

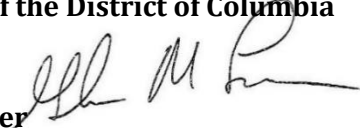
Government of the District of Columbia
Office of the Chief Financial Officer



Glen Lee
Chief Financial Officer

MEMORANDUM

TO: The Honorable Phil Mendelson
Chairman, Council of the District of Columbia

FROM: Glen Lee
Chief Financial Officer 

DATE: March 18, 2024

SUBJECT: Fiscal Impact Statement – Revised Project Labor Agreement Cost
Threshold Amendment Act of 2024

REFERENCE: Bill 25-469, Draft Committee Print as provided to the Office of Revenue
Analysis on March 4, 2024

Conclusion

Funds are not sufficient in the fiscal year 2024 through fiscal year 2027 budget and financial plan to implement the bill. The project labor agreement requirement at the new lower threshold of \$50 million will increase capital costs for four projects over the financial plan period. The bill increases these costs by \$1 million in fiscal year 2024 and \$27.3 million over the four-year financial plan period.

Background

The District requires¹ government construction projections that will cost \$75 million² or more to use a project labor agreement. A project labor agreement binds all contractors and subcontractors to the agreement's provisions; contains guarantees against strikes, lockouts, and other job disruptions; provides labor dispute resolution parameters; and establishes cooperation on matters of productivity, work quality, and workplace safety and health.

The bill reduces the project labor agreement requirement cost threshold from \$75 million to \$50 million.

¹ Procurement Integrity, Transparency, and Accountability Amendment Act of 2016, effective October 8, 2016 (D.C. Law 21-158; D.C. Official Code § 2-356.06).

² The \$75 million cost threshold excludes planning or ongoing operations and maintenance costs.

Financial Plan Impact

Funds are not sufficient in the fiscal year 2024 through fiscal year 2027 budget and financial plan to implement the bill. Project labor agreements are unique to each project and establish labor requirements at the start of a construction project to which all contractors and subcontractors must abide. A project labor agreement does not require the District to use union contractors, although it may have a union contractor component included. While non-union contractors are allowed to bid on a project or a project's component, in some cases they choose not to due to the pre-negotiated labor requirements. When non-union contractors choose not to bid on a project, it reduces competition and removes the competitive pressure among the remaining bidders to offer lower-priced bids.

In fiscal year 2019, the District provided enhanced funding for three projects to effectuate the project labor agreement requirement for projects costing more than \$75 million.³ Of those three projects, the Banneker High School project is completed, the St. Elizabeths Medical Center project is still under construction, and the H Street Bridge project has not yet begun. While it is not possible to establish the exact impact of the project labor agreement requirement on the costs of a project, the District's experience with the two projects completed or underway has shown that a project labor agreement impacts participation in some trades or components of the projects differently than projects without the requirement. The ten percent funding enhancement for these projects was spent on the projects' total costs and appears to have been sufficient for project labor agreement-related costs. The Office of Revenue Analysis maintains its assessment that the project labor agreement requirement will increase capital costs by ten percent.

There are four projects in the fiscal year 2024 through fiscal year 2027 budget and financial plan period, which are lower than the \$75 million threshold in current law, but higher than the bill's \$50mm threshold. These projects are estimated to experience cost increases of ten percent due to the project labor agreement requirement. The total cost increase for these four projects would be approximately \$1 million in fiscal year 2024 and \$27.3 million over the four-year financial plan period.

Revised Project Labor Agreement Cost Threshold Amendment Act of 2024 Bill 25-469 Increased Capital Costs Fiscal Year 2024 – Fiscal Year 2027 (\$ thousands)					
School Modernizations	FY 2024	FY 2025	FY 2026	FY 2027	Total
Drew Elementary	\$137	\$546	\$4,011	\$2,467	\$7,160
Green Elementary	\$611	\$3,191	\$2,575	\$0	\$6,377
Martin Luther King Elementary	\$136	\$543	\$3,391	\$2,453	\$6,523
Whittier Education Campus	\$146	\$582	\$3,636	\$2,909	\$7,273
Total Capital Cost Increase	\$1,028	\$4,861	\$13,614	\$7,829	\$27,332

³ Project Labor Agreements in Construction Procurement Amendment Act of 2018, effective October 30, 2018 (D.C. Law 22-168; D.C. Official Code § 2-356.06).

The Honorable Phil Mendelson

FIS: Bill 25-469, "Revised Project Labor Agreement Cost Threshold Amendment Act of 2024," Draft
Committee Print as provided to the Office of Revenue Analysis on March 4, 2024

Three additional projects fall within the approved six-year capital improvements plan, starting in fiscal year 2028. A ten percent cost increase for these projects is \$15.8 million over fiscal years 2028 and 2029.