

January 7, 2016

Rep. Bob Hackett
Chairman, House Insurance Committee
77 S. High Street, 11th Floor
Columbus, Ohio 43215

Re: HB 394

Dear Chairman Hackett, Vice Chair LaTourette, Ranking Member Bishoff and Members of the House Insurance Committee:

My name is Tim Linville, CEO of Construction Employers Association. CEA represents roughly 500 commercial, institutional, industrial and heavy/highway contractors in Northeast Ohio. Our contractors employ thousands of highly skilled tradesmen and women.

I am writing to express my concern regarding certain provisions of H.B. 394 that would adversely impact the construction industry in Ohio. While I understand that certain reforms may be necessary to ensure the long term solvency of Ohio's Unemployment Compensation Fund, these current provisions in the bill are extremely problematic for the construction industry:

- Benefit eligibility
- The reduction of the maximum number of benefit weeks
- And increasing the number of weeks before benefits are provided

Construction work is cyclical and seasonal in nature. Contractors staff-up during the warmer months of the year and in accordance with project demands. During the winter months and in less busy times, contractors lay off skilled tradespeople who often rely upon unemployment compensation to span times of inactivity. Restricting construction workers' access to unemployment compensation would seriously jeopardize their ability to treat construction as a viable career, which would exacerbate a growing workforce shortage in our industry.

It is clear that Ohio's Unemployment Compensation Fund is in need of reform to ensure benefits are available for future generations of workers experiencing job loss. However, H.B. 394 in its current form places significant burdens on the construction industry.

Our contractor members use and rely on skilled workers. CEA companies do not want to see any erosion of this highly trained construction workforce. Thus, we urge you to consider potential amendments to this legislation which will address the harmful provisions listed above.

Sincerely,



Tim Linville
Chief Executive Officer



January 18, 2016

Re: HB 394 – Unemployment Compensation Legislation’s Negative Impact on the Construction Industry’s Workforce

Chairman Hackett, Vice Chair LaTourette, Ranking Member Bishoff and Representatives on the House Insurance Committee:

The eight undersigned commercial construction associations would like to express our continued concern about HB 394’s impact on construction employers’ ability to recruit and retain a viable workforce. While we appreciate Representative Sears’ efforts, we don’t believe any amendments proposed to date will resolve the negative impact the bill will have on the construction workforce.

The construction industry is dictated by both Ohio’s economic conditions and weather conditions. Many outdoor construction activities cannot be performed during Ohio’s cold winters. Owners rarely break ground for new buildings, and ODOT’s construction program essentially shuts down during the winter months. Additionally, poor economic conditions tend to have a disparate impact on the industry, which is dependent on the construction purchasers’ financial ability to make capital investments.

Like many other industries dependent on skilled labor, the majority of our employers have identified finding qualified people to fill craft labor positions a top concern. They face challenges recruiting viable workers due to the industry’s cyclical nature.

The unemployment benefit changes contained in HB 394 will exacerbate our employers’ workforce issues. Not only will the changes further discourage people from entering the industry, they will most likely push many of our current skilled workers either out of the industry or out-of-state to a warmer climate.

We recognize the significant strides the General Assembly and the Kasich Administration have made improving Ohio’s economic climate and workforce. We believe that H.B. 394 could be amended to accomplish its goals and address the legitimate concerns of an industry vital to Ohio’s continued economic growth and prosperity. To that end, we would gladly meet with all interested parties and legislators to work through our concerns.

Sincerely,

Richard Hobbs, Executive Vice President
Associated General Contractors of Ohio

Patrick A. Jacomet, Executive Director
Ohio Aggregates & Industrial Minerals Association

Tom Kovacik, Executive Director
Transportation Advocacy Group of Northwest Ohio

Valerie Dahlberg, Executive Director
Mechanical Contractors Association of Ohio

Chris Runyan, President
Ohio Contractors Association

Tom Shreves, Legislative Committee Chair
National Electrical Contractors Assn. of Ohio

Tim Linville, CEO
Construction Employers Association (Cleveland)

Kevin Reilly, Executive Vice President
Builders Assn. of Eastern Ohio & Western PA



**HOUSE INSURANCE COMMITTEE
HB 394 - OPPONENT TESTIMONY**

***Written testimony submitted January 12, 2016 by
Andrea Ashley, Associated General Contractors of Ohio
Angela VanFossen, Ohio Contractors Association***

The Associated General Contractors (AGC) of Ohio and Ohio Contractors Association (OCA) would like to express their opposition to House Bill (HB) 394 as currently drafted.

