



Chair Holvey and Members of the Committee;

My name is John Killin and I am the executive director of the Associated Wall and Ceiling Contractors of Oregon and SW Washington. Combined, our group of commercial drywall, acoustical and plastering contractors employ more than 3000 construction professionals. We were one of the lucky industries that was able to continue working over the last year with strong safety protocols and generally had very little interruption and only the rare quarantine. Thanks to the Families First Coronavirus Recovery Act, our employers paid anyone needing to stay home due to covid related circumstances. The vast majority of our employees are union members with strong fringe benefits including some variation of sick, vacation or PTO compensation. We strongly support such benefits and believe an employee should not become destitute just because they got sick or had a family emergency. On the Senate side we attempted to remain neutral so we could take a couple days to work with the proponents to fix the language. Unfortunately, at this point we have no choice but to oppose this bill as written not for the spirit but for the technical language.

Our full-time journey-workers make nearly fifty dollars per hour. It is not uncommon for even newer journey people to make a hundred thousand dollars a year plus employer paid pension and full family health, vision and dental. These are not minimum wage or unskilled workers with little or no access to financial protections if they miss work due to sickness. Our collective bargaining agreements protect their jobs and the existing Paid Time Off Accounts provide financial security that exceeds that provided by this bill. We want our employees to be as healthy as possible, so if they do get ill they can rest and get healthy without worry about their income. So we support the concept of sick leave including compensation. Further, we work hard on these relationships with our employees' Union representatives, we have in place mutually negotiated complicated and long-standing collective bargaining agreements and federally regulated ERISA trusts to provide for our employees' security.

So why would we be opposed to this bill? It's in the language. This bill suggests an option between traditional accrual or an employer paid trust or benefit program. But after exhaustive research over the last couple months, we have come to realize that a sick leave benefit program or trust, as described in this bill is not feasible. This is true for several reasons. First, creation of such a plan would require the opening of the collective bargaining agreement allowing us to negotiate and about a year of legal work to create. But this bill is effective immediately. Next, such a trust would require complicated administration, costing nearly as much to administer as the benefit itself. But in the end, even with a large bucket of money and a year delay in the effective date, we still could not create a plan that would satisfy this bill's requirements. This comes down to having to be substantially equivalent, pay income and payroll taxes and only being an employer only contribution. No other state has this exact combination of requirements. Combined with the complicated nature of trusts or benefit plans and CBA's, this just is not possible.

With the bill eliminating any practical use of a benefit plan option or counting our current plans, we are left with adding accrued time with each individual employer. We can do this without opening the CBA of course, but there are other pitfalls. For instance, some long-term employees will be able to use it but just fine. But employees who are just starting out or who come and go from employers on occasion, will not be able to use it. Once an individual leaves their company, they will have to start over with their accrual at the next company. In some trades, it is a requirement for apprentices to move around so that they get a well-rounded education, thus this bill provides very little to some of our most vulnerable employees. Construction is an industry of temporary projects and often temporary employees who shift from one company to the next and



back again. If we were to run sick leave in the same way that a standard office or restaurant did, the sick leave would regularly get left behind and become unusable.

Additionally, I don't believe the proponents have thought through the prevailing wage conflict. As we are left with a traditional accrual method, it would not be part of prevailing wage because it is not actually a part of the hourly wage nor can we make it a bono fide fringe benefit. Why would this matter? First, I will remind everyone that the sick leave law does not require employers with 10 or fewer employees to pay sick leave. However, it would appear that this bill does not make that exception. But even if it does, at least 90% of union signatory contractors will be instantly adding 2% to their total labor costs in the middle of already going projects along with all future bids. This means a new high school will cost about \$2 million dollars more to build than it does today. The additional problem here is a matter of fair competition. Nearly 95% of these contractors' non-union counterparts employ fewer than 10 employees and thus do not have to add the 2% increase to their bids. While prevailing wage and low public bids are meant to level the playing field while ensuring best value, this bill works against those fundamental public works concepts. Not to mention, this competitive disadvantage will mean fewer union jobs.

Please keep in mind that we already provide a PTO program that does not necessarily look very traditional but works great in the construction setting. The bulk of our full-time field employees are already pre-paid nearly three weeks of paid time off each year. They never lose it and they can use it any time they want. But under this bill, that program won't count. We have tried to recommend and negotiate identical plans to the proponents behind the bill but over the years they have repeatedly declined. We have received a legal opinion that our current benefit plans will not qualify under this bill, not by their value but by the letter of the law being proposed.

We also want it clear that the current exemption for signatory contractors was not a mistake or an oversight. This was intentional and it involved labor's participation to develop at the time. Every individual affected by SB 588 has the ability to work with their union representatives to negotiate changes in their labor contract. If the union leadership wanted a new or different sick leave benefit, they can most definitely bring that to negotiations.

I also need to point out that while other states have similar concepts, they have worked out exceptions for companies with collective bargaining agreements. Even the Washington law allowed time to negotiate something usable for the industry vs. this bill that is frankly going to place a lot companies instantly out of compliance the moment the bill is signed.

In closing, we support strong employee rights like a family wage, training, health insurance, retirement funds and the ability to take a sick day. But we are very concerned about what this language might actually require and that it won't provide the benefit the proponents are seeking. Further, we think thousands of companies are going to be out of compliance with this law due to its immediate effective date. We like to think that we have a great collaborative working relationship with our union partners which is why we are still confused by the existence of this bill and unfortunately why we have to ask that you either vote against it or amend it to make it more usable.

Thank you for your consideration.