



Dave Yost • Auditor of State

February 24, 2010

Members
Ohio School Facilities Commission
10 West Broad Street, Suite 1400
Columbus, Ohio 43215

Dear Members of the Ohio School Facilities Commission,

As Ohio's school districts face some of the most difficult budget challenges in our state's history, it is important now more than ever that we look for ways to cut costs. With that in mind, I'm writing to you to ask that you repeal the Commission's policy allowing use of project labor agreements ("PLAs") in school construction projects, particularly when a school district is in fiscal watch or emergency.

As I understand it, in 2007, the Commission amended its Model Responsible Bidder Requirements to allow the use of PLAs for school construction projects. These agreements, however well intentioned, may increase the construction costs for school districts at a time when they can least afford it.

Springfield Local School District in Summit County is an example. Springfield Local has been in fiscal emergency since 2007 due to fund deficits. This is the last and most severe stage of a school district's financial solvency problems. Yet, for its most recent construction project, the school is entering into a PLA that appears to significantly increase costs. I am also consulting with the Financial Planning and Supervision Commission overseeing the district's financial recovery to ensure this expenditure is consistent with that plan, but wanted to bring this to your attention as you review policies overseen by your Commission.

Available data and research offer conflicting views on the fiscal impacts of PLAs. The difficulty of controlling for the many variables in complex construction projects leads to more questions than empirical conclusions. However, by their very nature, PLAs distort the price-setting function of the markets. At best, they represent the purchase of certain conditions or process deemed by some to be valuable, but extraneous to the purchase of a new building – and that extraneous purchase must logically have a price. The tax-paying public deserves the benefit of the best price for the thing it seeks to purchase – a price set by a free, competitive market, unfettered by artificial constructs like PLAs.

Given the budget realities school districts face when they are in fiscal watch or emergency, every expenditure must be carefully weighed for its impact on a district's recovery.

Thus, school districts should select firms to do school construction work based on the lowest, most responsible bid. Therefore, I hope the School Facilities Commission will change this policy. Thank you for your consideration.

Sincerely,

A handwritten signature in black ink, appearing to read "Dave Yost", written in a cursive style.

Dave Yost
Auditor of State