



JOEL KITCHENS

STATE REPRESENTATIVE • 1ST ASSEMBLY DISTRICT

SB 373: Residency Requirements
Testimony of State Representative Joel Kitchens
Senate Committee on Government Operations and Consumer Protection
December 17, 2015

Thank you, Chairman Stroebel, and members of the Committee on Government Operations and Consumer Protection for holding this public hearing.

Earlier this year, a conversation with officials from the Roen Salvage Company in Sturgeon Bay alerted me to issues facing Wisconsin contractors when bidding on certain projects in Michigan. Michigan currently requires at least half of the laborers employed on state projects to be Michigan residents, in other words, to live in Michigan for a year. This practice generally has the effect of preventing Wisconsin companies from bidding on projects in Michigan and is harmful to an open and free market.

Senate Bill 373 requires contractors from neighboring states to follow their home state's residency requirements when bidding on similar projects in Wisconsin. Some neighboring states have policies that require bidders on certain projects to employ a specified percentage of workers from the state associated with the project. Such policies deter Wisconsin contractors from submitting bids outside of Wisconsin. However, contractors from neighboring states do not encounter residency requirements when applying to state projects in Wisconsin.

Make no mistake, I believe in the free market and I do not believe in protectionism. I believe that Wisconsin contractors will do just fine when competing on a level playing field with contractors from other states. I do not believe, however, that we should allow our Wisconsin contractors to be blocked from competing in those states while we allow their contractors to compete here. It is my hope that the result of SB 373 will be that those states stop enforcing these protectionist laws.

This bill only applies to states that actually enforce these laws. Illinois, for instance, has a similar law on the books but it is not currently enforced. If they begin to enforce the law in the future, SB 373 would apply. Michigan is currently the only neighboring state which enforces such a law. It is found in Section 18.1241a, Michigan Compiled Laws, as created by the 1984 Public Act 431.

The scope of SB 373 is designed to keep it simple and relevant to Wisconsin. Under this bill, the DOA is only responsible for tracking residency requirements in Illinois, Indiana, Iowa, Minnesota, and Michigan. Providing this specification reduces the bill's complexity and focuses on restrictions most relevant to our state. SB 373 will only be active in cases where, as in Michigan, a neighboring state utilizes a residency requirement. This approach balances addressing the impact residency requirements have on Wisconsin contractors while providing no interference with the rest of the economy.

Thank you for your time and consideration.



Frank Lasee

WISCONSIN STATE SENATOR
FIRST SENATE DISTRICT



Senator Lasee's Testimony **Senate Bill 373 – Reciprocity for State Contract Residency Requirements**

When our neighboring states create incentive programs that hurt Wisconsin companies, it hurts Wisconsin's economy. Rep. Kitchens and I created Senate Bill 373 as a way to put the shoe on the other foot for states that have statutes that are harmful to Wisconsin businesses.

Currently, Michigan has a provision in their statutes that requires that local governments give Michigan preference over Wisconsin businesses. Illinois also has a preference program, but it is only in effect when the unemployment rate in Illinois is over 5% for 2 months in a row. Illinois' preference program is currently not in effect.

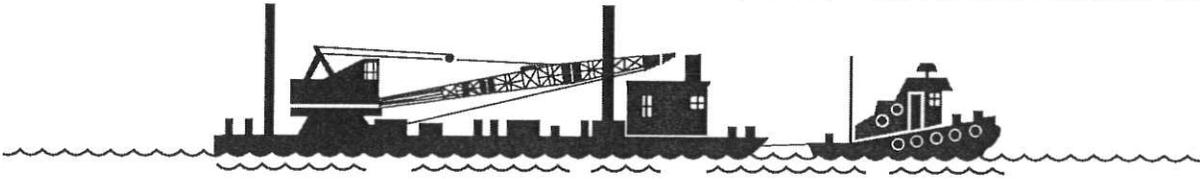
This bill creates a disincentive to states to create preference laws like Michigan has, and may create a situation where Michigan might want to repeal their unfair preference statute. While Michigan's law is in place, it also gives Wisconsin employees a hiring preference over Michigan companies who are competing for Wisconsin contracts.

Our bill broadens Wisconsin's existing reciprocity law by applying it to local government contracts as well as state contracts.

Thank you for your support of Wisconsin contractors by supporting this bill.

ROEN SALVAGE COMPANY

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MARINE CONTRACTORS

December 16, 2015

RE: Senate Bill 373

Labor Preference Equal to Neighboring State

I, Thomas M. Drager, 1379 County Road U, Sturgeon Bay, WI, President of Roen Salvage Company testify the following:

Roen Salvage Company is involved in interstate commerce working in the marine construction industry. The requirement by neighboring states to utilize a percentage of labor on contracts that are residents of that state has affected our ability to successfully obtain contracts in these states. Our personnel are highly trained and experienced in working off unstable, floating platforms dredging and performing offshore construction. When a project offered by another state specifies that we must use a certain percentage of local labor, we do not participate in the solicitation. Most projects have a three-month duration and it would be impossible to find trained, experienced personnel for that short duration. If Wisconsin would reciprocate by adopting a requirement for local labor, it would help to level the playing field and perhaps put pressure on neighboring states to eliminate the requirement from their contracts.

If Wisconsin adopts this labor preference act then out of state bidders on a specific project would evaluate and add the cost, if any, to employ the required percentage of Wisconsin residents. This would be good for the Wisconsin workforce while also keeping a level playing field with the neighboring state. Submission of certified payrolls is always required for State projects so it could be enforced by also requiring the submission of a "proof of residency." If a contractor can find local employees to satisfy their residency requirement by advertisement or from union organizations, the residency requirement will not prevent or discourage them from bidding on a project.

In no way does this act prevent an out of state contractor from bidding on a project. In no way does this act allow the state to show preference to any bidder after the bids have been opened. This act is only another requirement of the solicitation that must be considered by the bidder prior to submission of a bid.

Sincerely,

ROEN SALVAGE COMPANY



Thomas M. Drager, PE

President

TMD/ds.

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