Collectively, AGC and OCA represent over 600 union and open shop (non-union) commercial contractors who employ tens of thousands of tradespeople. They construct a wide variety of vertical and horizontal nonresidential structures.

We are extremely disappointed that during the drafting of HB 394, no one considered the unique impacts to the construction industry – its employers or workforce. The industry is a major economic catalyst for Ohio. Contractors build the roads and bridges that transport goods; buildings designed for commerce and education; wastewater treatment plants that provide safe drinking water; energy, industrial and manufacturing facilities where power is distributed and products are made.

Private nonresidential spending in Ohio totaled \$8.3 billion in 2014. That number does not include Ohio's biennial \$7 billion transportation and \$ 2.38 billion capital budgets, nor the construction dollars spent by local governments. And, every \$1 billion spent on nonresidential construction adds about \$3.4 billion to Gross Domestic Product (GDP) and \$1.1 billion to personal earnings, and creates or sustains 28,500 jobs.¹

The lack of understanding when identifying the ramifications to the construction workforce is both troubling and perplexing, especially when considering construction association executives participated in a meeting about unemployment compensation with the Administration several years ago, and one of the House Unemployment Compensation Debt Study Committee hearings was held at a construction apprenticeship training center.²

Ohio's construction industry is seasonal – the ground cannot be excavated, roads paved, nor concrete poured during much of Ohio's cold, frozen winters. Owners rarely break ground for

1. *Gongwer Ohio*, Volume #83, Report #192, Article #5--Friday, October 3,2014
2. Analysis from Professor Stephen Fuller of George Mason University for AGC of America on the impact of construction on the economy

new buildings, and ODOT's construction program essentially shuts down during the winter months. The seasonal nature of construction in Ohio makes it challenging to recruit and retain a skilled labor force. During the down time, the industry is reliant on reasonable unemployment compensation benefits to aid its workers and keep them in construction.

Like many other industries dependent on skilled labor, contractors have identified their ability to fill craft labor positions their top concern.³ Some of the changes to benefits contained in the as-introduced version of HB 394 would push the industry's skilled workers and future workforce into other areas of employment, exacerbating the need for qualified workers.

Areas of concern in HB 394 include:

- **Reducing benefit weeks to a sliding scale as low as 12 weeks (R.C. 4141.30):** Ohio's winter weather, especially in the northern part of the state, lasts more than 12 weeks. Rain can also delay work. (Last spring, jobs were delayed for nearly a month due to rain.) And, Ohio's weather does not abide by the state's economic conditions.
- **Earnings in at least three of four quarters - three quarters in their individual base periods (R.C. 4141.01):** As mentioned above, the seasonal nature of the construction industry may not allow for workers to be employed three of four quarters.
- **Additional waiting week to claimants whose earnings exceed their individual weekly benefits (R.C. 4141.29):** There are instances when contractors need manpower for a limited duration, often referred to as a "short call." Short calls are common for contractors that perform work in industrial or manufacturer settings during a facility shut-down, or for those that need someone with a very specialized labor skill or to operate piece of equipment for a brief time during a project. The industry has a difficult time finding skilled tradespeople willing to work short calls, and the proposed change would further penalize those workers and impact a contractor's ability to staff short calls and perform work over a short duration.

The vast majority of Ohio's construction workers want to work – they are paid only for hours worked and work as much as possible during the construction season. They do not abuse the system; the cyclical nature of the industry forces them to use unemployment compensation benefits when they're off work.

We sincerely hope the House is serious about reforming Ohio's unemployment compensation system in a manner that is fair and does not decimate the workforce of an industry so vital to this state.

3. AGC of America and Sage Construction and Real Estate survey, conducted as part of *The Challenges Facing a Growing Industry: The 2016 Construction Industry Hiring and Business Outlook*; www.agc.org.