



The Research Bureau

Spending Your Tax Dollars Efficiently and Fairly

When the Commonwealth's taxpayers entrust their public officials with their hard-earned money to provide for their health, safety and welfare, they have the right to expect that it will be spent efficiently, effectively, and fairly. The latest controversy involving the use of taxpayer money locally concerns the Worcester City Campus Corporation (WCCC), established by the state legislature as a nonprofit subsidiary of UMass Medical School. The corporation owns and develops real estate for the school. While it was established as a non-governmental entity, it has all the trappings of a government agency:

- Its bonds are government-backed.
- Its directors are state medical school employees.
- It reports to the Internal Revenue Service that it receives more than \$29 million in direct public support.
- It is considered a component unit of the University of Massachusetts, and accordingly, its consolidated financial statements are included in the University's annual financial report.¹
- It co-mingles its cash and marketable securities with the University of Massachusetts.
- According to WCCC's tax returns, the University of Massachusetts makes advances on cash and investments on behalf of the WCCC.

Nonetheless, the corporation is not subject to Chapter 149 of the Massachusetts General Laws which establishes the procedures on public bidding that need to be adhered to by all cities and towns in the Commonwealth and other public agencies, such as the Division of Capital Asset Management, which was responsible for overseeing the construction of the recently-completed Worcester Courthouse.

This exemption from public bidding laws enables the WCCC to limit the number of bidders on a project or to select a general contractor who can then choose among subcontractors without putting out bids. The Advanced Center for Clinical Education and Science (ACCES) scheduled to open in 2009, was built this way. In fact, the Corporation states that it has a preference for minority, women, local, and union contractors. But since

¹ WCCC's Notes to Consolidated Financial Statements June 20, 2006 and 2005.

84% of the construction workforce nationally is non-union, and a majority of women- and minority-owned construction companies operate as open or non-union shops, the corporation excluded most local construction workers, and the firms that employ them, from working on this publicly-financed project.

The Corporation also required that the \$90 million ACCES building be built with a Project Labor Agreement (PLA), a prehire collective bargaining agreement which shuts out non-union contractors from bidding on the project. In defense of its procedures, the medical school maintains that “autonomy from the public construction process has enabled the University to quickly put up high-quality buildings” in a “business-like and timely manner.” Contrary to the claim that PLA’s are somehow essential for sound public construction, however, the recently-completed Worcester Technical High School, which has become a national model for its functionality and the quality of the project, was constructed under public bidding laws, without a PLA, and was completed on-time and within budget. (By contrast, Boston’s Big Dig, on which a PLA was instituted, was notoriously plagued by shoddy workmanship, cost overruns, and worker fatalities.)

The Research Bureau outlined the problems generated by PLAs in our 2001 report, at a time when the bidding process on construction of the Worcester Technical High School was about to begin. Our research indicated the following:

- PLA’s are not needed to secure “fair” wages to workers on public projects, since such wages are already guaranteed under Massachusetts “prevailing wage” statutes.
- PLA’s tend to discriminate against nonunion workers, by requiring them if they are hired on a project either to join the union or else to contribute agency fees to the union as well as pay into its benefit funds, from which they are unlikely to derive benefits themselves.
- PLA’s tend to constrict the number of bidders on a project compared with those without PLA’s, and are likely to reduce the savings to the public that would accrue if nonunion contractors who are employed were allowed to follow their customary methods.
- As a result, PLA’s have been shown to add 15% to 20% to the cost of a project.
- PLA’s tend to be discriminatory because most smaller contractors are nonunion, particularly women- and minority-owned businesses. Therefore PLA’s tend to have a detrimental effect in particular on the opportunities available to them.
- Under Massachusetts State court decisions, PLA’s are allowable under state competitive bidding projects only for projects of sufficient “size, duration, timing, and complexity.” The construction of single buildings on a 67-acre campus would not seem to qualify under that definition.²

There should always be a high degree of fairness, transparency, and accountability for government expenditures of taxpayer dollars. But at a time when citizens’ own resources

² *Callahan v. Malden*, 430 Mass. 124 (1999) at 133.

are being constrained by such developments as rising energy prices and the collapse of housing values, adhering to these democratic standards is imperative.

The complete report discussing these findings can be found at www.wrrb.org.

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