feel pressure and uncertainty from our leaders in both Washington and Harrisburg and we don't see a substantial improvement in our industry until the housing crisis abates and the high level of uncertainty about the country's political future is reduced. In the meantime, it is incumbent upon all of us to spend our money wisely.

Pennsylvania has numerous archaic laws, rules and regulations that remain on the books even though they result in costlier public construction being performed with less teamwork and cooperation by those building the projects. The Separations Act of 1913 requires at least four prime contractors (general construction, plumbing, heating/ventilating/air conditioning, and electrical) on every public school project. Pennsylvania is one of only four states that continue to keep this act on its books. The act leads to inefficiencies and legal wrangling that cannot be measured by a comparison of the bid day pricing alone and it needs to be changed.

Some in the construction community will dispute my claim since their business models are built around this Act. If, however, this method of contracting were still efficient, private developers and institutions would be utilizing it as their preferred construction delivery system. As a very minimum, we believe schools should have the option to bid their work with a single general contractor vs. the current "multi-prime" arrangement.

Pennsylvania's Prevailing Wage Act requirement on public projects is another burdensome requirement that costs the Commonwealth millions of dollars each year. Wages and benefits are inflated and the additional cost paid by the State ranges from 10-25% of the overall project cost. If an average high school costs \$50,000,000 to construct, changing this requirement could save the equivalent cost of a new elementary school. In addition to the on site labor cost premium, mandated paperwork to track the wages paid result in a mountain of documentation being submitted to the State.

The growth of Project Labor Agreements (PLA's) is another costly requirement that effectively reduces the competitive pricing the State receives. Close to 90% of all construction in Pennsylvania is done by merit shop construction firms. PLA's virtually eliminate fair and open competition by these firms, thereby raising the project's cost dramatically. These agreements typically require all contractors on

the job to become signatory to the union trade representing their workers as if they were a union shop. Mandated labor cost and burdensome work rules eliminate a merit shop construction firm's ability to maximize the efficiency of their workforce.

Finally, the Pennsylvania State sales tax rules need to be simplified for construction firms doing work for tax-exempt entities such as schools. Interpretation by auditors is ever changing and we believe the system can easily be modified to assure all contractors are adhering to the same rules. Enforcement could be noticeably reduced and the State could be assured of a reliable and predictable revenue stream.

Returning our state and country to prosperity is a goal we all share. I appreciate your willingness to do the hard work that lies ahead. As work in our industry increases, unemployment will drop and the tax base of the commonwealth will improve. Good luck!